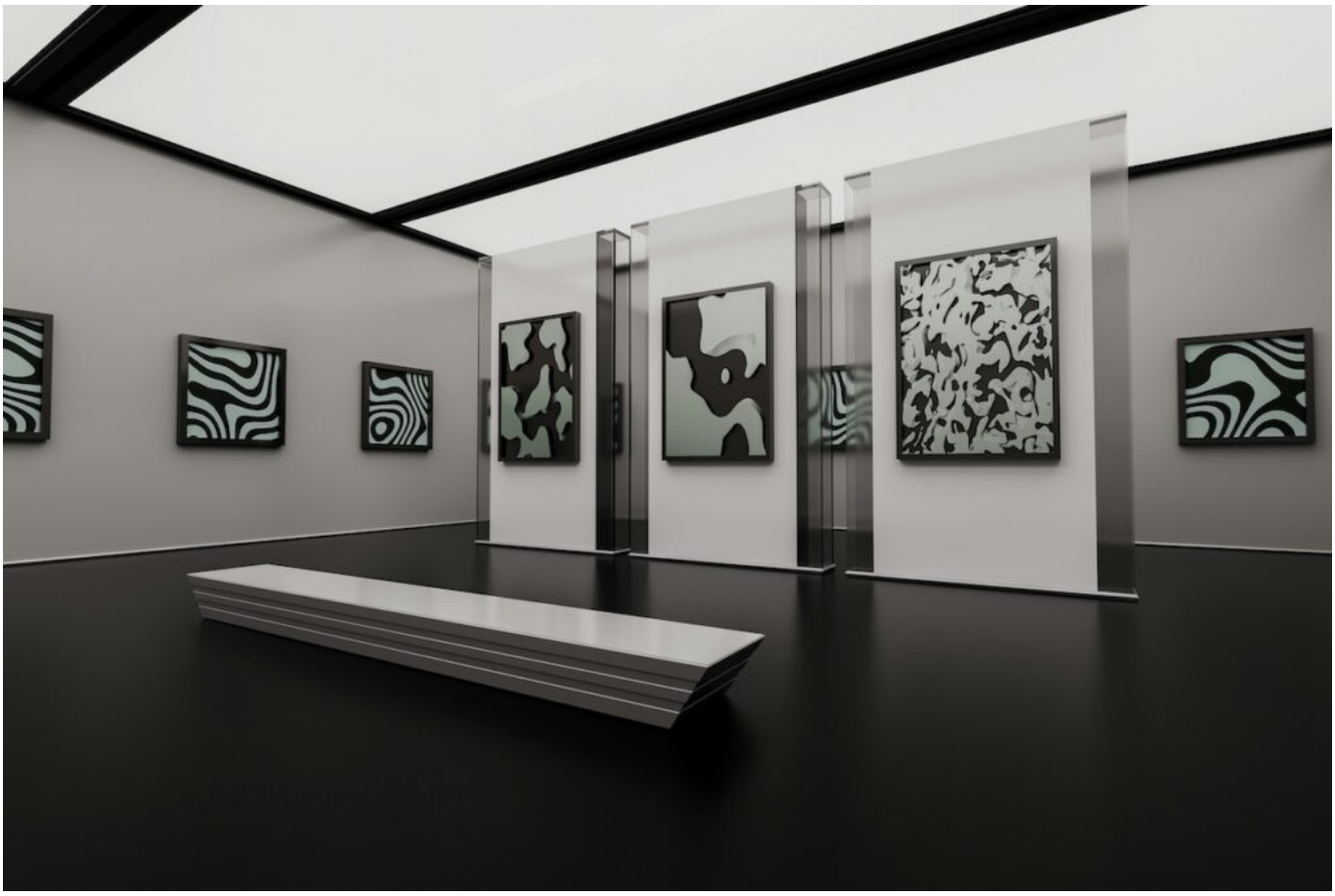
Curate Your Data to Tackle Cost of Care: Master These Basics

written by Theresa Hush | February 13, 2025



The staggering reality that health care could soon account for one fifth of all domestic spending has put a bull's eye on health care cost control. Is your ACO, health system, or physician organization ready to manage the coming congressional budget cuts? The only effective way to tackle Total Costs of Patient Care (TCoC) without cutting services is through a curated Value-Based Care approach. Here are the fundamentals you need to know and five strategic steps to formulate your approach:

What Is the Total Cost of Patient Care?

As a provider, you may think of your patient as generating costs. Or, you may think of your own cost outlays to provide care. Those factors figure into your internal budget and pricing, of

course. But under Value-Based Care payment models (and also Managed Care contracts), the Total Cost of Patient Care is a tally of expenditures for a population of patients who are attributed to your providers. In other words, TCoC is defined by the market/customer. It equals your total payout in expenditures through claims. Because the definition applies to a population of patients, out-of-network claims are usually included in TCoC.

TCoC places responsibility on the provider to manage costs of care. Not only your own costs, but also your specialty referrrals, your care plans, your admissions and treatments are included in TCoC. The derivative of Total Costs of Patient Care, or Total Per Patient Cost (TPPC), is how the market puts pressure on you to evaluate and reduce costs under various payment models and contracts.

