ORGANIZATIONAL STRUCTURES TO ADVANCE VALUE-BASED CARE

Management models often do not keep up with systems’ evolving approach to contracting. What options exist to set the system up for success?
Driven by federal mandates, state actions, employer demands—and the vision of forward-looking health care leaders—value-based care (VBC) has taken root across the country. Granted, some markets and regions are more advanced than others, and overall the transformation from volume to value has not moved as fast as expected. Nevertheless, health systems are experimenting with and expanding value-based care, recognizing that the eventual shift to value is inevitable, if not entirely predictable.

Often, however, the organizational structures managing these efforts have not kept pace. Value-based initiatives may be led as part-time assignments or passion projects by executives whose main responsibilities are in the fee-for-service (FFS) business. With this kind of informal structure, resources may be inadequate and management models can conflict. Capabilities required for success, such as risk-based contracting, physician leadership, care management and data analytics, may have to be “borrowed” from other departments or functions. Incentives may be mismatched, with the value-based projects aiming to lower utilization while the FFS side is working to boost volumes. What’s more, a central tension exists around the cost of providing the infrastructure required for value-based care—it may cost more to run these programs than the expected or realized return, at least over the short-term.

The weaknesses of the current management model may be revealed when internal drivers (eg, the need to align more closely with physicians) or external factors (eg, a push by the state or by employers) spur the health system to expand the scope and scale of its value-based programs. A more advanced org structure with dedicated resources, leadership and governance will likely be needed to house and optimize necessary competencies as the organization gains participating physicians and covered lives.

Our value-based care strategy is like popcorn. There are all these pilots popping up all over the system and we can’t get our arms around them.

—Health System Executive
Sg2 has identified 4 management models that can meet the needs of health systems at various stages of value-based care adoption:

- **FOCUSED POPULATION HEALTH EFFORT**
- **POPULATION HEALTH INSTITUTE**
- **SEPARATE POPULATION HEALTH ENTITY**
- **VALUE-BASED CARE ENTERPRISE**

The models reflect rising levels of experience—and increasing potential to transform care delivery, strengthen alignment with physicians and truly impact the health of broader populations. However, the models are not intended as a rigid sequence but rather as options for organizing assets (people, technology and resources) to execute on the organization’s scale of ambition for value-based care in its market(s). Particular models may be more or less adapted to an organization’s size, levels of risk, resources, capabilities and types of physician alignment. And actual management structures may not fall neatly into just one model. A single provider system may adopt aspects of different models to manage its value-based business.

“Competing priorities for bandwidth, confusing lines of authority, no single signature in charge, a specialty-centric culture—it’s hard to have the teamwork needed for value-based care.”

—David B Nash, MD, MBA, Dean, Jefferson College of Population Health
CRITICAL DECISION POINTS PROMPT NEW MODELS

As organizations expand their value-based care initiatives, from time to time it will become evident that the current management structure has become inadequate or unwieldy. Establishing a more advanced model, with additional staff and resources and a dedicated leadership/governance structure, will pave the way for increasing scale.

The path from one model to another illustrated here is not meant to be a set progression or hierarchy. The journey may not follow this sequence, and a system’s management structure may have characteristics of more than one of these archetypes. Organizations should choose the option that best matches their goals and circumstances.

Decision Point
- Develop value-based programs that focus on key DRGs/conditions, “nothing-to-lose” populations.
- Enter bundled payment arrangements.

Decision Point
- Consolidate and scale VBC effort with more:
  — Physicians.
  — Covered/attributed lives.
  — Downside risk.

Decision Point
- Expand number of populations in VBC contracts.
- Increase percent of revenue at risk.

INCREASING SCALE, RISK

THIS IS AN EXCERPT OF CONTENT RESERVED FOR Sg2 MEMBERS.
Contact learnmore@sg2.com
This analysis was prepared by the staff and consultants of SG-2, LLC (“SG2”) and is proprietary and confidential information to be used solely by clients of SG2’s systems. The projections, trends, forecasts and conclusions provided herein were assembled using the best judgment of SG2, its staff and consultants, but should not be construed as definitive projections for purposes of financial feasibility or other economic decision making. Events, conditions or factors, unanticipated at the time of the development of this analysis, may occur which could have a material impact on the conclusions contained within. No assurances are offered, either implicitly or explicitly, that the projections, trends or forecasts will occur.

SG2’s analyses, recommendations and forecasts are based on a thorough and comprehensive review of literature, client interviews and discussions with industry participants. SG2, its principals and editorial staff do not hold any direct investments in commercial enterprises that may be noted in SG2 publications and reports. Medical device manufacturers, pharmaceutical firms and other commercial vendors (some of whom are clients) are often noted in SG2 publications to illustrate emerging trends or key clinical developments. SG2 does not recommend or endorse any specific products or services noted. SG2’s objectivity and analytical rigor are fundamental to the value of our research and insights.

Clients should apply findings to their own market and business circumstances to determine the applicability of the information contained herein. With respect to clinical matters and patient treatment practices, clients should consult with their medical staff professionals prior to adopting or applying any such plans or procedures. SG2 disclaims any liability for the accuracy, completeness or usefulness of any information, product or process discussed herein and shall not be liable for damages of any kind, including, without limitation, any special, indirect, incidental or consequential damages arising from omissions or errors in its conclusions, findings, observations or recommendations.
Anticipate the Impact of Change

Sg2, a Vizient company, is the health care industry’s premier authority on health care trends, insights and market analytics.

Our analytics and expertise help hospitals and health systems achieve sustainable growth and ensure ongoing market relevance through the development of an effective System of CARE.