System Focus

February 2020

Top Five Trends for Medical Groups: What Health System Boards Must Know for 2020

By Susan Corneliuson, M.H.S., FACHE, Director, Premier, Inc.

Changes in the payment landscape and the need to control costs will put ambulatory care and the physician practice at the forefront of the health system of the future. Success will come to those healthcare leaders that appropriately position their organizations for this new environment through alignment with physicians, performance improvement, and investment in digital technology and infrastructure. The following five trends for medical groups will help governing boards understand the challenges, opportunities, priorities, and concerns affecting both employed and independent physicians. Boards should ensure they have a comprehensive ambulatory strategic plan with established priorities to address these essential market dynamics.

1. Pursue Advanced Primary Care Strategies

Health systems are continuing to transform primary care as a means of managing healthcare costs and reducing unnecessary or preventable specialty or hospital utilization. While primary care accounts for only a small portion of total U.S. healthcare costs, if structured properly, it can have a considerable impact on total cost of care through appropriate care coordination and management of specialty referrals, prescribing, procedures, and hospitalizations. This impact is reshaping the industry and health systems will need to advance their primary care strategies to remain relevant in the marketplace.

The National Business Group on Health (NBGH) recently released its annual look at large employers' healthcare and plan design strategies and found that 49 percent of employers surveyed plan to implement at least one advanced primary care strategy in 2020. Of those surveyed, 34 percent said they were rolling out on-site or near-site primary care centers in 2020.[1] Furthermore, investor-backed primary care disrupters will continue to make inroads in this space, raising consumer expectations and setting a new bar for care delivery. Coined by Harvard's Clayton Christensen, "a disruptive innovator creates a new market disrupting the status quo and displacing established incumbents and the rules of the realm."[2] These disrupters have the potential to quickly move volume and market share from established health systems and provider groups

1 Paige Minemyer, "Large Employers Embrace Advanced Primary Care in 2020: NBGH Survey," *FierceHealthcare*, August 13, 2019.
2 Paul Keckley, "Disruptive Innovation in Healthcare, Really?," The Keckley Report, August 27, 2018.

Key Board Takeaways

- Follow the Medicare premium dollar and the flood of "smart money" being invested in strategies to keep patients out of the hospital. Monetize your ambulatory strategy; don't risk underinvesting and losing market share and populations to new entrants.
- Develop a robust autonomous ambulatory enterprise within the health system to meet consumer demand. Ensure the enterprise is led by seasoned ambulatory executives with a structure that allows for financial independence and resources to integrate care across the system.
- Pilot innovative care models to drive change throughout the organization and to effectively manage the senior and other identified populations.
- Evaluate the flow of funds across all payer contracts and create an integrated approach to compensation and incentive distribution for your physician network.

by appealing directly to consumer demands.

Board to dos: Evaluate the options in your region to participate in the various advanced primary care offerings such as CMS's Primary Care First (PCF), PCF-High Needs, Direct Contracting, and Comprehensive Primary Care Plus (CPC+) programs. Develop proof-of-concept sites and be willing to test various care models. Recognize that if you don't innovate, someone else will do it for you. Be able to answer the following questions:

- What is your primary care strategy and how do you differentiate yourself from the competition?
- How are you utilizing team-based care and technology to improve access and outcomes?
- Are you incorporating social determinants of health into your core strategy?
- Are behavioral health and other interdisciplinary services an integral part of your strategy?

2. Focus on High-Quality, Lower-Cost Care Settings

Transformative health systems are actively shifting expensive hospital-based services to the ambulatory setting and establishing themselves as the market leader in value. Payers and employers are continuing to drive this expectation and in many cases are no longer paying for procedures, laboratory services, and imaging studies that can be performed in a lower-cost setting. Consumer demand for access and convenience, improvement in surgical tools and technologies, and changing perspectives on site-neutral payments is also driving this trend.

In a 2019 survey of healthcare leaders, Definitive Healthcare found new technologies to be the number one reason for outpatient growth (at 37.3 percent), while 36.7 percent of respondents said that lower costs associated with outpatient care was the biggest advantage.[3] Furthermore, non-traditional companies such as Walmart, CVS Health, and Amazon are using their existing consumer traffic and knowledge of consumer preferences to enter the healthcare space and shift business out of traditional care settings.

Board to dos: Develop and execute on your ambulatory strategy. Move procedures and services from high-cost centers to lower-cost ambulatory sites to create high-value networks. Evaluate the use of traditional settings (i.e., imaging centers, physician practices, ambulatory surgery centers) and non-traditional care settings (i.e., retail clinics, e-visits, home visits, home monitoring) as integral components of your strategy. Be able to answer the following questions:

- What are the needs of the community and consumers you serve? Which locations will provide the most appropriate and convenient access?
- What types of sites do you need to provide and expand services at a lower cost (i.e., ambulatory surgery center, specialty clinic, primary care clinic, urgent care, retail clinic)?
- How do you plan to meet consumer demand/preferences and exceed expectations?
- Which opportunities are the most realistic and achievable in your market?

