

Value-Based Payment in Behavioral Health: Innovation and Opportunity

Overview

As behavioral health systems evolve, the shift toward value-based payment models offers a promising pathway to improve care quality, outcomes, and system sustainability. By aligning incentives with patient-centered results, value-based payment (VBP) encourages providers to deliver effective, coordinated, and evidence-based services. This approach fosters collaboration among stakeholders, enhances care integration, and supports innovative strategies to meet the complex needs of diverse populations.

Key Insights

1. Why VBP in Behavioral Health Matters

- **Enhances care quality & outcomes:** Incentivizes providers to focus on meaningful health improvements rather than volume of services.
- **Promotes system integration:** Encourages collaboration across physical, behavioral, and social services, reducing fragmentation.
- **Supports innovation & flexibility:** Facilitates the adoption of new care models, including community-based and person-centered approaches.
- **Aligns stakeholder goals:** Builds trust and shared accountability among payers, providers, and beneficiaries.

2. Key Opportunities

- **Technical assistance & program design:** Mercer supports states with model development, contract language, and industry best practices, including the HCPLAN framework.
- **Stakeholder engagement:** Involving providers, beneficiaries, and families early ensures models are relevant, transparent, and trusted.
- **Data & communication:** Emphasizing data sharing, provider communication, and continuous feedback to refine models and improve outcomes.

- **Addressing challenges:** Overcoming barriers such as provider infrastructure, data capacity, and understanding attribution [the factor(s) are driving the value] to ensure successful implementation.

3. Challenges & How to Overcome Them

- **Limited experience & knowledge:** Building payer and provider capacity through education and technical support.
- **Provider margins & risk aversion:** Developing tiered models that allow lower-risk participation, especially for smaller providers.
- **Data & attribution complexities:** Establishing clear attribution methods to connect interventions with outcomes across the care continuum.
- **Engagement & trust:** Prioritizing transparency, early stakeholder involvement, and shared rewards to foster buy-in.

4. Next Steps for States & Payers

- **Build trust & collaboration:** Engage all stakeholders, including beneficiaries, early and often.
- **Set clear goals & expectations:** Define success metrics, communication pathways, and provider rewards.
- **Assess capacity & infrastructure:** Conduct environmental scans and develop action plans to support provider participation.
- **Foster continuous improvement:** Use data and feedback to adapt models, ensuring they meet evolving needs.

Why This Matters

Transforming behavioral health systems through value-based payment is essential for achieving sustainable, high-quality care that truly meets the needs of individuals and communities. Traditional fee-for-service models often incentivize volume over outcomes, which can lead to fragmented care, unmet needs, and disparities. VBP aligns financial incentives with health outcomes, encouraging providers to deliver more effective, coordinated, and person-centered services. This shift not only improves individual recovery and well-being but also reduces unnecessary hospitalizations, emergency visits, and long-term costs. Embracing VBP fosters a culture of continuous improvement, innovation, and collaboration—ultimately building more equitable, resilient, and community-focused behavioral health systems that support long-term recovery and community health.

Caveats and Limitations

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For More Information

For tailored support and strategic guidance on advancing behavioral health initiatives for children and youth, contact [Dr. Pete Liggett](#) or [Dr. Jason Vogler](#), or email us at: mercer.government@mercer.com.

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