



## Purchaser Value Network (PVN) Value-Based Purchasing Backgrounder

### What is Value-Based Purchasing?

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Value-based purchasing is a strategy used by purchasers to promote quality and value of healthcare services. The goal of any value-based purchasing model is to shift from paying for quantity of care to quality of care with the ultimate goal of reducing the growth of healthcare spending and improving patient outcomes.

Examples of such payments include pay-for-performance programs that reward improvements in quality metrics; medical homes for care coordination; bundled payments for episodes of care; and accountable care arrangements that promote coordination between providers.

By leveraging their power to purchase care based on quality, service, and cost, rather than cost alone, purchasers can help to transform healthcare to a value-driven system in which higher quality care is achieved at the lowest possible cost.

Examples of value-based payment models include:

- **Accountable Care Organizations.** Providers and hospitals share responsibility for coordinating care and achieving healthcare quality and cost metrics for a defined patient population.
- **Bundled Payments.** Purchasers compensate providers with one pre-determined payment for an episode of care, which is defined as a set of services delivered to a patient over a specific time period.
- **Patient Centered Medical Homes.** The patient centered medical home is a team-based approach whereby physicians, nurses and medical assistants, pharmacists, mental health providers, nutritionists, social workers and care coordinators are coordinating care for a patient through the patient's primary care physician.



## **Why is Value-Based Purchasing Necessary?**

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The U.S. healthcare system is not delivering consistent high quality care. Despite having the most expensive healthcare system in the world, our healthcare is notoriously fragmented and inefficient, characterized by poor coordination, waste, a deficit of preventive care and high unsustainable costs. Fee-for-service payment, where providers are rewarded based on quantity rather than quality is a fundamental problem with the system.

Our current healthcare system is designed to pay for volume – the number of medical services delivered – not the value of those services. Value is far more important; it considers the results of the services provided in exchange for the costs incurred. Today, physicians and hospitals are not financially rewarded for delivering high quality care. They also have little financial incentive to work together to improve the patient’s overall health and experience in the healthcare system.

If we change the way healthcare is paid for – not just on quantity but on quality and service – we will change the way it is delivered and achieve better outcomes at lower costs. This is the fundamental principle of value-based purchasing.

**For more information and resources related to value-based purchasing, visit [www.PVNetwork.org](http://www.PVNetwork.org).**