

Running into a Federal Budget Crisis: Can Value-Based Care Save You?

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.com



Educational Webinar Series

Photo by Arthur Hidden on Freepik



About Roji Health Intelligence

- We provide Value-Based Care technology and services to providers.
- Our powerful tools identify patients at risk and target health interventions.
- Roji Health Intelligence is a CMS-qualified ONC-certified registry for QPP reporting, and we report eCQMs and CQMs.
- Roji Episodes reveal cost variations and drivers to generate strategies to address Total Cost of Care.

Failure is an option here.

If things are not failing, you are not innovating enough.

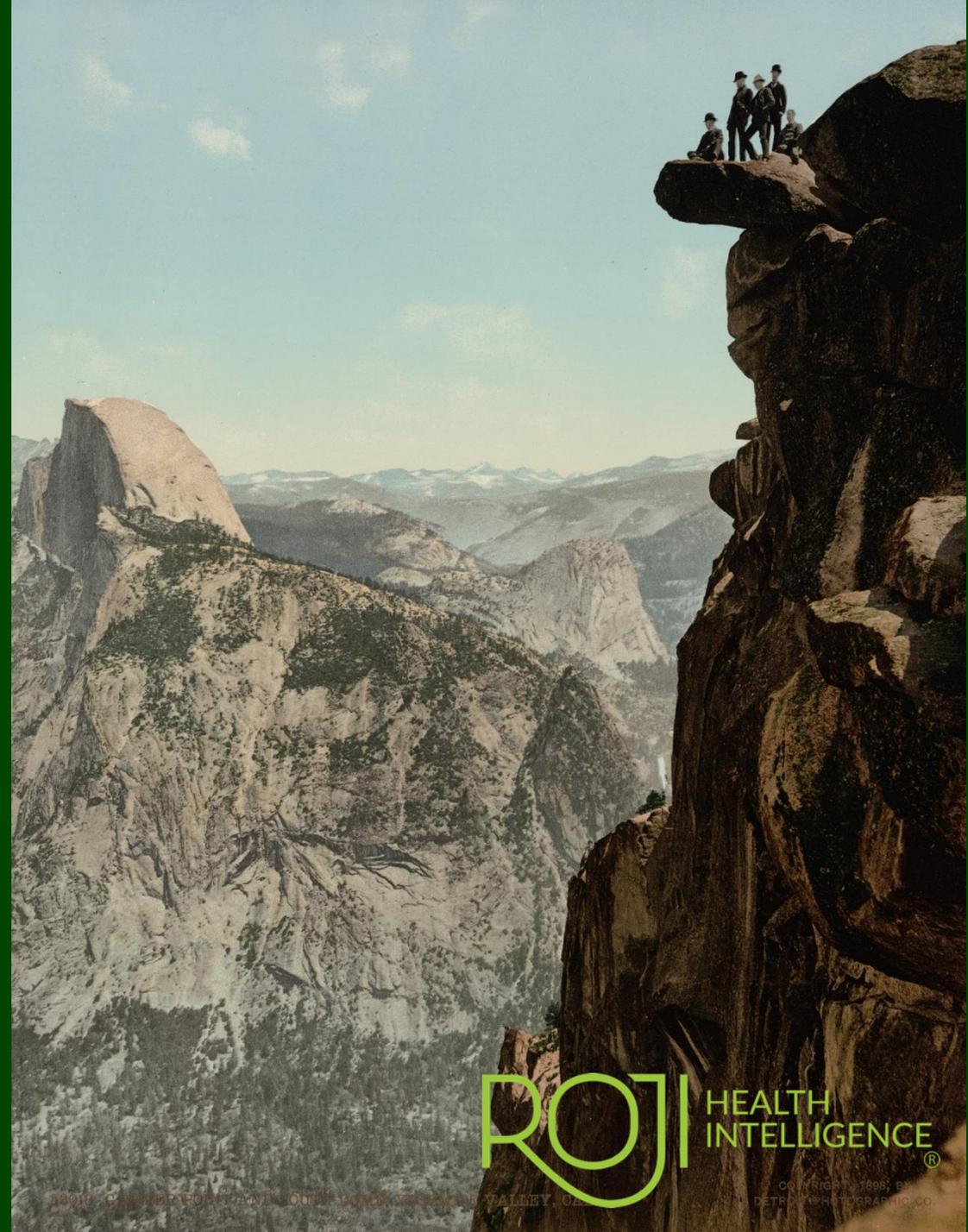
-Elon Musk



Failure is not an option.

-Flight Director Gene Kranz,
Apollo 13 Landing Mission

Photo by William Henry Jackson, 1898



Polling Question 1: Do you believe there will be huge budget cuts in federally funded health care?

