

Research White Paper

# Moving from Volume to Value

Explaining the Difference Between  
Fee for-Service and Value-Based Payments

August 2023



U.S. health care costs continue to rise each year while consumer health worsens. This puts additional burden on the health care system. Health plans and policymakers have developed value-based payment strategies to help improve quality of care and spend health care dollars more efficiently. Yet few people understand the meaning of value-based care and the difference between fee-for-service and value-based care payments. This paper builds on results from a 2021 survey to better understand the level of consumer and employer knowledge of value-based care payments and suggest ways of describing this concept to increase understanding.

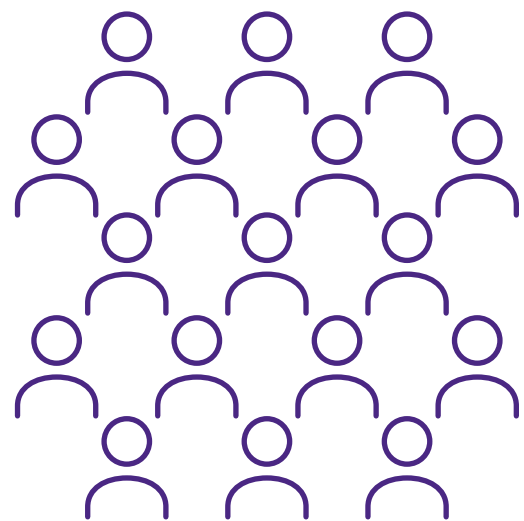
EmblemHealth believes these strategies can make health care more affordable by increasing the use of lower cost, preventive care, which means lower out-of-pocket costs for consumers and fewer inpatient hospitalizations. However, others have said value-based payments increase costs by encouraging utilization of services and keeping people healthier longer, which could increase employer costs through the life of their employees. Studies have not yet proven the cost-effectiveness of these strategies.

As a follow-up to its 2021 value-based care consumer awareness study, EmblemHealth conducted another national study on this topic with a focus on employers. In 2021, employer group coverage accounted for nearly 50% of the population across the United States.\* Value-based care arrangements — such as paying health care professionals for each member they see with rewards for meeting quality-based goals — instead of on a per-service basis or bundling payments for related services to encourage the use of the most appropriate care can benefit both employers and their employees. And since employers choose the health insurance plan options for employees, they play a key role in the conversation around the development and adoption of value-based payments. Furthermore, to ensure seamless adoption and avoid confusion among beneficiaries, insurers must better understand employer awareness and perceptions of value-based care. In this report, EmblemHealth shares the employer and consumer perspectives along with how to best communicate the importance of value-based care payments to both audiences.

## Methodology

**Employer Sample:** Nearly 125 employer health insurance decision-makers, including a national sample and an oversample of tristate decision-makers.

**Consumer Sample:** Nearly 750 consumers ages 18 and older, including a nationally representative sample across legal sex, age, and region, and an oversample of tristate consumers.



<sup>1</sup> Kaiser Family Foundation. (Timeframe: 2021). Health Insurance Coverage of the Total Population. Retrieved Nov. 10, 2022, from [kff.org/other/state-indicator/total-population](https://www.kff.org/other/state-indicator/total-population).

## Survey Design

The survey was conducted online and averaged six minutes in length. Questions of focus were:

**Awareness and understanding of value-based care and fee-for-service payments.**

**What consumers associate with value in health care.**

**How important consumers feel it is for insurers and health care providers to utilize value-based payments.**

**Relevant messaging to describe value-based care.**

**Who should be communicating about value-based care.**

## Definitions Used in the Survey

**Value-Based Care:** Value-based care is a newer approach where health care professionals are paid for helping their patients improve their health. With a focus on areas like preventive care and managing chronic conditions, value-based care can help people stay healthier while also keeping health care costs lower.

**Fee-for-Service:** The fee-for-service model pays health care professionals like doctors or hospitals based on the number of services they provide to patients.



# Key Findings

The information from this research validates the importance and value of insurers, health care providers, and employers working together towards the common goal of healthier consumers.

Key findings include:

- ① The concepts of value-based care and fee-for-service payments are widely unknown and misunderstood by both employers and consumers.
- ② However, once given the definition of each, there is a strong alignment towards the value-based payments compared to fee-for-service payments approach across both audiences. They recognize it provides the highest quality of care available that can keep costs down and meet the needs of employees.
- ③ To support this payment model, it is critical to increase understanding of the difference between value-based payments and fee-for-service payments among consumers and employers.