The TCoC approach creates vulnerabilities for provider organizations. Under network consolidation, providers have expanded their patient reach and will be vulnerable to more patients needing specialty care. For ACOs, TCoC will change depending on how patients are attributed to your providers; if you include specialists, you may be more exposed to higher total patient care costs. We will focus on how to manage TCoC and TPPC through Value-Based Care.

Is Claims Data Enough to Identify Cost Opportunities?

If claims data is the basis for TCoC calculations, why shouldn't it be enough for examining cost? First, let's examine what special benefits you gain with claims data from payers:

> If claims data is complete with diagnoses, provider details, sites of service, and prescription and other costs, it will give you the basis for calculating TCoC.
> It will provide a view of your admissions and emergency visit data, so that you can examine admissions and length of stay, and use that data in population health.
> Medicare data will give you HCC risk adjustment scores, which may be helpful in defining patient risks.
> Your out-of-network costs and providers will be illuminated.

However, claims data, alone, is not sufficient for TCoC calculations:

You can’t evaluate clinical reasons for costs beyond the diagnosis.
You can’t see co-morbidities that are not identified in patients with claims.
Claims data on its own does not give you the story and tools your providers need to manage costs of care per patient. It is a mishmash of services and charges that is codified for billing purposes and not cost-of-care management.
You won’t have longitudinal data on patients with changes in coverage, gaps in claims data availability by payer—which will include Medicare and Medicaid unless you are an ACO or other payment models that provide claims data. The more holes in your data, the more limited your approach to cost control.

Value-Based Care Strategies to Control Patient Care Costs

Value-Based Care focuses on data-driven improvements in outcomes and costs, replacing guesswork. Prior approaches to cost management required payers to question and deny services after-the-fact, or to mediate necessity of services through prior authorizations. That created a rat’s nest of trouble for payers, consumers, and providers.

Successful participation in value-based payment models involves data and technology to help clinicians improve outcomes, avoid complications and events for patients, and prevent problems before they occur. However, providers are still in the process of understanding and developing systems—as well as transforming clinician teams—to optimize care and costs.

The key strategies for implementing Value-Based Care strategies aimed at controlling patient care costs include these five critical steps:

1. Organize your cost efforts by impact (patient volume and total cost) and by intervention type.

Your first task is to determine how to begin your effort. This is easy—go for your highest volume and highest cost areas. This is what the payers do, and it will matter most to your bottom line.

2. Develop your method for curating cost data.

How you will approach costs will require a specific approach to data aggregation. The reason some ACOs have achieved large savings is that they used data for particular projects. ACOs used claims data like HCC scores to assign patients to care management, admissions data to return patients to the office, diagnosis data to follow-up on patients with chronic disease, and provider data to renegotiate services for post-acute care. But overall savings have not reached high enough levels. Why? In segmenting costs, ACOs went after low-hanging fruit but failed to implement an overall approach, such as transforming clinical care of chronic disease or reducing specialty cost variation.

Among the best tools for reducing cost variation are procedural and treatment episodes of care, which require both claims and clinical data. Roji Episodes include both procedures and treatments, and call out inflections in cost. You can evaluate the reasons why costs were higher compared to others, and then work to effect solutions. Episodes of care are a tool to involve providers in improved care and costs. The transparent case-oriented method is similar to training approaches for physicians and can be undertaken as a learning process.

Chronic disease episodes are also needed to manage the costs of a high-risk pool of patients. They are a means to avoid patient utilization and exacerbations. In Roji Episodes, cost avoidance is a primary goal, but it is accomplished by identifying patients at highest risk. The point is to predict patients whose outcomes are trending toward an event.

3. Aggregate and integrate claims and EHR data, along with financial data sources.

Recognize that worsening patient outcomes is a primary driver of costs, so obtaining detailed patient outcome data is essential. Patient comorbidities, historical hospitalizations and diagnoses, and medications are also needed. Financial data sources are critical to this aggregation. You will need to benchmark all episodes using a common fee schedule (e.g. Medicare) as well as actual claims for each payer. The cost investigation is not about payments; its purpose is to identify cost drivers. But when you do receive claims from payers, you need to understand their costs for successful negotiations.

4. Adopt Value-Based Care Technology.

Where does the data reside? It could be in your own repository. To be used effectively, however, the data must go into a Value-Based Care platform that siphons episodes into interventions and actions, by patient, within categories. Those might include clinical team

review, or outreach, or change in clinical plan. You will most likely engage a Value-Based Vendor for the data aggregating, curating, and queuing these up for action.

5. Implement improvements and interventions.

There are limited possibilities for changing the trajectory of costs. Trimming specialty costs will involve collaborating with specialty groups and potential changes in referrals, but also a clear consensus on communication and clinical pathways for patients. During the next few years, we will see episodic payments expand and more global risk payment models that will then be subcontracted episodically to specialists.

Developing a short list of interventions for chronic disease and establishing a queue of patients for clinician or proceduralist review will be critical to the process. Clinical teams to support primary care physicians, as well as incorporating methods of carrying out large-scale improvements in chronic disease management and patient interventions will be essential to change.

If you've already begun looking at costs, you have a head start. But time is short. Contact Roji Health Intelligence for guidance and strategic insights.

Founded in 2002, Roji Health Intelligence guides health care systems, providers and patients on the path to better health through Solutions that help provider improve their value and succeed in Risk.

Image: Alex Shuper