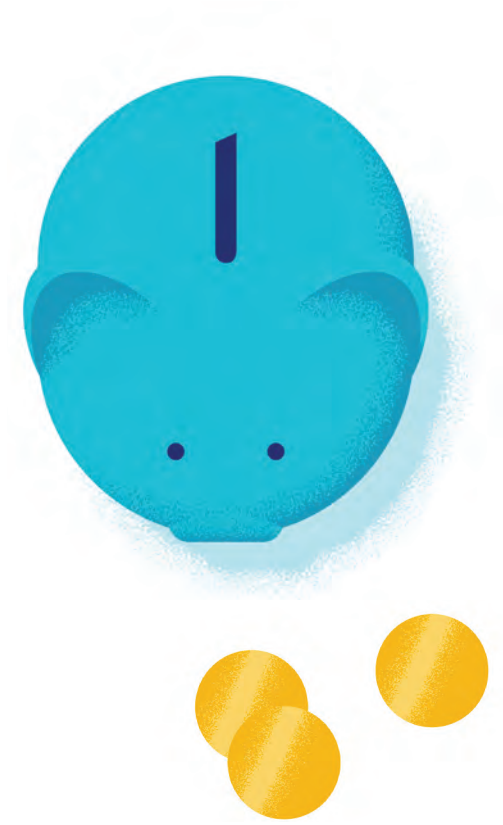
The evolution of value-based care and what it means for employers



Learn what's driving the shift to value-based care and how employers can harness it to help manage costs and see better health outcomes.

As value-based care increasingly becomes the payment model of choice for providers,[1] employers may want to brush up on the concept and how to leverage it for the health, well-being and financial benefit of their employees.

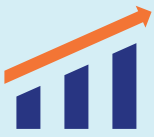
Understanding the differences between fee-for-service and value-based care models (also known as patient-first care, accountable care, alternative payment models and pay-for-performance care) is important – especially since employers and employees often misunderstand these concepts.[2]

What is value-based care?

Dr. Gerald Hautman, chief medical officer of National Accounts for UnitedHealthcare Employer & Individual, describes value-based care this way: "It's the idea that we're helping members find and access care from providers who have demonstrated value when it comes to quality and cost, and then incentivizing providers based on performance metrics."

Fee-for-service model

Providers are paid based on the quantity or volume of health care services, procedures performed



VS.

Value-based care model

Providers are paid based on certain criteria, including care quality, outcomes and affordability

continued

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Fee-for-service vs. value-based care

Type of service	Fee-for-service	Value-based care
Provider reimbursement	Providers are paid based on the quantity or volume of health care services, procedures performed	Providers are paid based on certain criteria, including care quality, outcomes and affordability
Provider incentives	Providers are incented to provide more services, regardless of the outcome, which may lead to over utilization and higher costs	Providers are incented to focus on patient outcomes, affordable care coordination and population health management, which may lead to better outcomes and lower costs
Benefits for providers	Maintains the status quo and may offer providers more perceived financial stability and less administrative burden	Financially incents providers to deliver quality, cost-effective care – with the goal of better experiences, outcomes and lower costs for their patients
Impact on employees and their families	They may receive unnecessary services or procedures because providers are paid by volume rather than quality	They may receive more appropriate, quality care, with a greater potential for better health outcomes and lower costs

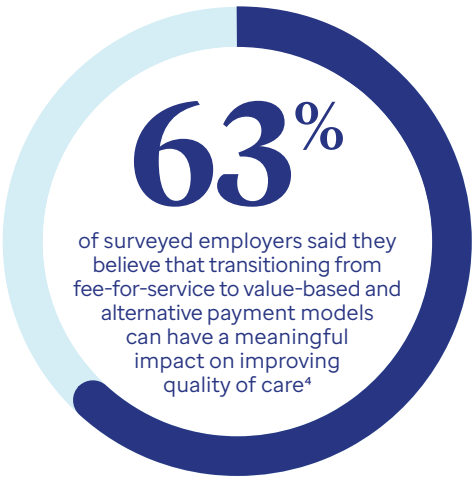
Another attractive value-based care model for some providers is the capitation reimbursement model. In this model, the carrier pays providers an upfront fixed amount per patient per unit of time to cover the cost of care. The fixed amount is determined by the range of services a provider delivers, the average utilization of those services and the cost of care. While this model shifts the financial risk to providers, it also gives providers the potential to keep any savings if their patients remain healthier and require fewer services or procedures. A recent report shows that these types of reimbursement models are also gaining traction, with 14% of provider reimbursement across the country being tied to delegated or capitated risk models – double what it was 3 years ago.[3]

What's driving the adoption of value-based care?