A. No. That won't happen.



Image by Patrick Perkins on Unsplash

B. Yes. Preparing for it.

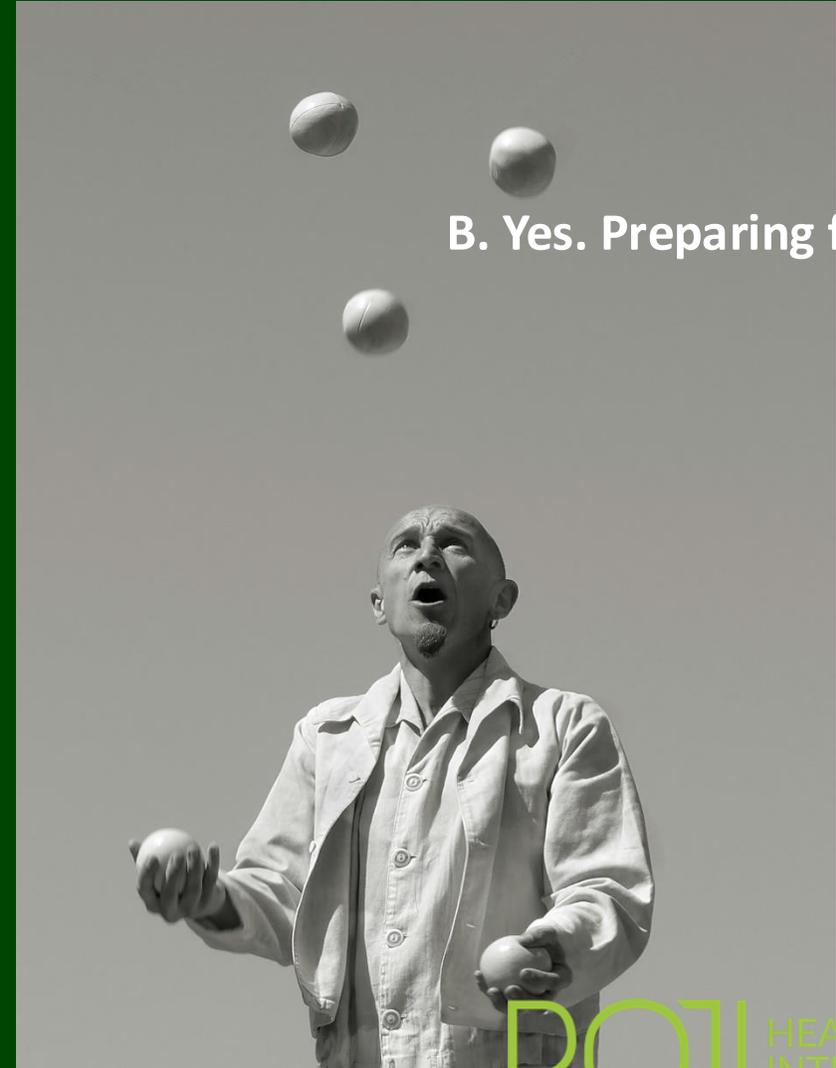


