

# **VALUE BASED CARE**

# RISK-BASED PPO CONTRACTING FOR PROVIDER NETWORK

Developed high-level terms and model for a risk deal between a provider network and a regional health plan for its Commercial PPO book of business

## Client situation

- Our client was a physician network, who wanted to expand at-risk contracting with its corporate health plan parent to Commercial PPO members
- Prior to the engagement, risk deals centered on HMO populations
- Move to risk deals in PPO motivated by a desire to expand revenue potential and gain greater influence over physician practice patterns
- Oliver Wyman was engaged to develop the high-level structure and terms for a risk deal for 2021 for the FI PPO population (FI as an area to “test and learn” before expanding to ASO)

## Oliver Wyman approach

- Our approach was to first build an analytically-driven fact base to better understand the details the client’s clinical and financial performance across its commercial populations
- With this baseline – and with input from both the client and its corporate parent, we proposed value-based contract model that reflected both organizations changing needs and aligned to sources of value creation
- This model refined through a series of facilitated discussions to define a more concrete set of terms for 2021

## Key impacts achieved

- Strongly anchored future contracting discussions on the client being reimbursed for value-added activities (i.e., not traditional FFS structure)
- Defined clear guardrails and structure for a value model that would work for both the client and its parent

# DESIGN AND EXECUTION OF VALUE-BASED PROVIDER PARTNERSHIPS

Led analysis, design, and negotiation of 2 new value-based partnerships between a health plan and two providers, recommended redesign of MA value-based contracts, and developed a data-sharing policy for all value-based contracts

## Client situation

- The client was seeking to increase adoption of value-based care in their market which was very early in the stages of moving away from typical FFS reimbursement models
- 2 key provider partners were prioritized for value-based arrangement opportunities
  - A large independent physician group with no experience in value-based care for a Commercial PPO product
  - A large regional health system pushing aggressively into value-based care by establishing a clinically integrated network
- Oliver Wyman was asked to lead all efforts associated with analyzing, designing and negotiating the value-based arrangements for the prioritized provider partners

## Oliver Wyman approach

- Facilitated contract design sessions with Client's actuarial, network contracting, medical affairs, and sales teams and developed final value-based partnership design
- Led negotiations between health plan client and provider partners on overall design and detailed contract terms and conditions
- Drafted contract language for each provider partnership
- Defined joint operating model for each partnership including care management/coordination, data sharing, reporting, implementation

## Key impacts achieved

- New value-based arrangements successfully negotiated
  - Independent Physician group contract design will serve as the template for all Commercial PPO value-based contracts with independent provider groups going forward
  - Negotiated contract with CIN that allowed for clinical and financial integration of the network, while ensuring that providers abide by all necessary client terms and conditions
- Recommended redesign of MA value-based contracts to help transition providers to taking on additional risk over time
- Developed a data sharing policy for all value-based contracts that enables providers to effectively manage populations, without disclosing proprietary information

# 'PATH TO RISK' STRATEGY DEVELOPMENT AND PLANNING FOR A LARGE BLUE PLAN

Identified 5-year savings of over ~\$650 M across all lines of business by transitioning 50–70% providers to risk and achieved C-Suite alignment on importance of accelerating the strategy

## Client situation

- Regional Blue plan sought to develop and stand up a network-wide value-based/risk-based program, with the goal of addressing affordability targets, customer demands, and a changing competitive landscape
- This program, which was considered by the CEO to be a critical and innovative initiative, required an approach that would represent a significant departure from current state
- The client engaged Oliver Wyman to develop the strategy and approach, and support alignment efforts across varying stakeholder groups

## Oliver Wyman approach

- Developed socialization materials articulating the 'case for change', economic impact, end-state vision, and approach (including mitigation) to obtain buy in from leadership
- Facilitated 7 workshops and weekly core team meetings to drive towards alignment on critical decision points
- Developed execution roadmap including key work tracks, activities, timing, and dependencies; structured Transformation Management Office and program to de-risk execution
- Assessed impact of key risk contract levers on overall health plan financials
- Developed provider-level financial opportunity scenario modelling to identify potential gains under a risk contract

## Key impacts achieved

- Identified 5-year savings of over ~\$650 M across all lines of business by transitioning 50–70% providers to risk
- Developed models quantifying impact of program, which brought clarity around pre-conceived assumptions and beliefs on design and approach for risk contracts
- Supported multiple rounds of socialization and buy-in across divisions to obtain funding staged over 5 years to mobilize the program
- Developed detailed implementation plan across 6 key work tracks and identified critical activities to de-risk execution