Fee-for-service models have gradually declined as value-based care models are increasingly preferred. According to a Business Group on Health report, 63% of employers believe that transitioning from fee-for-service to value-based and alternative payment models can have a meaningful impact on improving quality of care.[4]

Take Centers of Excellence (COEs): They use evidence-based, quality-of-care protocols to deliver cost-effective care for complex medical procedures, focusing on bariatric procedures, cancer and more. At UnitedHealthcare, for instance, COEs deliver 38% lower bariatric inpatient hospital readmissions[5] and 42% contractual savings from the Cancer Support Program.[6]

Value-based care also has bipartisan support among health care professionals and policymakers, who prefer this model over fee-for-service based on health outcomes, consumer experience and cost metrics. In fact, in recent years, the Centers for Medicare & Medicaid Services (CMS) has called for innovation and collaboration to accelerate the adoption of value-based care models.[7]



The factors that are helping pave the future for value-based care include:

Health care affordability

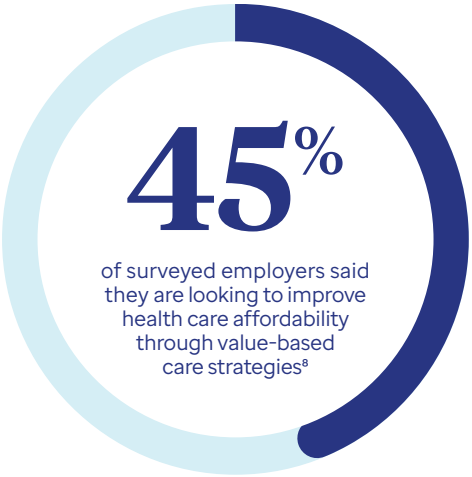
Advancements in data analytics

Shifts in care delivery preferences

Health care affordability

As health care costs continue to rise, it's no surprise that 66% of surveyed employers said they were focused on improving health care affordability over the next 3–5 years.[8] Of these, about 45% said they were considering value-based care strategies, such as offering quality networks or navigating employees to high-value care, to meet their goals.[8]

For instance, employers whose employees choose providers offering quality care at more affordable pricing may see a favorable difference in their bottom line. One example is NexusACO® from UnitedHealthcare — a value-based Accountable Care Organization (ACO) contracted plan that's designed to deliver employer savings of up to 15%.[9] Employees may also see savings, depending on their provider selection.



Advancements in data analytics

In addition to potential cost savings, advancements in data and technology are also driving the adoption and efficacy of value-based care.

"We're working to make it simpler for members to shop for services or providers through enhancements to our digital experience and optimizations that prioritize value-based care," says Samantha Baker, chief consumer officer for UnitedHealthcare Employer & Individual.

The ability to access, share and analyze data opens the door for value-based care models to become more effective and efficient. Advanced technologies that use data to help identify patterns and trends can empower providers and members to make more informed choices that may lead to better health outcomes and lower costs.

Making these insights more accessible is also crucial. At UnitedHealthcare, this involves a continued focus on creating interoperability between providers and the carrier.

Through the responsible use of clinical data and intelligence, UnitedHealthcare aims to simplify administrative processes, support clinical decision-making and help improve transparency, efficiency and quality for members and providers.

Shifts in care delivery preferences

It's no secret that consumer preferences are changing.[10] Employees now have a growing interest in receiving care in the comfort of their own homes, creating a new opportunity for value-based care.

In response, UnitedHealthcare and Optum continue to make investments in home health care, viewing it as the next horizon of value-based care. These care capabilities, which meet people where they are — especially those who have difficulty leaving their homes or find it challenging to navigate the health care system — exemplify the quality care that defines value-based care.

Consider chronic or complex conditions. With remote monitoring through wearables and other smart home technology, care teams may be able to better manage a patient's condition without requiring them to come in for an appointment. This may not only reduce the frequency of visits but may also lower the risk of hospital-acquired infections.

These solutions may be key to achieving better outcomes, enhanced experiences and lower costs — what value-based care is all about.

Did you know?

