



# IT TAKES THREE TO TANGO

Structural Collaboration Between  
Carriers, Providers and Consumers

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A HEALTHSCAPE ADVISORS EXECUTIVE BRIEFING

This HealthScape Advisors Executive Brief discusses a more comprehensive collaboration framework to which the healthcare industry can evolve in order to achieve economic sustainability and improved health outcomes.

The adoption of a comprehensive collaboration model between consumers, providers and carriers will bring opportunity to an industry in search of a sustainable solution.

Key to the success of this collaboration is a model that incorporates both a consumer-oriented product structure and a transformed operating model between carriers and providers. The model must establish a three-way partnership among all parties that will support the achievement of financial and health outcomes.

## OUR POINT OF VIEW

**Value-based Reimbursement is Not Enough**

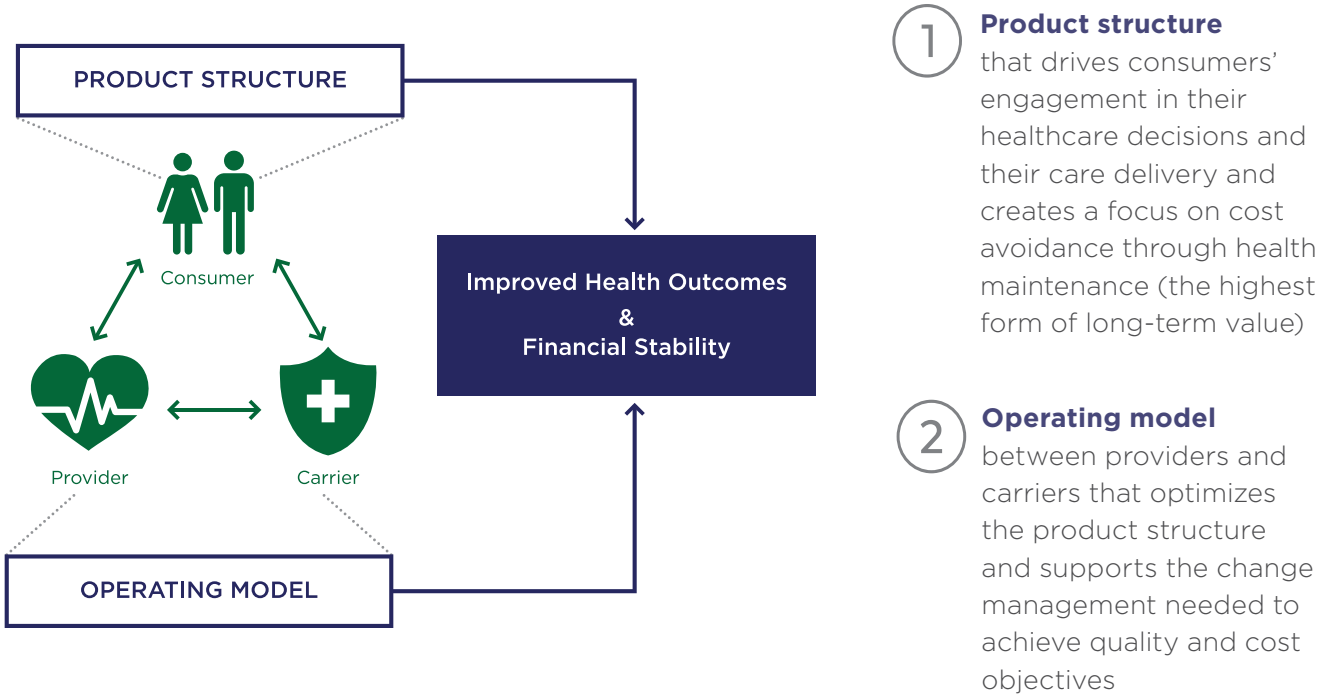
## True Change Must be Driven by Structural Alignment Between Consumers, Providers and Carriers

The unfortunate reality is that carriers' and providers' current financial and operating models are still largely rooted in traditional financing and care delivery. The vast majority of the U.S. healthcare system resembles the same business model to which all parties have grown accustomed for the past 20 years. Some promising ideas have emerged (e.g., Accountable Care Organizations, Patient Centered Medical Homes, value-based reimbursement models, etc.) but only marginal improvements have been achieved with the majority of these efforts. Costs continue to trend well in excess of sustainable economic levels and quality improvements have been modest for the US population overall.

