

A Business Case for Person-Centered Care: Which Organizations Succeed?



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Over the past decade, we have seen growing legislative and regulatory interest in models of care that can deliver more value, particularly for Medicare beneficiaries with complex needs—whether they are eligible for Medicaid or not. While the data clearly shows that the highest utilizing Medicare beneficiaries (the top 5 percent) represent half of all Medicare spending, health systems have struggled with how and when to implement programs that better manage these individuals. Data also shows that producing better outcomes and savings often requires models of care that address social and functional needs, not just traditional medical problems.

[Person-centered care models](#) are designed to meet the medical, functional, and social needs of adults with complex health conditions and daily living challenges. What distinguishes person-centered care from traditional care management programs is that it:

- Builds a plan of care that encompasses a person's preferences rather than solely medical outcomes;
- Uses an interdisciplinary and coordinated team, including nurses and social workers, each of which has a strong understanding of community based resources; and
- Explicitly involves the person and their caregivers to develop and implement the care plan.

While there are a [dozen or more models](#) that have been rigorously evaluated, none are off the shelf, “plug and play” solutions, and they only succeed in organizations where a clear business case can be made for implementing a model.

Historically, the Program for All-Inclusive Care for the Elderly (PACE) and the Medicare Advantage Special Needs Plans (SNPs) were developed to meet the needs of this population. More recently, additional opportunities have been deployed, including accountable care organizations, [Medicare Advantage Value-Based Insurance Design \(VBID\)](#) models that include non-medical supplemental benefits, and opportunities for physician groups to participate in [value-based care arrangements in Medicare fee-for-service \(FFS\)](#). Many health plans, physician/medical groups, and systems feel pressure to respond to the need, but sustainability efforts have been uneven.

What is clear is that interest, anxiety, and ethical commitment simply are not enough to produce a successful, sustained person-centered care program. [Interviews with 15 leaders](#) of organizations in California show that two necessary conditions must be met for person-centered care models to be implemented, scaled, and sustained. First, the health care entity must have a large enough pool of high-need, high-cost (HNHC) individuals who would benefit from this care. Second, this health care entity must hold responsibility for enough of the risk equation.

A health care entity, who at a minimum assumes global risk (encompassing professional and hospital risk), has to consider their “tipping point.” At what point does it make sense to provide person-centered care to the entire HNHC population? Savings, incurred almost entirely through decreased hospitalizations, provide the incentive to providing such care. In considering those individuals with Medicare and Medicaid, risk responsibility could extend to skilled and community-based services. Global risk in the range of 60 percent to 75 percent of the total Medicare beneficiaries is necessary for a person-centered care program’s sustainability and, therefore, success. Traditional FFS and disaggregated risk environments (i.e., professional risk separated from hospital risk) impede or prevent the implementation of successful person-centered care programs because they do not allow a large enough opportunity to collect and reallocate savings.

Beyond enough financial exposure, overall membership matters as does the size of the target percentage of those with complex needs. Without membership of at least 10,000 beneficiaries with a target population of 200-500 (2 percent to 5 percent of Medicare beneficiaries) who would benefit from participating in a person-centered care program, the business case for implementing and sustaining such a program can be significantly more difficult.

So, is your organization at the tipping point?