

Value-Based Healthcare; What is it and How can Actuaries play a role?

March 2025



Acknowledgement of country

The Actuaries Institute acknowledges the traditional custodians of the lands and waters where we live and work, travel and trade. We pay our respect to the members of those communities, Elders past and present, and recognise and celebrate their continuing custodianship and culture.

Introduction

Australia's health system faces rising pressure from an ageing population and chronic disease

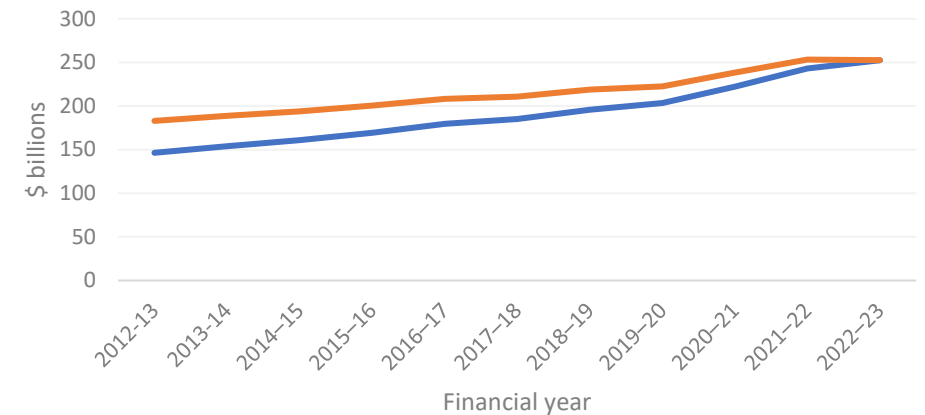
Fragmented care models struggles to address patient needs

Workforce shortages and inequitable access undermine healthcare delivery

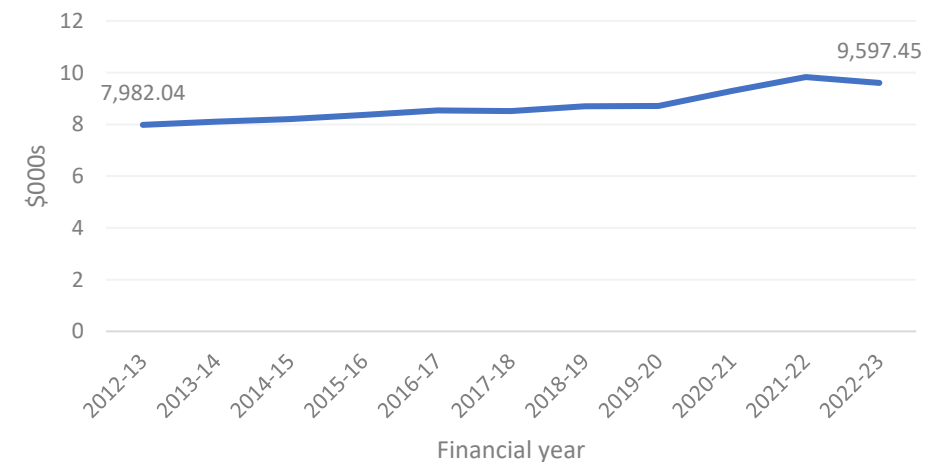
Healthcare costs soar amid new technologies and preventable diseases

Primary care reform needed to strengthen Medicare and embrace value-based models

Nominal and real total health expenditure (\$ billion)



Average total health spending per person



Introduction

- Today's session:
 - A quick overview of the Australian Health ecosystem
 - An introduction to Value-Based Care and our perspective
 - Introducing a traditional Value-Based care framework
 - Barriers to implementing Value-Based Care
 - Lessons from other parts of the World
 - Actuaries and Value-Based Care.

Poll time!

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- In one or two words, what may value-based care mean to you?



