A TAKE-ACTION GUIDE

Systems nationwide are seeing their proportion of commercial volumes slide. Is there a way to regain lost ground?
PAYER MIX EROSION

HEALTH CARE PAIN POINT

Avenues for growth for many health systems today seem insurmountably constricted. Value-based payment models, site of care shifts and new market entrants have stalled many traditional growth opportunities.

Frequently, Sg2 is hearing from executives who are highly concerned about their eroding payer mix. It’s a growing problem: Medicare and Medicaid share of the payer pie continues to expand at the same time that reimbursement trends downward. The net result? Financial uncertainty and margins under threat.

To balance payer mix in support of the bottom line, commercial volumes are critical. The dollars speak for themselves: a recent report from the Congressional Budget Office found the average inpatient commercial payment rate to be nearly 90% higher than the Medicare fee-for-service rate. And yet valuable commercial volumes are increasingly hard to find. Projections indicate already-low commercial volume penetration will further deteriorate over the next decade, representing just a third of hospital payer mix by 2024.


Sg2 PERSPECTIVE

To shore up payer mix, robust channels for short-term revenue are key. But getting to that growth can be challenging for leaders with a mind-set more appropriate for the 1990s. Back then a narrow focus on specialty referrals was top priority. Today requires a broader perspective, one focused further upstream. With an aggressive approach, you can reclaim commercial volumes. But capitalizing on that opportunity demands a solid ground game.

LEARN YOUR MARKET TRAFFIC PATTERNS

To tap channels of commercial volumes, you’ll need visibility into how patients move across your local ecosystem to identify and prioritize physician groups that are directing essential volumes.

PLAY TO YOUR POINT OF LEVERAGE

How you proceed will then depend on local physician positioning. In some markets, a land grab will have left MDs all locked up. You’ll need to focus furthest upstream, with a dynamic strategy that goes direct to employers or even straight to consumers.

Yet in more markets than anticipated given burgeoning alignment models, sizable numbers of independent and loosely affiliated primary care physicians (PCPs) and specialists remain. And within their control is significant business still to go after, both volumes and margin. Honing your physician outreach will sharpen your ability to shift share in your favor.

There are pockets of expanding, clinically appropriate, financially attractive services to be found. Systems just need to dig a little deeper.
Sg2 recently completed a drill-down using Patient Flow™ for a system with a large number of affiliated orthopedists. The analysis of commercial claims showed the system capturing little more than 1 in 10 potential joint replacement cases in its primary service area. A competitor down the road was topping 40%. Why? Leakage from affiliated specialists wasn’t the issue. Rather, PCPs controlled the channels, and there were plenty of free agents.

By running the math strictly based on shifting a realistic proportion of referrals from 7 independent PCP practices, Sg2 was able to identify more than $600,000 in revenue there for the taking.

Note: Data do not reflect actual referrals, but actual patient activity, from which referral patterns can be inferred. Sources: Sg2 Patient Flow, 2017; Health Intelligence Company, LLC; OptumInsight; Healthcare Data Solutions; Sg2 Analysis, 2017; Congressional Budget Office. An Analysis of Hospital Prices for Commercial and Medicare Advantage Plans. June 26, 2017.
Looking for short-term revenue to shore up payer mix? Sg2 CAN HELP.

**Want to Learn More?**
Let us teach you.

Payer mix is a complex topic. Sg2’s suite of intelligence offerings provides the guidance you need to get up to speed and start strategizing for success.

**Ready to Take Action?**
Let us guide you.

Has the pressing problem of payer mix moved to the top of your priority list? Sg2’s team can show you how to mine your market- and organization-specific data to reveal growth potential where competitors may not be looking or are ill-positioned to compete.

**Stretched Too Thin?**
Let us tackle it for you.

Want the analysis we’ve shared tailored to you? Our consulting experts can help personalize your pain point approach, creating quantitative assessments and developing a detailed action plan.

**Sg2 SOLUTIONS**

- Explore our **Payer Mix Erosion resource kit** to access a diverse range of thought leadership on this topic.
- Sign up to get an early release of our **upcoming report** on direct-to-employer contracting strategy.

**Sg2 SOLUTION**

Schedule a **personalized session**. Facilitated live or virtually by Sg2 experts, this session will:
- Educate your team on the challenges of payer mix erosion and strategies to combat it
- Showcase the power of robust claims data to gain actionable insight into local market traffic patterns
- Provide a drill-down into 1 key clinical area to spot strategic options based on your organization’s unique needs

**Sg2 SOLUTION**

As a complement to your membership, turn to our consulting experts to help you forge a **smart growth strategy**. They’ll identify achievable growth targets and create a customized solution for netting the best and quickest returns.

**YOUR TAKE-ACTION TEAM:** CFO | BUSINESS DEVELOPMENT | PHYSICIAN LIAISONS | STRATEGIC PLANNING

**YOU CAN RECLAIM COMMERCIAL SHARE.**
**SCHEDULE YOUR Sg2 SESSION TODAY.**

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