People served by Optum Health's value-based care models were more likely to receive preventive screenings, less likely to be admitted or readmitted to the hospital and had better control of diabetes and hypertension than people in fee-for-service models[11]

How employers can drive the adoption of value-based care

With its potential to reduce costs and promote better health outcomes, value-based care can be a move in the right direction for many employers, employees and providers. However, more efforts are needed to accelerate its adoption. Carriers like UnitedHealthcare continue to enter into value-based contracts with providers and are working closely with them to deliver quality care.

Employers can further drive adoption by:

1. Choosing a carrier that demonstrates a commitment to value-based care through its work with providers
2. Educating employees on how to make value-based care decisions, such as choosing quality providers and selecting the most appropriate site of care for their needs
3. Offering health plans that include access to ACOs, which provide quality care at lower costs, and encouraging employees to utilize these value-based providers

Sally Kim, director of health plan research at Advisory Board, emphasizes that the shift to value-based care will only be received well if the experience feels seamless.

Hautman agrees, highlighting the importance of alignment among all involved. "Ensuring alignment of incentives between payers, providers and patients is key to making value-based care work," he says.

> **"That's why we're leveraging product solutions, coordinating value-based incentive arrangements with network providers, and providing tools that help members connect with providers delivering distinctive value."**
>
> **Dr. Gerald Hautman**
> Chief Medical Officer of National Accounts
> UnitedHealthcare Employer & Individual

Learn how UnitedHealthcare is working to transform the future of health care ›

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[1] Strategic Direction: CMS Innovation Center 2021 Strategy Refresh: Putting All Patients at the Center of Care. Centers for Medicare & Medicaid Services, Dec. 6, 2024. Available: https://www.cms.gov/priorities/innovation/about/strategic-direction.

[2] Most Americans support value-based care but prefer other terms, research finds. Fierce Healthcare, Aug. 22, 2023. Available: https://www.fiercehealthcare.com/providers/most-americans-support-value-based-care-prefer-other-terms-united-states-care-survey.

[3] APM Measurement Effort. HCPLAN, 2024. Available: https://hcp-lan.org/apm-measurement-effort/2023-apm/. Accessed: March 21, 2025.

[4] 2025 Employer Health Care Strategy Survey, Business Group on Health, August 2024.

[5] Chen M, 2019 Centers of Excellence qualification analysis results, analyzed 2020.

[6] Derosa, A., average discounts for Optum clients when they access Optum COE programs. Data assessed May 12, 2016.

[7] Basics of Value-Based Care. CMS, Feb. 2025. Available: https://www.cms.gov/priorities/innovation-center/value-based-care-spotlight/basics-value-based-care.

[8] National Survey of Employer-Sponsored Health Plans. Mercer, 2023. Available: https://www.mercer.com/en-us/solutions/health-and-benefits/research/national-survey-of-employer-sponsored-health-plans/.

[9] Accountable Care Organizations (ACOs) are integrated groups of health care providers including primary care physicians, specialists and facilities that work together to improve health outcomes, lower costs and increase patient satisfaction.

[10] Consumers rule: Driving healthcare growth with a consumer-led strategy. McKinsey, Apr. 15, 2024. Available: https://www.mckinsey.com/industries/healthcare/our-insights/consumers-rule-driving-healthcare-growth-with-a-consumer-led-strategy.

[11] UnitedHealth Group Investor Conference 2024. Available: https://www.unitedhealthgroup.com/content/dam/UHG/PDF/investors/2024/ic24/IC24_UNH_Overview.pdf.

The Centers of Excellence (COE) program providers and medical centers are independent contractors who render care and treatment to health plan members. The COE program does not provide direct health care services or practice medicine, and the COE providers and medical centers are solely responsible for medical judgments and related treatments. The COE program is not liable for any act or omission, including negligence, committed by any independent contracted health care professional or medical center.

Cancer Support Program is a program, not insurance. Availability may vary on a location-by-location basis and is subject to change with written notice. UnitedHealthcare does not guarantee availability of programs in all service areas and provider participation may vary. Certain items may be excluded from coverage and other requirements or restrictions may apply. Please check with your UnitedHealthcare representative.

Employee benefits including group health plan benefits may be taxable benefits unless they fit into specific exception categories. Please consult with your tax specialist to determine taxability of these offerings.

Insurance coverage provided by or through UnitedHealthcare Insurance Company or its affiliates. Administrative services provided by United HealthCare Services, Inc. or their affiliates.