An overview of the Australian health ecosystem



Patients and Families



Healthcare Providers



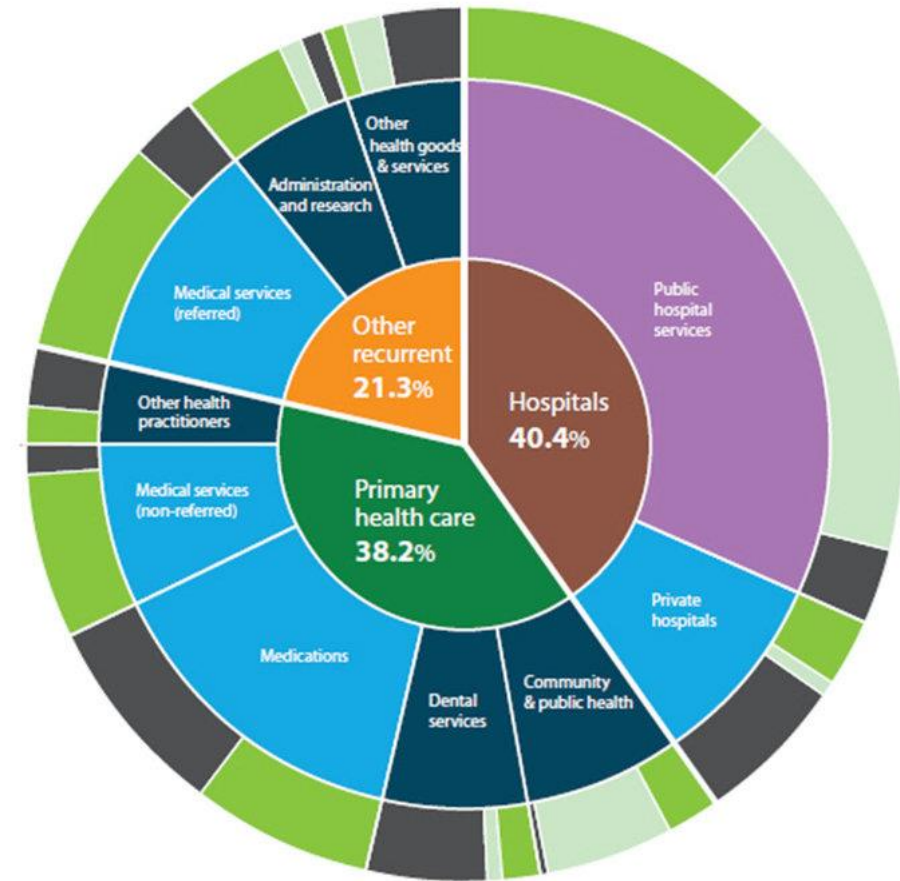
Medicare and health insurers



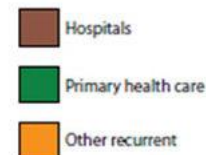
State and Federal Government



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Share of expenditure



Responsibility for services



Funding



What do we mean by Value-Based Care?