Image by Marco Bianchetti on Unsplash

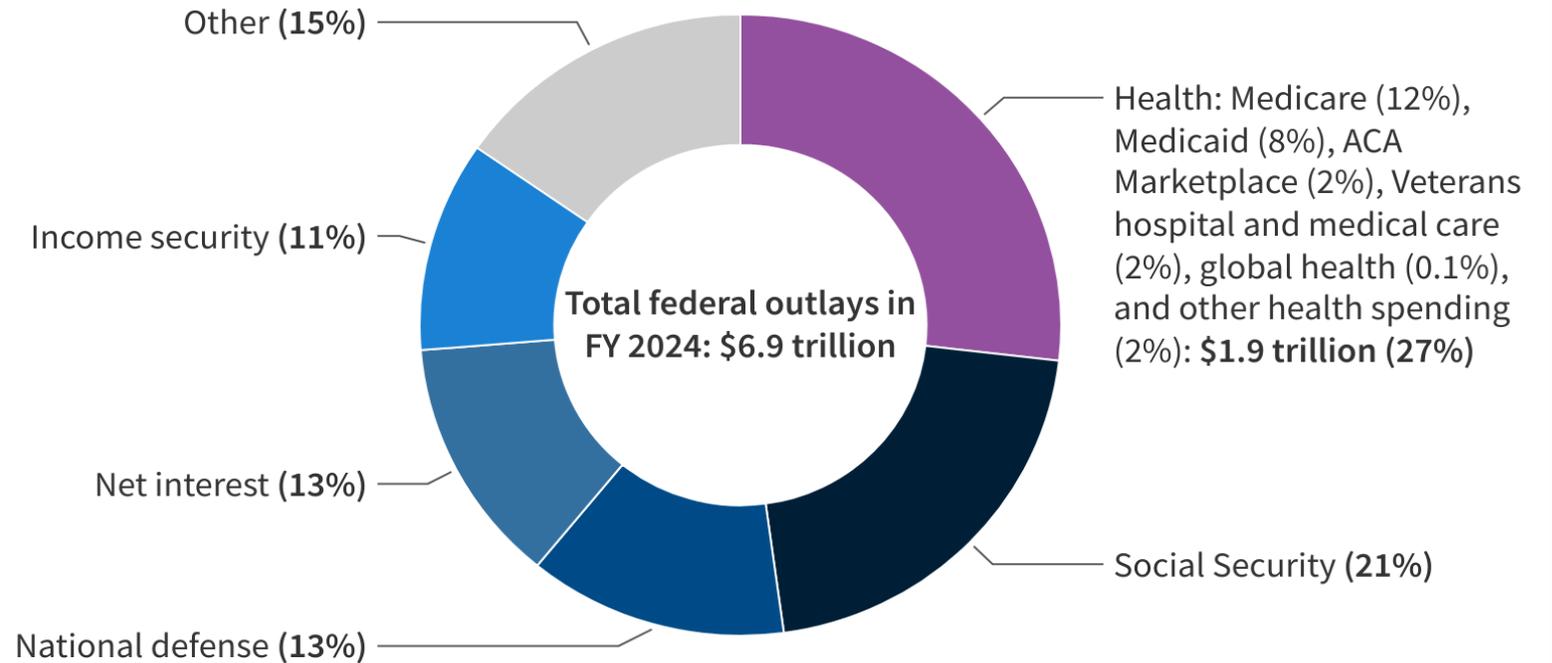
Part 1: The Reality of Federal Budget Cuts

Believe.

