



Systemic Risk: Industry Veteran Steve LeFar Discusses the Value-Based Care Imperative and Points to Software Industry for Inspiration

Steve Lefar is a three-time CEO with nearly 30 years of experience in healthcare with expertise in strategy, analytics and software. In June of 2018, Steve joined Strata Decision Technology as Executive Director of StrataDataScience (SDS) and StrataSphere®, Strata's collaborative cross client data initiative. Wildflower recently interviewed Steve about the systemic risks posed by the fee-for-service model, and the shift to value-based care.

You see fee-for-service as a systemic risk to the U.S. healthcare system. Can you elaborate?

The US healthcare system almost went under in a matter of weeks because of our reliance on the fee-for-service payment model and the impact of COVID. It highlighted more than ever why providers need to be paid on outcomes, not activities. What this laid bare is that we literally have a system that is so addicted and predicated to FFS revenue that any demand shock takes us down. We have to change this. It's clear that incentives aren't aligned. The economics don't flow. This is true for clinicians, payers and even patients.

We conducted a research study to examine the impact of the pandemic on provider revenue. What we found was that within the first six weeks of COVID there was a 50 percent drop in income. The most profitable services were the first to go, surgeries for hips, knees, eyes. But across the board we saw massive reductions in utilization. As a result, the time when we needed providers the most, they needed a bailout. We just can't afford for this to be the reality. In a lot of geographies, you have one or two systems who share the market. They are basically a social service agency and the biggest employer in town. It's a situation of being too big to fail. So to that point, fee-for-service is a systemic risk to the entire U.S. healthcare system. You can't call it anything else.

As an industry, we have to move away from transaction-based care to longitudinal relationships with patients. Would you agree?

In the case of women's health, while we do pay for preventive care, it's very transactional. We have a system based on transactions, not on relationships. To me, value-based care and relation-based care are actually part of the same equation. A lot of times, we think about value as monetary. But it's also about health and achieving the best outcome. For pregnancy, truly engaging with patients from pre-conception all the way through delivering healthy babies should be the goal. At the end of the day, this is how most doctors want to practice. They want to go beyond the 15 minute visit. They want a relationship with each patient and their family. In the current model, we just can't afford to accomplish it.

Do value-based care arrangements create financial uncertainty for providers?

If you think about value-based care, it actually offers more predictable revenue streams. This move to value-based care is a lot like the software industry and its transition from license fees to subscription

revenue. You take a little hit in the short term, but it's more stable. You can predict, forecast, budget. I can see in five years that we will have largely shifted to subscription revenue in healthcare, riding a similar model to the one that built the tech sector into the powerhouse it is today. The most successful, most high-performing industries have transitioned away from transactions. Healthcare hasn't yet, but we are on the cusp of a similar revolution.

Are there risks for providers who are entering into value-based models?

There is definitely risk for providers. You need the right data to understand your risks, and a care delivery model focused on delivering against this approach. Providers must use the data they already have to successfully enter these arrangements and model the economics required for the shift. If you're able to do cost accounting and you know a lot about your patients, you can begin to understand what is required for you to deliver high-quality care. And from there, you can determine what is best for you in a value-based care model and proactively approach your payer partners.

There seems to be a lot of buzz about value-based care, but is this shift actually accelerating?

The conversation around value based care is definitely accelerating, but there's a challenge because providers have to keep their doors open and stay afloat in the meantime. It's all great, but they don't have time or bandwidth to get it all done. Not without additional support.