The Current State of Value in Healthcare

Value is already considered in healthcare but in its simplest form

$$V/C$$

Other Considerations of Value

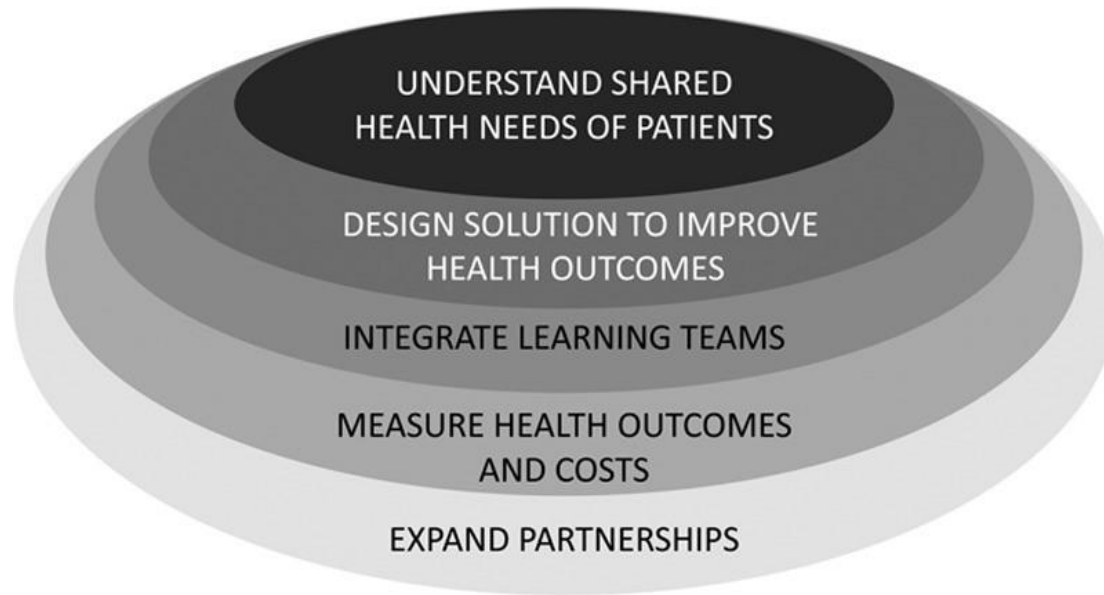
- Patients often expect a seamless process from a single provider, however, often rely on referrals for outcomes.
- Growing cost pressures are seeing reduced coverage and higher out of pocket expenses.
- Some data is collected on health outcomes however there is currently no consensus or benchmarks.

Aligning the Definition of Value Based Care

- Transparency – what are the expectations of the patient when navigating the healthcare system, publishing of data such as wait times.
- Quality of care – defining, collecting data and then measuring health outcomes
- Incorporating patient and family experience in outcome measurements. Mental health contributes to health outcomes
- Cost of delivery



A value-based care framework



Ideally, VBC solutions should be designed around patients' shared needs and delivered by integrated, multidisciplinary teams.

Health outcomes and costs need to be measured; incentive structures can help by sharing the benefits of improvements made.

Source: Defining and Implementing Value-Based Health Care: A Strategic Framework, Elizabeth Teisberg, Scott Wallace, Sarah O'Hara



Barriers to implementing value-based care

1. Lack of uniform definitions for health issues and outcome measures.

- Grouped needs differ from individual circumstances;
- Third-party care manager efficiency issue;
- Lack of consistent on outcome measurement and evaluation method;



Barriers to implementing value-based care

2. Technological challenges.

- No integrated system to access medical history;
- Information sharing challenge (ability, security, willingness);
- Data interpretation;



Barriers to implementing value-based care

3. Funding challenges.

- Where is the incentive to move (FFS vs VBC);
- Cost constraints and Investment perspective;
- Funding sources;

4. Other barriers

- resistance to change, living far, lack of ;



Lessons from other jurisdictions



**Data management,
benchmarking and
model governance**



**Funding and
incentive
models**



Actuaries and value-based care



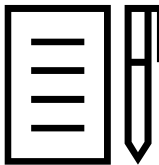
Forecasting outcomes (financial and other) to support strategic decision making



Measuring and reporting on performance



Risk assessment and advice



Contracting and pricing

Data driven insights



Work by other international actuarial societies / faculties

- Very limited work in this space by other actuaries around the world.
- US is an exception, perhaps due to the progress which has been made in this space there.
 - The Society of Actuaries has produced a series of articles and work in this space.
 - Actuaries are involved in contracting, pricing, risk assessments, revenue and budgeting.



Closing remarks

- International examples demonstrate that Value-Based Care offers one potential solution to some of the challenges being faced by the healthcare system at the moment.
- Actuaries have a key role in enabling VBC. We are not the sole drivers for this, but there is a valuable role for our skillset.
- Our aim was for this to provide the foundation for actuaries to do more in this space. We hope this has inspired you!



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Thank you

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