# Lack of Awareness and Understanding

Through its 2021 survey, EmblemHealth found the term “value-based care” was commonly used within the health care sector and with policymakers but was not well understood by consumers. When we provided our definition of value-based care, consumers supported the mission and intent to improve health outcomes and drive quality of care at a potentially lower cost.

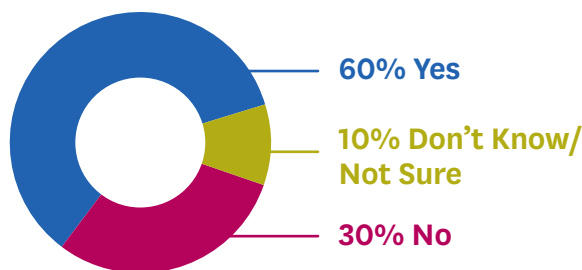
In the 2022 survey, employers had a greater awareness of the term, with 60% indicating they were aware of value-based care. However, only one-third could provide a definition that resembled how value-based payment structures worked. Awareness and understanding of the term were greater among large group employers (101+ employees) compared to small group employers (100 or less employees).

An addition to the 2022 survey was trying to understand consumer and employer awareness of the traditional fee-for-service model. While volume-driven reimbursement has been the predominant payment model for decades, few consumers could explain its meaning, despite saying they were aware of the term. Employer awareness was higher, but still only one-third could accurately define it. Consistent with value-based care, awareness of fee-for-service payments was greater among large group employers.

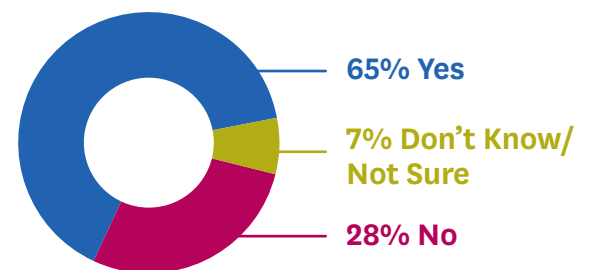
## Have you heard the term ‘value-based care’/‘fee-for-service’?

### EMPLOYER NATIONAL

Heard of Value-Based Care

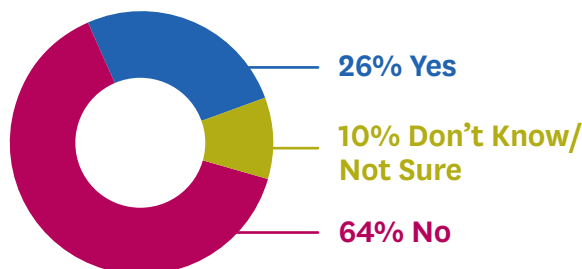


Heard of Fee-for-Service

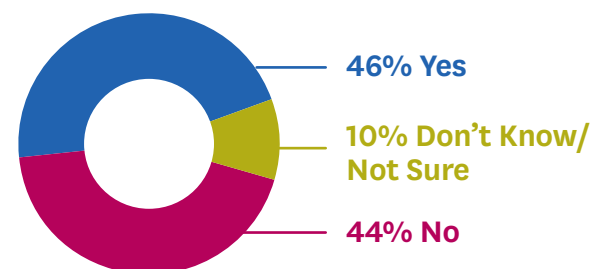


### CONSUMER NATIONAL

Heard of Value-Based Care



Heard of Fee-for-Service



Further showcasing the lack of awareness and understanding, four out of 10 consumers were unsure whether value-based care is offered through their health plan. However, younger consumers were more attuned than older consumers, indicating their plans offer value-based care or both value-based care and fee-for-service payment models. While employers were generally more aware of the payment models of plans that they offer to employees, it is important to note that small group employers were more likely to be unsure of the role value-based care plays in the coverage they offer compared to large group employers.

### Which of these two models are currently offered by your company’s health insurer(s)?

	SMALL GROUP EMPLOYER	LARGE GROUP EMPLOYER
Fee-for-Service	43%	36%
Value-Based Care	17%	36%
Both	17%	21%
Don’t Know/Not Sure	24%	6%



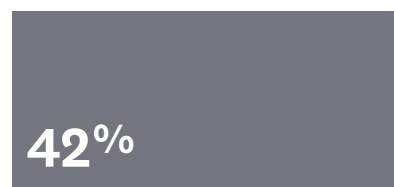
# The Importance of Quality When Defining Value in Health Care

The 2022 EmblemHealth survey provided detailed attributes to help understand their association with value in health care. Respondents had to select the one option they felt was most associated with value related to their health care. Quality of care came out on top, followed by out-of-pocket costs across both audience groups.