3. Be Diligent in Pursuit of Digital Health Opportunities

Telehealth is growing at an ever-expanding rate, with significant inroads being made at the federal and state levels to fund these services. CMS accepted five new reimbursement codes in 2019 allowing providers to be paid for remote patient monitoring, e-visits, and e-consults. According to a 2019 Accenture survey, millennials, which represent the largest generation as of 2019, have the most potential to influence future healthcare models and are the most dissatisfied with the healthcare status quo. Consumers of all generations are more willing to try non-traditional services, such as walk-in clinics, e-visits, on-demand services, and digital therapeutics.[4] Furthermore, telehealth and remote monitoring tools will continue to increase opportunities to better manage care through lower-cost interdisciplinary interventions.

Board to dos: Develop a comprehensive ambulatory digital health strategy that integrates with your payer strategy and is tailored to your population and patient needs. Begin by transforming primary care practices utilizing technologically enabled clinical models (i.e., virtual visits, wearables, data-driven analytics), combining physical, social, and behavioral modalities, along with consumer engagement and financial incentives to affect health outcomes. Be able to answer the following questions:

- How do you evaluate new and developing digital health solutions to see if they are a fit for your consumers?
- What digital health tools are you using to manage high-risk or other identified populations?
- What opportunities have you explored to further engage patients in self-management?
- How have you modified your physician workflows to incorporate digital technology?

4. Develop Strategies to Execute on Key Metrics for Success

Maximizing revenue under value requires a shift to new metrics based on the efficiency, effectiveness, and coordination of care provided.

3 "2019 Outpatient Trends, Definitive Healthcare Survey Results," June 2019.

4 Kaveh Safavi, Kip Webb, and Brian Kalis, *Accenture 2019 Digital Health Consumer Survey: U.S. Results*, Accenture Consulting.

Change in the physician practice continues to accelerate with digital technology fundamentally altering the way consumers access and utilize care.

Key metrics include access to preventative care, imaging and ED utilization, changes in health risk, patient and provider engagement, total cost of care, panel size, readmission rates, and continuity of care. Health system financial performance under value-based purchasing (VBP) programs is directly tied to health risk, as measured by hierarchical condition category (HCC)/risk adjustment factor (RAF) scores; higher scores indicate greater healthcare costs and consumption of resources. Therefore, higher risk scores result in greater capitation payments from Medicare to the Medicare Advantage health plan and upward or downward adjustments to payment rates under ACO agreement, MACRA/MIPS, CPC+, and other programs. Having a thoughtful approach and plan to achieving identified targets is key to high performance under VBP plans.

Board to dos: Choose a limited number of key metrics to measure and monitor performance. While various plans and payers may require you to report on a multitude of measures, you aren't required to use them to manage your VBP program. Select a core set of measures that have the greatest impact on cost and quality, and are supported by reliable, accurate, scientifically valid, transparent, and timely data. Involve physicians in the selection of metrics and recognize the administrative burden and cost to physicians and other providers of participation. Streamline operational processes and transform workflows to limit the burden on providers. Be able to answer the following questions:

- What are your key metrics of success and how are you performing?
- What is your aggregate HCC score for your employed medical group(s)?
- Do you have a comprehensive HCC coding and documentation process in place?
- Do you have defined panel sizes for your identified patient populations?

5. Redesign Compensation Plans to Align Incentives

With a shifting emphasis toward value, physician organizations are expanding their focus beyond service volumes and incorporating additional components of performance to include access, quality outcomes, financial, and customer experience into variable compensation. Organizations need to be proactive in designing compensation models that closely align with reimbursement methodologies and trend/track performance. Contemporary compensation systems need to balance productivity and non-productivity incentives, remain flexible over time, and should contemplate team-based and individual performance goals that tie to the overarching health system strategy.

Board to dos: Assess your existing compensation and funds flow arrangements across your physician enterprise. Develop a compensation strategy that ties to your payer strategy and evolves over time. Ensure incentives are physician-driven, outcome oriented, and drive results under your VBP arrangements. Be able to answer the following questions:

- Is your physician enterprise meeting its goals for clinical or financial performance?
- What is your organizational philosophy with respect to leveraging incentives to drive alignment and behavior?
- Have you recently joined an ACO or has your payer reimbursement changed significantly or are you implementing new initiatives (e.g., CPC+, Direct Contracting, etc.)?
- Are you having difficulty attracting or retaining provider talent?

Moving Forward

Change in the physician practice continues to accelerate with digital technology fundamentally altering the way consumers access and utilize care. It is essential that health systems create an innovative ambulatory strategy and develop highly adaptive, connected care sites to meet consumer demands and stay ahead of the curve. Be willing to take risks in implementing your strategy as waiting will become the "new risk."

The Governance Institute thanks Susan Corneliuson, M.H.S., FACHE, Director, Premier, Inc., for contributing this article. Susan can be reached at susan_corneliuson@premierinc.com or (509) 844-4604.