Health Care is 27% of Federal Budget

Federal Spending on Health Programs and Services Accounted for More Than One Fourth of Net Federal Outlays in FY 2024

Total federal outlays on health programs and services amounted to \$1.9 trillion in FY 2024

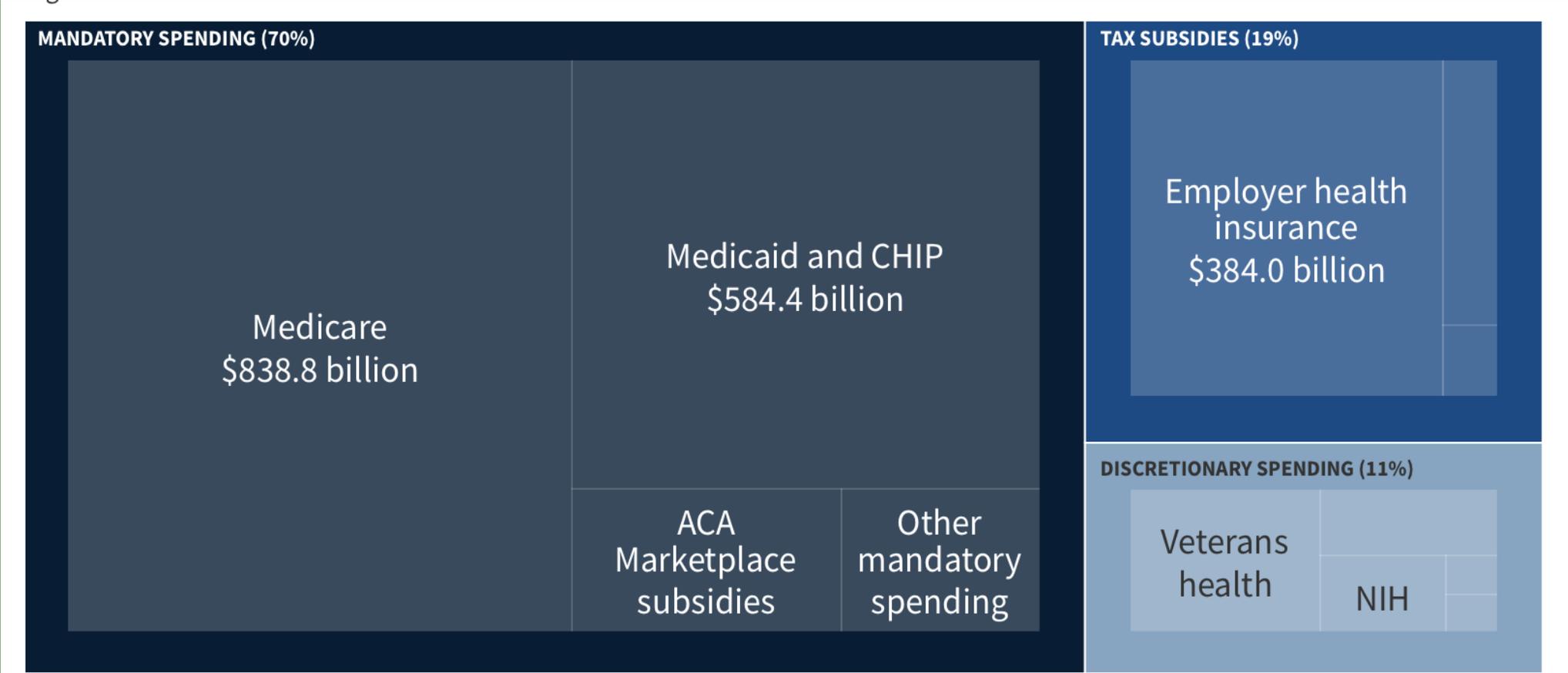


Note: FY is fiscal year. ACA is Affordable Care Act. Includes both mandatory and discretionary spending. Health includes all spending in budget function 570: Medicare; budget function 550: Health (551: Health care services; 552: Health research and training; and 554: Consumer and occupational health and safety); budget function 703: Hospital and medical care for veterans; and the 'Global health' category of spending within budget function 151: International development and humanitarian assistance.

Source: KFF analysis of data from Office of Management and Budget, FY 2025 President's Budget, Table 25-1, Budget Authority and Outlays by Function, Category, and Program.