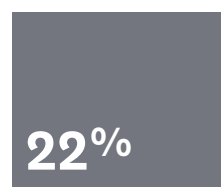
Among consumers, improved health was third most important; for employers, it was availability of specific treatments and services. It's interesting to note that these findings were more pronounced among tristate consumers and employers, where quality of care was selected at an even higher percentage (41% and 48% respectively).

## Which of the following do you most associate with value when thinking about your health care?

### EMPLOYER NATIONAL



Quality of care received

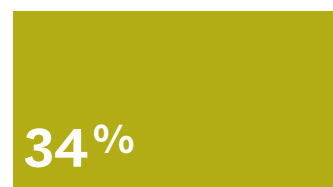


Out-of-pocket cost



Availability of specific treatments and services

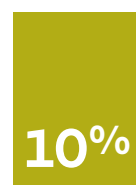
### CONSUMER NATIONAL



Quality of care received








Out-of-pocket cost



Your health improves

Interestingly, the 2022 EmblemHealth survey found that employers felt insurers were more responsible to add value to their employee’s health care. Consumers felt health care providers should be more responsible for adding value. Even so, both groups placed insurers and providers at the top of their lists.

## Please provide the percentage you feel each party is responsible for when adding value toward your health care.

	EMPLOYER NATIONAL	CONSUMER NATIONAL
 Health insurers	<b>33%</b>	25%
 Doctors	31%	<b>42%</b>
 Employers	<b>15%</b>	4%
 Themselves/yourself	15%	<b>21%</b>
 Government/elected officials	7%	7%

In essence, value-based care is quality care that improves health outcomes at a lower cost. Based on survey results, this model appeared to speak directly to what people value in their health care services. However, the value-based care model is broadly misunderstood, as shown by the lack of awareness and understanding for both employers and consumers. This shows a need for simplicity and education in messaging around value-based care.



# Importance of Driving Differentiation Between Fee-for-Service and Value-Based Care Payments





Employers and consumers were shown various messages speaking to the meaning of value-based care. Among the national employer audience, quality was the most common response, followed by cost. Among large group employers, it flipped to cost being selected slightly more than quality. This paired well with the consumer findings, where both the cost and quality messages were equally preferred. (It is important to note that the differences between the quality and care messages were fairly minor.)

**Please read through the following messages carefully and select the one that resonates with you most.**

	EMPLOYER NATIONAL	LARGE GROUP EMPLOYER	CONSUMER NATIONAL
Value-based care is the highest <b>quality</b> of care available that keeps costs down and meets my needs.	33%	31%	35%
Value-based care is <b>affordable</b> care that keeps me healthy without sacrificing quality and service.	28%	33%	34%
Value-based care has a wide range of <b>service</b> options that are reasonably priced and offers quality care.	27%	30%	20%
Value-based care is <b>affordable</b> , top- <b>quality</b> care with a variety of <b>service</b> options.	13%	6%	11%

Explaining the fee-for-service payment model in relation to value-based care will help employers and consumers better understand the variation in quality of care received between the two models and likely drive greater advocacy. Employers and consumers agreed that value-based care messaging should be communicated by both health care providers and insurers.

## Do you think this message should be communicated by your doctor, health insurance plan, both, or neither?

	EMPLOYER NATIONAL	CONSUMER NATIONAL
 Health insurers	<b>23%</b>	19%
 Doctors	6%	<b>16%</b>
 Both	<b>68%</b>	63%
 Neither	3%	2%



# Value-Based Payment Model Is Preferred

Once consumers and employers were provided definitions for value-based care and fee-for-service (see below), value-based care was overwhelmingly preferred across all audiences. Older consumers and Caucasians were more likely to select “don’t know/not sure” compared to younger consumers and other ethnicities, who were more likely to say they prefer value-based care.

## Do you prefer the fee-for-service model or the value-based care model?

### Definitions from Emblemhealth

**Value-Based Care:** Value-based care is a newer approach where health care professionals are paid for helping their patients improve their health. With a focus on areas like preventive care and managing chronic conditions, value-based care can help people stay healthier while also keeping health care costs lower.