The current model is premised on the employer bearing the primary financial burden for healthcare services, which leaves consumers viewed as secondary in the equation of the funding, affordability, care navigation and customer experience. The rapid expansion of Medicare Advantage (MA) and the introduction of the Affordable Care Act (ACA) have created significant evolutionary changes in health coverage that are impacting the traditional, employer-based business model. Because consumers are at the core of these rapidly growing programs, the industry must capitalize on this opportunity to reorient the consumer as a foundational component of carrier-provider collaborations.

## CONSUMER-PROVIDER-CARRIER COLLABORATION MODEL

True economic sustainability and improved health outcomes can only be achieved by structurally committing all three participants to a new health maintenance model.



This reorientation is not limited to the purely consumer-centric lines of business. The employer-based market segments will face continued cost pressures, resulting in changing benefit designs and delivery channels (e.g., Private Exchanges) that are shifting focus towards consumer engagement as employees bear more and more of the financial burden for the healthcare of themselves and their families.

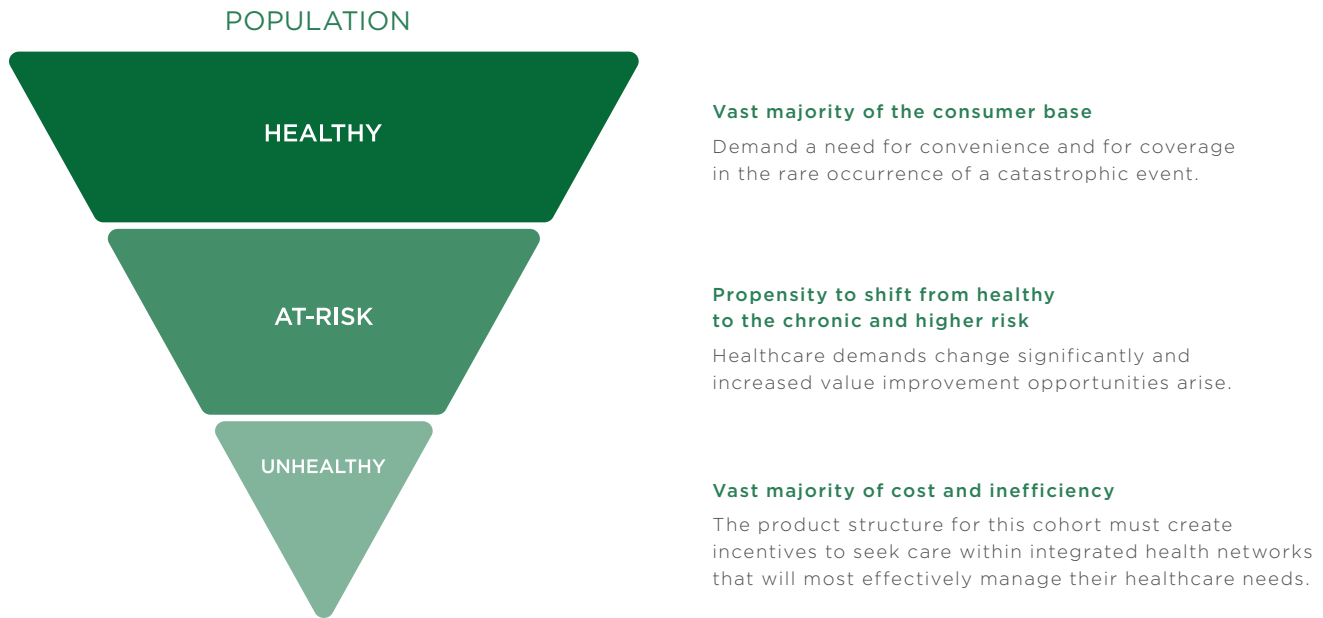
Our recent work has revealed that value-based collaboration between the consumer, carrier and provider will optimally support the

achievement of ongoing health maintenance and economic sustainability for the industry. This model must establish the consumer as the centerpiece of product structures and include an operating model that supports continuous health maintenance, care delivery and sustained cost and quality enhancements over the long-term.

This new model will achieve these desired outcomes by shifting the decision making process and actions of each party on two highly interrelated dimensions.