KFF

80% of Federal Health Spending pays or subsidizes health insurance



Source: KFF analysis of data from Office of Management and Budget, FY 2025 President's Budget, Table 25-1, Budget Authority and Outlays by Function, Category, and Program; U.S. Department of the Treasury, Estimates of Total Income Tax Expenditures for Fiscal Years 2024-2034; Congressional Budget Office, Health Insurance and Its Federal Subsidies: CBO and JCT's June 2024 Baseline Projections.

Another Federal Goal for Costs: Limit Growth

An Aging Population Contributes to Higher Medicare Enrollment

Number of People Enrolled in Medicare, 2020 & 2060

2020



2060



Source: 2024 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, Table V.B3—Medicare Enrollment.

KFF

Proposed Health Care Cuts Reduce Provider Revenue

Changes in Reimbursement and Cost Formulas	<ul style="list-style-type: none">• Reduction / Elimination of NIH research funding• Site-neutral payments to hospitals• Phase out Medicare payments for bad debt• Reduce or eliminate pymts for uncompensated care• Adopt block grants for GME• Reduce Medicaid – floor on cost sharing, per capita caps• Eliminate tax-exempt status for non-profits• Eliminate payment models that funded VBC infrastructure
Change eligibility (Medicaid)	<ul style="list-style-type: none">• Change eligibility requirements• Eliminate expansion programs
Cut Medicaid services	<ul style="list-style-type: none">• Repeal Medicaid home- & Community-based Services

Hardest Hit in Revenues:

- Hospital and hospital-based systems, especially those in poorer areas
- Academic hospitals
- All providers with high Medicaid or uncompensated care

How Cuts Will Affect Health Care without Provider Action



Treatments



Referrals & linked providers

Quality



Patients losing coverage



Residency Programs

Access



Employed Physicians

Can Health Systems Make Up for Cuts?

In 2024, there were 72 Health
System / hospital mergers.

30% involved one distressed
partner



Part 2: Can Value-Based Care Save You?

Do You Actually Have Another Choice?

CMS Value-Based Care Will Change

- 4 Value-Based Models are already destined to end early:
 - Primary Care First
 - End-Stage Renal Disease Kidney Choices Model
 - Making Care Primary
 - Maryland Total Cost of Care
- Says ending models will save \$750 million
- Statements anticipate that Value-Based Care will be evaluated based on reducing costs.

“The Centers for Medicare and Medicaid Services (CMS) Innovation Center is committed to testing – and eventually scaling – innovative payment models that meet the **statutory goals of reducing program spending** while maintaining or improving quality of care.”

CMS Payment Models Still in Play: Primary Care

Various ACO Models:

- MSSP ACO
- ACO REACH
- Vermont All-Payer ACO Model
- ACO Primary Care FLEX (participants announced 2025)

- Pennsylvania Rural Health Model

See the signs of what's ahead.

- Emphasis on limiting cost
- Investment in primary care not government line item
- Need to demonstrate shorter term gains from models
- Less CMS staffing to oversee multiple/complicated models
- Less interest in shaping health care system or helping providers.
- Big interest in getting government out of health care business



Image by Marcus Kauffman on Unsplash

Prognostications

- ACOs will continue but:
 - Downside risk will be required/dominate
- If ACO REACH saves money, will survive
- Specialists - Episodic payment models will grow and be mandatory
- Medicare Advantage growth
- Providers will need to participate in payment models



Why does Current Administration like Medicare Advantage?

