

# Understanding the provider perspective in a rapidly converging marketplace

Rising medical costs and developing regulations have led to new initiatives targeting clinical quality outcomes and managing financial risk. These and other market forces are transforming the way payers, providers and consumers interact:

- Payers are accelerating risk-contracting efforts
- Plan distribution is moving to direct-to-consumer
- Care models are increasingly consumer oriented
- Risk is shifting to consumer and providers
- Payers and employers increasing use of tiered / narrow networks

*It is no longer a question of "if" the system will change... but rather how quickly it will be radically transformed.*

## Key trends driving value-based payment

Market trends	Impacts	Implications
<b>Providers under pressure</b>	<p><b>Current:</b> Providers faced with market share, consolidation and profitability pressures.</p> <p><b>Future:</b> Cost shifting and performance-based reimbursement will continue to put pressure on providers</p>	Need to proactively manage health care costs
<b>Cost shifting</b>	<p><b>Current:</b> Employers are increasingly focused on affordability and shifting to implementing narrow network products</p> <p><b>Future:</b> The rise in chronic conditions and government mandates will continue to drive health care costs, prompting employers to increase cost shifting and network management activities</p>	Providers are at the epicenter of change
<b>CMS reimbursement overhaul</b>	<p><b>Current:</b> CMS has already implemented the Pioneer ACO Model, Medicare Shared Savings Program to formally tie reimbursement to clinical outcomes</p> <p><b>Future:</b> Entitlement programs are facing the threat of insolvency. CMS will continue risk sharing, requiring providers to invest</p>	Need to move to value-based payment models
<b>Pay for performance</b>	<p><b>Current:</b> Commercial payers are beginning to implement risk-sharing, pay for-performance programs to manage MLR</p> <p><b>Future:</b> Providers will be required to accept and manage risk, realign physician compensation, and invest in IT infrastructure to support accountable care</p>	Providers will need to start taking and managing risk



**Insider Observation:** Payers and providers are both challenged to adapt or be left behind. At this pivotal time, payers can help enable providers to identify and implement innovative ways to provide care in more effective, less costly ways.

## Where are providers in the transition to value-based care?



All providers are at some point on this continuum. Many seek to move forward. But not all will move to the full-risk model. Providers must ask themselves these critical questions:

- 1** How much risk can I successfully manage?
- 2** How fast should I move across the continuum?
- 3** How far is my organization prepared to go?

This is not a one-size fits all approach. Each provider must identify and pursue the appropriate level of risk for that organization.

## What does success look like?

The providers most likely to thrive in this changing marketplace share these key attributes. Payers can support providers in developing these successful characteristics.

Success Characteristics	Key Attributes
PCP Network	<ul style="list-style-type: none"> <li>Have opportunity to form a high performing PCP network</li> <li>Have a clear and easily communicated value proposition for PCPs</li> </ul>
Risk Contracts	<ul style="list-style-type: none"> <li>Have a clear and easily communicated value proposition for Payers</li> <li>Understand financial impacts of risk contracts on organization and have exec team alignment that the organization can achieve targets necessary to transition</li> </ul>
Infrastructure	<ul style="list-style-type: none"> <li>Recognize that ideal solutions do not exist and are willing to co-invest in innovation</li> </ul>
Clinical Model	<ul style="list-style-type: none"> <li>Recognize the need for a new clinical model that can support Population Health Management</li> <li>Willing to invest in the clinical leadership and fund incentive plans to execute the transformation</li> </ul>
Adaptive Leadership	<ul style="list-style-type: none"> <li>Executive team alignment on vision and that vision is clearly understood by the organization</li> <li>Organizational structure supports transition</li> <li>Understand key leadership needs/skills required and aggressively hire for those roles</li> </ul>

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11000 Optum Circle, Eden Prairie, MN 55344

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