## Consumer and Product Structure

The first step to engage the consumer in the collaboration model is through the product structure, which must recognize the unique demands and desires of varying consumer segments. Effective segmentation is achieved through a risk stratification that acknowledges the drastically different demands of the younger/healthier population vs. the chronic/high risk populations.



A targeted benefit structure is needed to support value-based decisions for consumers as they enter the higher risk chronic disease cohort, such as:

- **Engaging in effective primary care, health monitoring and health maintenance** through explicit primary care physician and patient linkage and engagement. Effective value cannot be achieved in an attributed model which ignores active consumer participation.
- **Removing financial barriers and creating incentives** for consumers to maintain health.
- **Incenting high value care delivery** and more significant cost sharing related to the financial burden of low value care delivery. These incentives can include various factors that impact the value of the care that is delivered, including site of care selection, specialist selection, pharmaceutical utilization and avoidance of leakage from the integrated care model.

### IN ACTION

#### REMOVING FINANCIAL BARRIERS

United Healthcare's Harken Health subsidiary offers a product structure that hopes to remove these financial barriers by offering unlimited primary care visits with no out-of-pocket costs if members receive care at the plan's Harken clinic locations.

Once the consumer has agreed to be a part of the collaboration model through their product selection, the value must be realized through the model's ability to engage consumers and help them effectively navigate the healthcare system. Both carriers' and providers' responsibilities are redefined in this new model:

- **Carriers must shift from their traditional role as a fiscal intermediary** to become a consumer engagement, data analytics and health insights delivery hub. For maximum effect, data analytics and delivery requires the aggregation and analysis of data from the entire care continuum, including Electronic Medical Records. The outputs of these analytics should provide clear insights at the point of service to allow care planning and management on a real time basis.
- **Providers must break through traditional care delivery silos** working to create a coordinated and seamless patient experience. Achieving care transformation will involve significant change management and clinical leadership. Some healthcare systems have publicly announced their intent to fundamentally restructure and refocus their efforts on care delivery.

#### IN ACTION

#### **BREAKING THROUGH TRADITIONAL SILOS**

Geisinger's CEO recently told the Wall Street Journal, "I think my job ultimately is to close every one of our hospitals." Feinberg's vision is an integrated system and data driven approach with care coordination innovations that will decrease variation and allow the system to provide only necessary care.

Engagement is maintained by ensuring that the consumer remains continuously connected to the integrated care model in the manner that best suits their health status (e.g., mobile apps/texts for the healthy population, face-to-face care management for the highest acuity, access to patient portals, etc.) and through the creation of incentives that reward consumers' connectivity and engagement.

Once consumers are engaged in the collaboration model, the partnership must optimize their participation through continuity and long-term satisfaction. These objectives can be derived from an operating model that will not only support improved health outcomes and financial benefits but also a superior consumer experience that will create "stickiness." This stickiness is the key to realizing the financial benefits of improved health in the long-term to all stakeholders.

## Carrier and Provider Operating Model Collaboration

There has been much discussion in the industry regarding the need for carrier-provider collaboration; however, there has been less focus on the specific actions and changes to the operating model needed to achieve true partnership value. Here we provide some guidelines for strategic consideration.



### Long-term Partnerships

The necessity of entering into a long-term business relationship cannot be overstated. The carrier-provider partnership-based contract arrangement must allow both parties to make the required investments in restructuring their operating model and redeploying their resources into a new model that is centered on efficiently maintaining the health status of each consumer segment. These contractual arrangements are more akin to two business entities entering into a joint venture rather than the fiscal intermediary / provider dynamic that has traditionally dominated the industry. Both parties to this venture must understand and commit to the long-term road map needed to evolve to the optimal operating structure between the parties.

Full value creation cannot be achieved through today's models, which are built predominantly on short-term, value-based reimbursement programs. There must be a recognition and a commitment by both carriers and providers that the full financial potential may take time to accrue and may have negative impacts to certain business and financial drivers (e.g., shift of volume and financials from inpatient services).

The new success criterion for a long-term partnership must include:

**Long-term value-based care/**  
reimbursement migration road map

**Responsibility matrix**  
for each stage of the road map

**Resource and operating model**  
change management commitments

**Business case and ROI establishment**  
for both participants throughout the  
long-term migration process

**Data aggregation and analytics**  
**approaches** to which both parties are  
committed to operationalize before,  
during and after the point of care



## Organizational Design

In order for the new provider-carrier operating model to be effective, the partnership must establish the appropriate supporting organizational design. This design must not only reflect the required joint governance between the provider and the carrier, it also must ensure that each party on its own has the appropriate organizational design that will support (and not undermine) the new operating model.