- Gets government out of insurance business
- Easier to limit costs by capitated payment to MA plans
- Fits into privatization strategy
- Decreases federal employee count/weight of federal government
- Distance from activities in claims denials

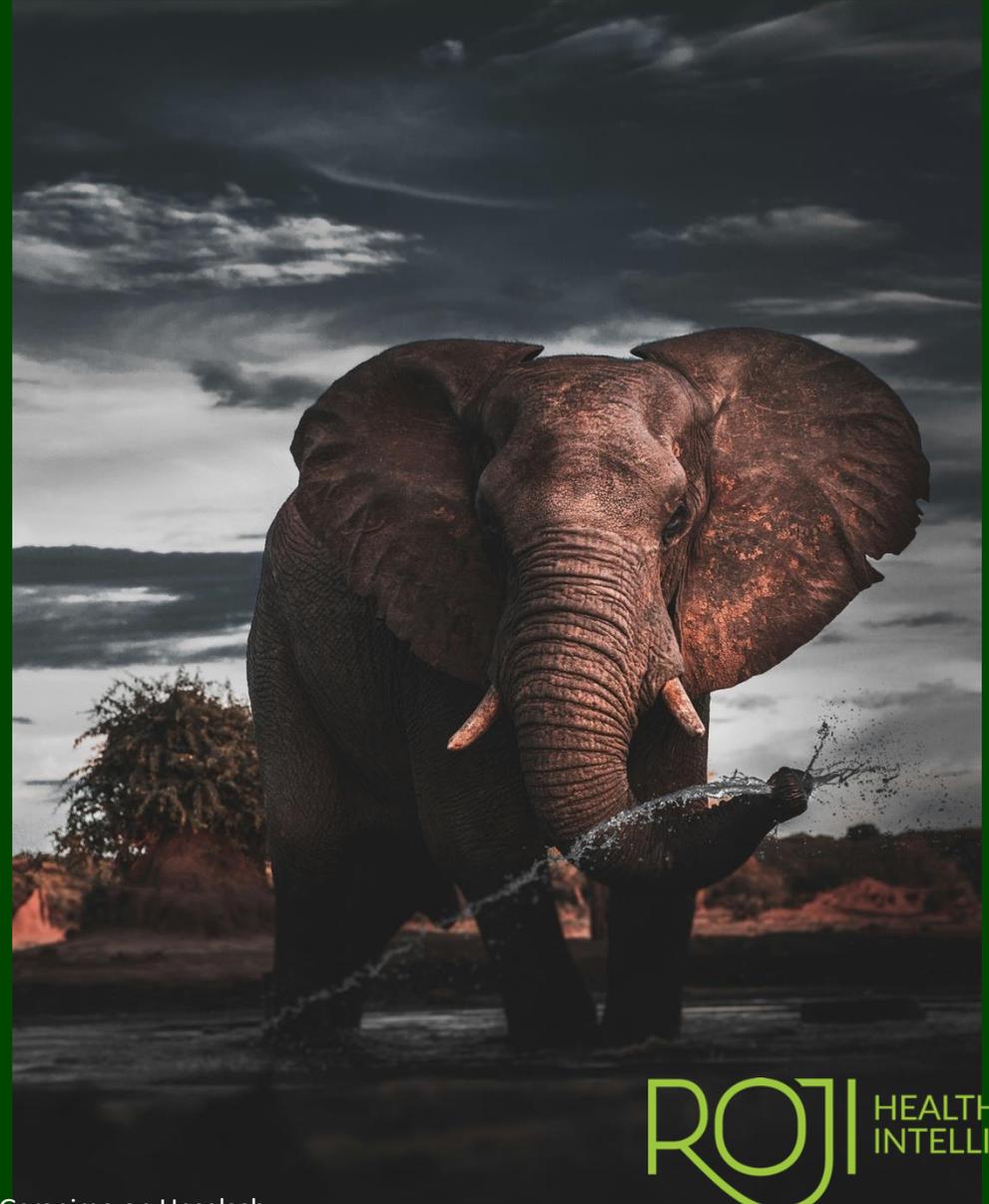


Image by Geranimo on Unsplash

Part 3: Smart Strategies for Providers

CMS Value-Based Care Models With Provider Cost Control Potential

- Payment models with per capita or episodic reimbursement
 - ACO REACH
 - TEAM
 - Enhancing Oncology Model
 - ACO PC FLEX
- MSSP ACO
- Medicare Advantage, if strategically focused

