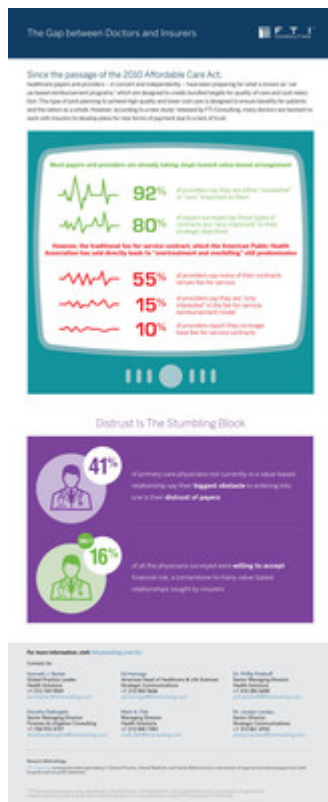


Gap Separates Payers and Physicians on Value-Based Arrangements, According to a New Study Released by FTI Consulting

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As Both Sides Prepare for New Forms of Payment, Many Physicians Resist Due to Lack of Trust in Insurers

WASHINGTON, July 30, 2014 /PRNewswire/ -- FTI Consulting, Inc. (NYSE: FCN), the global business advisory firm dedicated to helping organizations protect and enhance their enterprise value, today announced the results of a new study of healthcare payers and providers that suggests a stumbling-block in the transition to the new and much-heralded value-based relationships between them.



According to the study, 41 percent of primary care physicians, who are not currently in a value-based relationship, say their biggest obstacle before agreeing to enter into one is their distrust of payers. The study also found that only 16 percent of all physicians surveyed were willing to accept the financial risk – a key element of many value-based relationships sought by insurers.

"As today's healthcare environment continues to evolve, both payers and providers will need to cooperate to address the critical challenges facing the industry," said [Kenneth Barker](#), Senior Managing Director and Global Leader of the Health Solutions practice at FTI Consulting. "The business arrangements between both parties must align with interests and incentives. This study indicates payers and physicians still have a ways to go to reach that goal."

"This lack of trust will be a huge hurdle for payers to overcome as they often cite provider buy-in and engagement as critical to the success of any value-based arrangement," said [Dr. Phil Polakoff](#), M.D., Senior Managing Director and Chief Medical Executive of the Health Solutions practice at FTI Consulting. "The two groups are still significantly distant in attitudes towards value-based arrangements – a difference that can stand in the way of creating new forms of payment."

Since the 2010 Affordable Care Act ("ACA"), healthcare payers and providers, both in concert and independently, have been preparing for value-based reimbursement programs in which meeting quality-of-care and cost-reduction targets would result in benefits for both groups and the nation as a whole. This has manifested itself in the growth of Accountable Care Organizations ("ACOs"), bundled arrangements and new relationships that have blurred the lines between insurers and providers.

In bundled payments and other value-based arrangements, many experts believe it is essential that payers and providers eventually share risks to control costs and improve quality. However, the study found that the gap between them continues to widen. Payers believe that a mere five percent of providers are willing to accept the downside risks necessary for value-based arrangements to work.

Risk-sharing is not the only perceptual disconnect between payers and providers. Payers seeking to partner with providers in value-based arrangements have identified capabilities they wish potential partners would possess. Payers want to see providers invest in Healthcare IT ("HIT"), especially in software and systems supporting clinical integration and Population Health Management ("PHM"). Eighty percent of payers say they would be likely to contract with a clinically-integrated hospital and provider system. However, only 50 percent of healthcare providers report that their

organizations have implemented new technology or software to support PHM and value-based reimbursement, 32 percent have not, and 18 percent either "don't know" or are "unsure".

Most payers and providers are taking steps to prepare for the value-based arrangements incentivized by the ACA. Eighty percent of payers in the survey say these types of contracts are "very important" to their strategic objectives, and 92 percent of providers say they are either "somewhat" or "very important" to them. However, the traditional fee-for-service contract still predominates in the healthcare industry. Fifty-five percent of payers say that many of their commercial contracts remain fee-for-service, and only 10 percent report that they no longer have any fee-for-service contracts. At the same time, 15 percent of polled providers say they are "only interested" in the fee-for-service reimbursement model, which the American Public Health Association has said directly leads to "overtreatment and overbilling".

"Despite their disagreements, payers and providers overwhelmingly recognize the importance of value-based arrangements to promote their broader strategic objectives," said [Ed Harnaga](#), Senior Managing Director and Americas Head of the Strategic Communications segment's Healthcare & Life Sciences industry team. "Overcoming the trust deficit will require both parties to work together on sharing risks, communicating effectively, building capabilities and investing in technologies to move the industry forward."

The full survey findings from FTI Consulting will be released in the September 2014 online edition of the [FTI Journal](#). More insights from the FTI Consulting Healthcare & Life Sciences industry team can be accessed at www.fticonsulting.com/hcls.

Methodology

FTI Consulting conducted an online survey of U.S.-based healthcare providers that was fielded between June 23, 2014 and June 25, 2014. A total of 251 providers specializing in general practice, internal medicine and family medicine participated in the survey. FTI Consulting also conducted in-depth telephone interviews with 20 different U.S. payers between April 14, 2014 and April 18, 2014. A cross-section of payers from both for-profit and non-profit institutions, as well as from regional, national and Blues organizations were included in the sample. Participants were director-level or above in managed care organizations.

About FTI Consulting

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organizations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. With more than 4,200 employees located in 26 countries, FTI Consulting professionals work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management, strategic communications and restructuring. The Company generated \$1.65 billion in revenues during fiscal year 2013. For more information, visit www.fticonsulting.com and connect with us on [Twitter \(@FTIConsulting\)](#), [Facebook](#) and [LinkedIn](#).

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