Many traditional carrier functions may now be more effectively performed by the provider partner (e.g., care/disease management) or may be less relevant (e.g., retrospective utilization management). Duplicative activities and infrastructure investments (e.g., population health analytics, risk stratification, etc.) must be evaluated to identify best practices and create a migration path to an aligned approach. Both carriers and providers must be flexible and fluid in the reconsideration of traditional organizational roles and responsibilities.



## Integrated/Coordinated Networks

Carriers must embrace the concept of shifting from a focus on narrow, high-discount networks to the creation of consumer products that revolve around a coordinated and integrated care network. This structure has been proven to substantially support a commitment to the long-term change management needed to achieve value-based success.

Key outputs of integrated networks allow for:

**Reduction in volume** gained through healthcare efficiency (e.g., lower inpatient admissions, Emergency Room utilization, etc.)

**Replacement of volume** through leakage reduction programs and enrollment-based gains through product designs

**Long-term success** and ROI justifications to both partners' Board of Directors

**Reduced variation** through high value adherence and clinical decision making facilitated by point of care data and clinical management integration

**Consumer satisfaction** driven by value-based consumer navigation and care continuity



## Risks of Inaction Far Outweigh the Risks of Restructuring

A focus on short-term market and financial strengths will cause providers and carriers to ignore the unsustainability of the current economic model for employers, government payers and consumers, as well as the overall U.S. economy.

The most significant looming concern for carriers and providers alike should be when and how an economic correction to the industry will occur. Regardless of political affiliation and belief on whether ACA should remain in place or whether the privatization of Medicare will continue at its existing pace, it is clear that an economically sustainable solution is required. The model of care delivery deployed today has yet to break the unfettered growth pattern of costs and cost shifting.

While none of these events would occur overnight, the conditions of engagement continue to change quickly due to the current unsustainable economic model. As the cost of healthcare within our country rapidly approaches almost one fifth of our Gross Domestic Product, current industry participants must recognize that a structural change to their current operating model is essential to long-term survival. Without meaningful change to industry economics, carriers and providers risk that an outside force will intervene, which may leave many unprepared and scrambling to react to external market or governmental changes.

**If this problem is not addressed, there could be a major industry restructuring, such as:**

**Employers abandoning or delegating coverage** to their employees en masse

**Wide spread adoption** of plan designs with greater consumer/employee cost shifting, creating revenue cycle and bad debt challenges for providers

**Substantive shift of employer coverage,** bypassing carriers, going direct to large provider systems for service arrangements through enhanced risk relationships

**Slower moving providers** losing patients and volume to competitors that participate in consumer-based, highly coordinated health coverage products

**Increased consolidation** as carriers and providers face financial struggles due to industry changes

**New market entrants** restructuring health delivery to unique consumer segments including a highly mobile consumer-based model

**Government driven interventions** that effectively create a single payer system by default

This proposed consumer-provider-carrier collaboration model presents a long-term solution to the current quality and cost quandary facing the industry. Successful execution of this model requires:

- **Re-orientation** to establish consumers as a key component of the model
- **Development of product structures** that drive consumers' engagement in the model and create incentives to maintain their health
- **Transformation of the operating model** between providers and carriers to focus on a long-term partnership, supporting organizational design and integrated/coordinated networks

### EMBARKING ON PARTNERSHIP MODEL

Carriers and providers have the opportunity to drive industry change in a manner that, over the long-term, will be favorable to all three parties that have made the commitment to the model.

## CEO'S PERSPECTIVE

*A note from our Senior Advisor and co-author, David Gentile*

Editor's Note: In the end, the healthcare market will continue to evolve with varying levels of urgency and pace.

Collaborations, as defined throughout this brief, present a path forward to a sustainable cost structure and outcome improvements. It's about how deep and how meaningful carriers and health systems embrace consumer-centric

collaborations. Market position winners will be able to differentiate themselves by the value they bring to each segment of

the consumer base. As a closing thought, *how does this fundamental shift in strategic direction compare with what might be viewed as protecting the core strategies currently in play?*

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