



RESEARCH REPORT

Payment Methods and Benefit Designs: How They Work and How They Work Together to Improve Health Care

Benefit Designs for Alternative Sites of Care

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Payment reform promises to substitute value for volume. Yet, value- and volume-based approaches typically are implemented together. All payment methods have strengths and weaknesses, and how they affect the behavior of health care providers depends on their operational design features and, crucially, on how they interact with benefit design. Those seeking greater value for their health care dollar are also turning to innovation in benefit design, which also typically involves the implementation of more than one approach at a time—each with its own strengths, weaknesses, and effect on consumer health care behavior. Although payment and benefit design each has received significant attention independently, the intersection between the two has received little if any. The Urban Institute partnered with Catalyst for Payment Reform to explore how established and proposed payment methods and benefit design options work on their own and together. We also examined how payment and benefit design can be blended to improve health care delivery. This chapter is one of the seven benefit designs discussed in the report *Benefit Designs: How They Work*. All reports and chapters can be found on our project page: [Payment Methods and Benefit Designs: How They Work and How They Work Together to Improve Health Care](#).

Benefit Designs for Alternative Sites of Care

Alternative sites of care are locations where patients can receive the care they need at a lower cost than from traditional venues such as hospitals. Examples of alternative sites include worksite clinics, urgent care centers, retail clinics, and telehealth services. In addition to alternative sites being less expensive for payers and purchasers, patients who seek care from alternative sites often have lower out-of-pocket costs than if they receive care from traditional sites like the emergency department, other hospital-based clinics, or other more costly sites.

Alternative sites can also be more convenient for consumers than traditional sites of care. For example, worksite clinics are located in or near the employee's workplace, allowing them to receive necessary services during their workdays. Urgent care centers are often closer to where consumers live than hospital emergency department. Retail clinics, such as those within a Walgreens or CVS, are universally located and generally easy to access. Telehealth services are offered via telecommunications, allowing patients to seek care without leaving their homes or workplaces. Therefore, alternative sites can be both less expensive and more convenient for consumers.

For example, consumers are offered telehealth services both to reduce inappropriate use of costly health care services and to enhance access to care, as many office visits can be handled over the phone. With savings that can range from \$300 per year for an individual to over \$1,000 per year for a family of four, telehealth translates into lower out-of-pocket costs for consumers. Additionally, telehealth can make communications with providers easier, especially if time or geographic barriers separate the consumer and the provider. However, most consumers today receive telehealth services from physicians other than their own, though this is likely to change over time.

For consumers to use alternative sites of care over traditional venues, benefits can be structured so that out-of-pocket costs (co-pays, co-insurance or deductibles) are lower for receiving particular non-emergent services from the alternative site. For example, a patient seeking an ear check for possible infection at a retail clinic could pay \$40, compared to \$84 for an in-person visit to a primary care doctor's office.

Alternative sites will generally be less expensive for consumers than the emergency room or another costly site. However, more and more consumers are electing narrow network products at enrollment. For products that restrict from which providers consumers can seek care, an alternative site may end up being more expensive (e.g., a \$40 flat fee at a retail clinic versus a \$30 deductible at the doctor's office). Narrow networks should aim to include less expensive alternative sites of care.

Key Objectives of Benefit Designs Supporting Use of Alternative Sites of Care

A major objective of benefit designs that encourage the use of alternative sites of care is to shift care from expensive sites, like the emergency department or the hospital, to less costly sites. Thus, consumers' out-of-pocket costs are reduced for sites that are less costly than traditional venues.

Another objective of alternative sites of care is to reduce barriers to consumers receiving appropriate care when they need it. Many consumers face difficulties with access because their geographic location lacks providers or because of their workday.

Strengths

- By providing incentives for consumers to use alternative sites of care, they may be more likely to get the care they need and seek it from a less expensive location.
- Many consumers face logistical barriers to receiving necessary care because of geographic location or their work schedules. Alternative sites can enhance access to medical care by providing consumers with more convenient options, such as clinics at their worksites or in their local pharmacies, or care through telecommunications.
- Consumers who do not receive coverage for services rendered in the emergency department, or face high out-of-pocket costs for hospitalizations, may have less expensive options for receiving the care they need.
- If consumers are receiving care at alternative sites rather than the emergency department or another expensive site, health care costs could decrease.

