



Value-based care

Step up or step aside

The fee-for-service (FFS) model as we know it today may be headed for obsolescence. In its absence, plans face a crossroads: enhance positions through new business models and collaborations, or risk irrelevance.

The shift from volume-based to value-based care isn't immediate—about 90 percent of health care payments are still traditional FFS¹—but the end of FFS in its current form may be inevitable. Providers are driving most of this change, and the effect on them is attracting the most attention. But this change affects everyone in the health care ecosystem. In order to thrive, health plans should consider taking on change early. That means taking the lead in delegating care, driving transparency, aligning incentives, and updating payment models.

Providers are taking on new measures of risk because they bear financial responsibility for health outcomes. Some provider networks are even going into the insurance business themselves. Yet managing risk has traditionally been the domain of insurers. The challenge for you, as a health plan, is to find other kinds of value to offer. Some of these offerings may make use of investments that plans have already made, such as in medical management and consumerism.

Plans face a crossroads—enhance positions through new models and collaborations, or risk irrelevance.

Who are you now?

Decide your role in the new marketplace, then move quickly to live up to that vision.

Markets evolve in different directions at different speeds, and it will take time for providers to evolve into a fully value-based system. Until then, there's no one solution that will fit every region or market.

Based on that understanding, each plan should consider its identity in the new value-based world: a transactional processor? Part of a value-based care clinically integrated entity? An owner or selective partner of a provider organization? Or a source of value-added solutions and services that let providers supplement their care delivery capabilities in the face of new population management challenges? Depending on the markets you operate in, you will likely be able to pursue new relationships, drive new payment models, support new capabilities, or sell new services or solutions.

Delivering value in these new ways may remain a matter of arm's-length contracting, or it may take the form of deeper integration among plans and provider organizations. In many cases, you may be able to act as the glue that binds multiple provider organizations into a valuable new composite offering.

Finding common purpose—and building from there

The new capabilities others need from you are ones you probably have already.

The two tactical guideposts for plans will likely be margin and revenue. It's important to seize new opportunities to remain relevant, and each of them should be as profitable as possible.

One place to seek new revenue is through clinical integration. Providers need it, and you can supply the tools to achieve it. Capabilities such as clinical analytics and population management will be central as providers and plans work together to de-fragment the provision of care. So will the workflow practices and infrastructure that let you manage and engage patients. At the same time, you should preserve sustainable margins in the benefits you offer to groups and members. The traditional insurance role will likely play a part in your overall portfolios, only smaller.

Another avenue toward a better bottom line is payment innovation. Replacing FFS with a value-based approach isn't as simple as swapping one monolith for another, and there's room for innovation in the ways health plans can drive new



¹ Catalyst for Payment Reform, "National Scorecard on Payment Reform," March 2013.

payment models. When you move beyond paying for performance, the value-based world offers more than one way to divide responsibility and gain, including capitation, gain sharing, and global risk models to pay for value.

A new way to operate

Different roles require different muscles.

Working with providers, hospitals, and the buying public in new ways will likely force you to utilize a mix of business capabilities you already have and ones you may not. Your current profile may not map to changing needs in areas like contracting, payment model design, or provider reporting. You should assess your capabilities across the dimensions of people, processes, and technology. You should also evaluate whether you'll need new internal organization designs to support the new way of measuring care and your new role in delivering it.

As functions change, so will the skills you need to perform them. You will likely need traditional network management and contracting skills, but now you may also need people to carry out service- and consulting-oriented responsibilities.

Your technological capabilities may also have to evolve—and they're likely to deliver new value. Supporting a care system that measures health outcome values across multiple conditions, providers, and interventions places a premium on the raw ability to handle data as well as the discrete ability to draw insights from that data quickly and cheaply. Other players in the health care arena now need the information and analysis you can provide. The challenge is to transform what was an internal resource—IT power—into one that can be packaged, sold, and shared externally.

Putting the value in value-based care.

Measuring medical care by its evidence-based value, instead of by sheer volume, puts a new burden of responsibility on both payors and providers—including the responsibility to work more closely together. The change also provides new opportunities to make the most of what plans do well. As you define your role in this new environment, it's important to ask yourself fundamental questions. What role do you want to play? What is your collaboration strategy? What capabilities do you need to add, and which ones should you promote as new value centers? Above all, what can you offer in terms of the big bets and game changers that will put you at the center of your new relationships?

Bottom line

The threat of disintermediation—of watching providers and patients roll ahead without you—is real. But the seeds of a new way of doing business are around you. When you make the mental leap, you'll find bold moves may be within your reach, with significant potential benefits.

- Sustainable margin
- Continued (or enhanced) market relevance
- New avenues of profitable collaboration
- Improved position with hospitals
- New and better relationships with providers

To learn more, including steps you may take right now, please contact us.

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