Key Active Specialty Models

- Single-Specialty Focused Payment Models
 - Enhancing Oncology Care Model
- Transforming Episode Accountability Model (TEAM)
(Announced 8/2024)

Enhancing Oncology Care Model



Image: National Cancer Institute

- Chemotherapy model
- Paid on episode “performance”
- Measured by cost and quality measures
- Best to have specialized analytics for examining cost drivers & trends

What's Important about EOM?

- Specialty episode-based payment model that focuses on coordination of patient needs beyond cancer treatment
- Practices get claims data, so allows building of clinical episodes beyond the 6 months for comparative analysis of costs
- Practices at financial risk

TEAM: Surgical Episodic Payments



You don't need to try out for this team.

Transforming Episode Accountability (TEAM) Model

- 5-year Mandatory Model with 3 risk tracks, in selected CBSAs for now).
- Hospitals in prospective payment must also participate
- 7 procedures in these categories:
 - Lower Extremity Joint Replacements
 - Spinal fusion
 - Surgical Hip Femur Fracture Treatment
 - Coronary Artery Bypass Graft
 - Major Bowel Procedure

Why Providers Should Consider VBC Payment Models in 2025



You can be more
than this.

Image by Raoul Croes on Unsplash



Photo by William H Rau, 1895

1.
You have faced
worse than this
journey.



Photo by David Baker on Unsplash

2.
You want to
sustain and
build into
the future.



Image by Michael Dzedzic on Unsplash

3.
You are at the
pinnacle of
excellence.

Benefits for all ACO Models

- Enhanced predictive payment
- Claims data to be able to manage costs
- Attribution of patients to you
- Your physicians get a bonus (for now)

- Assumptions:
 - You accept downside risk
 - You aggregate data to determine where costs can be reduced
 - You take action to reduce them

- Bottom line: ACO will only be a beneficial enterprise if you successfully meet cost criteria.

Benefits for Specialty Models

- Positions your specialty physicians for better referrals
- Predictable revenues
- Ability to use data to reduce cost variation and identify overruns
- Gives you greater cost leverage with specialists
- Can be used within/outside ACOs, once negotiation is allowed
- Smart to be part of negotiations with private health plans

- Assumptions:
 - You build episodes to identify variation and cost drivers
 - The data is transparent for surgeons / specialists for collaboration

Other Smart Strategies

- If you both own an MA plan and negotiate with MA plans, reconsider
- If you have an ACO and you negotiate with MA plans outside your ACO, reconsider
- If your ACO includes specialists, reconsider
- Develop solutions to getting data more easily and sharing with participating physicians
 - If this means changing systems, find a solution that saves money for all
 - Involve physicians in how data sharing and data feedback should work
- Organizational strategies to target costs

Road Forward



AI Adobe Stock Photo

Central Organizational Strategies to Cost Control

1. Pivot your Organization to Value-Based Care.
2. Aggregate data for Value-Based Care and cost management.
3. Curate data and analytics for cost variation and identifying cost drivers.
4. Build a pipeline of improvements and interventions for your processes and patients.
5. Share data with your providers.