**Fee-for-Service:** The fee-for-service model pays health care professionals like doctors or hospitals based on the number of services they provide to patients.

	EMPLOYER NATIONAL	SMALL GROUP EMPLOYER	LARGE GROUP EMPLOYER	CONSUMER NATIONAL
Value-based care	<b>69%</b>	62%	<b>74%</b>	61%
Fee-for-service	20%	21%	19%	17%
Don’t know/not sure	11%	<b>17%</b>	8%	<b>22%</b>

The consumer audience was then asked an open-ended question of why they prefer value-based care or fee-for-service payments. Consumers said they preferred value-based care because it can save them money without reducing health care quality, holds health care providers accountable, and improves health outcomes. Conversely, the smaller group of consumers who preferred the fee-for-service model believed it is less complicated than value-based care, ensures quality care, and is fairer to health care providers.

These results suggest that more work is needed to show how value-based care can lead to better results for consumers. The messaging in this report provides a helpful starting point.




### Why Consumers Preferred Value-Based Care

*“Value-based care sounds cheaper and more like they care about quality.”*

*“It holds doctors accountable for care of patients and wellness.”*

*“This gives the doctors an incentive to get me a cure, not just perform a service.”*



### Why Consumers Preferred Fee-for-Service

*“I prefer it because it’s a lot easier and hassle-free.”*

*“Because I feel like I would get taken care of more or better, the doctor will do his best to help me.”*

*“Because medical professionals can’t and shouldn’t be held accountable for patient’s outcomes. Medical professionals can’t control what patients do or don’t do for their health.”*



# Working Together Toward a Common Goal

Insurers, health care providers, and employers need to work together with the common goal of healthier members, patients, and employees. The good news is employers and providers are already working with insurers to improve the health of their employees and patients. We see this collaboration through quality improvement projects in which health care providers, health plans, and employers share data to inform decisions about the consumer's care. As an insurer, we also share educational and training materials for health care providers to use in their offices when speaking with patients.

The aims of value-based care are to improve health outcomes, enhance equity, and spend more of our medical dollars on those services that improve the health of individuals and populations. However, despite inroads directing payment based on quality of care delivered and away from volume-based reimbursement, there is still a lot of work to be done. The findings in this report suggest that employers and consumers need to be better informed about the difference between fee-for-service and value-based care payment models as well as the clinical and financial implications of a shift away from volume-based payment. Next steps could include:

- ① Developing understandable and culturally appropriate language for insurers to use in employer handbooks and on websites that explains the difference between fee-for-service and value-based care payment models using the messages described in this report.
- ② Working with policymakers to see that insurers, consumers, and health care providers have a common understanding of value-based care.
- ③ Developing more medical professional advocates for value-based care who are willing to speak to their patients about the benefits of this approach.
- ④ Supporting and sharing research findings that detail the impact on patient-centered outcomes and health care expenditures.



## SURVEY METHODOLOGY

This survey was conducted online by Dynata and fielded Sept. 15–24, 2022.

Length of Interview (LOI) = Average of 6 minutes

### Consumer Demographics

Total sample = 712

National Representative Sample: N = 601

Tristate Representative Sample: N = 79

### Age (National Sample)

- 18–34: N = 164
- 35–44: N = 102
- 45–64: N = 226
- 65+: N = 109

### Ethnicity (National Sample)

- White: N = 412
- Black/African American: N = 134
- Hispanic: N = 106
- Asian: N = 107

### Line of Business (National Sample)

- Medicaid: N = 121
- Commercial: N = 271
- Individual: N = 86
- Medicare: N = 123

Ethnicity and geography (Tristate) were oversampled to obtain a larger number of completes. The National representative sample was balanced for age, legal sex, and region.

### Employer Demographics

Total Sample: N=122

National Sample: N = 101

Tristate Sample: N = 33

### Employer Size (Total Sample)

- 1-100 Employees: N=42
- 101+ Employees: N=80

Significance testing was done at a 95% and 90% confidence level and is indicated in the white paper with capital and lower-case letters, respectively.

To view the findings from the 2021 study, [click here](#).



EmblemHealth and its subsidiary, ConnectiCare, are two of the largest health insurers in the New York tristate area, serving more than 3 million members, including individuals, families, and businesses. Learn more at [emblemhealth.com/together](https://emblemhealth.com/together).