Weaknesses

- The site where patients have the lowest out-of-pocket costs may not be the highest quality for the service they seek. The service may require particular infrastructure or tools that an alternative site will not have.
- Alternative sites may be inconvenient for some consumers. Certain patients may not have the technology to accommodate telehealth services. Others may not have the ability to transport themselves to an ambulatory surgery center or another clinic and would be more likely to call an ambulance to visit the emergency department.
- If the alternative site has no connection with the patient's primary care physician, continuity of care may suffer and the doctor-patient relationship may be disrupted.
- Alternative sites take volume away from emergency rooms. Therefore, they may affect hospitals' ability to pay their high fixed costs.
- If a patient is enrolled in a narrow network product, an alternative site may not be less expensive unless the network includes the alternative site in-network.

Design Choices to Mitigate Weaknesses

Cost-Sharing

Consumer out-of-pocket costs are typically structured so that they are lower at an alternative site than at a traditional site of care. This distinction is meant to incentivize the consumer to seek care from the lower-cost site. Benefits can also be designed to waive costs entirely. The incentives must be significant enough to change traditional consumer care-seeking patterns.

Selecting Alternative Sites

Traditionally, alternative sites are chosen because they are less expensive and perhaps more convenient for consumers than traditional sites of care. In some cases, alternative sites may not be convenient for a patient population. Therefore, geography and patients' resources should be considered when implementing cost-sharing.

Availability of Price and Quality Information

Transparency tools can show consumers the relative value of receiving care from one site versus another (i.e., alternative sites versus traditional). This information can help point consumers toward higher-value options. Additionally, providers should have access to information about the relative value of care received from alternative versus traditional sites. Access to this information can help providers make referral decisions that are less expensive and more convenient for the consumer. Through their involvement in these referrals, providers can ensure continuity of care. Additionally, transparency tools often provide helpful information such as providers' hours of availability.

Data for Care Continuity

Health information technology that allows communication across multiple sites of care and multiple providers is essential for continuity of care. Without it, communication between providers at an alternative site and the patient's primary care physician will be more labor intensive, or even absent.

Compatibility with Other Benefit Designs and Payment Approaches

Value-based insurance design (V-BID) could be used with alternative sites to lower patients' cost-sharing for receiving clinically beneficial services at clinically beneficial sites. For example, a patient would have lower out-of-pocket costs if they were to receive an immunization at a retail clinic versus at a hospital or another more costly site.

V-BID could also be used to decrease consumers' use of the emergency room. For example a program could require patients who wish to go to the emergency room during their providers' office hours to first contact their primary care physician by phone. If patients do not follow this protocol and visit the emergency room during their primary care physician's office hours, their cost-sharing could be significantly higher.

Narrow networks should include some alternative sites of care in-network; otherwise the cost for a consumer to receive care from an alternative site may be more than the cost of receiving care at a traditional venue.

Cheaper alternative sites of care work well with the fee schedule, if the payment amount represents a downward adjustment of the fee schedule compared to payment amounts for the same care at traditional sites.

Worksite clinics may work well with capitation (a per member per month payment). If the provider is at risk for the cost of care, the incentives of the provider—to spend under the capitated amount—and the consumer—to seek lower-cost care—align.

Telehealth services offered by health care providers to extend office hours may pair well with capitation or other population-based payment. With these payment designs, providers have an incentive to minimize unnecessary use of higher-cost services.

Focus of Performance Measurement

Any shift in the place patients obtain care should be monitored for its influence on both spending and quality of care. Ideally, those who introduce benefit designs to encourage the use of alternative sites of care would track patients' satisfaction, access to care, and resolution of patients' health care needs. If

alternative sites of care are too narrow in their capabilities, patients may need to seek additional care, diminishing their workplace productivity and potentially adding to costs.

Potential Impact on Provider Prices and Price Increases

Alternative sites of care introduce competition for traditional sites of care. By changing incentives for patients, use of services in high-cost sites of care is likely to decrease. If patients are directed to more cost-effective sites of care, where providers are paid a lower fee for their services, other providers in the market may lose patients and associated revenue. The loss of patient volumes can be of great concern to providers. Therefore, they may renegotiate their fees to compete with more cost-effective sites of care. Competition may lower prices, but alternative sites may also have lower cost structures, contributing further to their ability to charge less than traditional sites.

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A [technical expert panel](#) advised the project team and reviewed the reports at different stages.

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