Major Ways to Pivot Organizationally to Value-Based Care



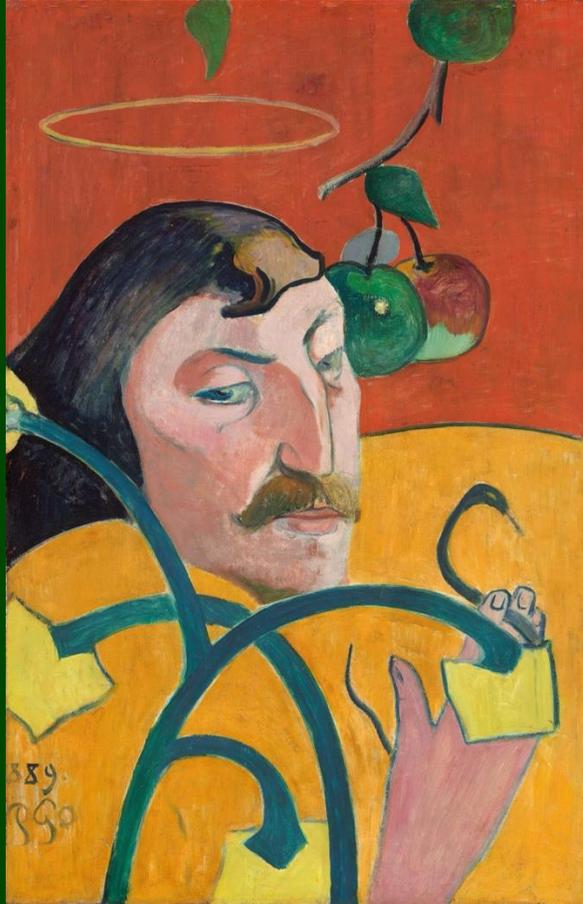
National Gallery, Rogier van der Weyden, 1432

- Align with VBC patient-centric approach with clinical teams, led by physician.
- Adopt initiatives in response to patient-expressed needs, like price transparency.
- Change compensation to match VBC goals of cost and outcomes, rather than only volume.

Polling Question 2: Will Value-Based Care Help Providers Survive Cuts in the next 4 years?

A.

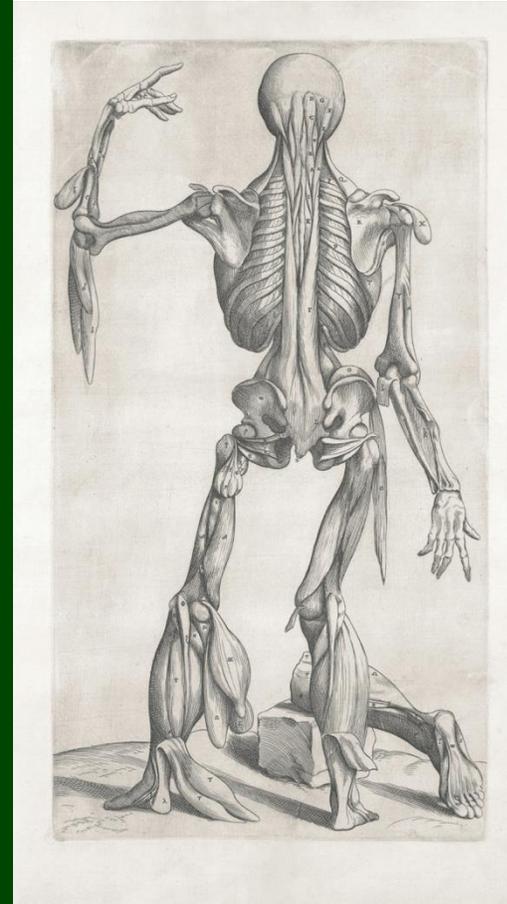
Yes, there will be an adjustment period and then growth under VBC.



National Galley, Paul Gauguin, Self-Portrait

B.

No, we are going to be cut to the bone.



New York Public Library



Photo by [kenny goossen](#) on [Unsplash](#)

Wrap-Up

Value-Based Care is Pivoting to Cost

- Cuts will be deep for providers, especially hospitals and academic centers.
- Payment models are already changing - the "carrot" is disappearing.
- Plan for shifts to capitation, episodic payments.
- ACOs especially must facilitate changes in systems and practices among disparate practices



Questions and Answers

Stop by our ACO Exhibit Hall Virtual Booth



[Visit the Roji Health Intelligence Booth](#)



Thank You!

Roji Health Intelligence LLC

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