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Increasing Specialty Care Emphasis in Value-Based Care Strategies to Improve Future Outlooks for Health Plans

Market strategies to drive transformation of healthcare delivery and payment towards value are at a cross-roads. In response, health plan VBC strategy success will depend on their ability to develop and deploy specialty VBC models.

Industry advancements in value-based care (VBC) have resulted in a meaningful restructuring of health plan and provider organizations, processes and capabilities. However, common outcomes are emerging across the industry—traditional value-based payment models are experiencing plateauing growth and financial return for health plans and providers are declining—forcing industry innovation on two fronts.

1. Health plans and providers need to evolve existing primary care physician (PCP) led programs to achieve greater impact and efficiency. This evolution will require a greater push towards risk via creative risk sharing models and strategic partnerships.

2. Employers and health plans need to diversify value-based portfolios to engage specialty providers under value-based incentive models. The concepts included in this whitepaper will help health plans to frame strategies in specialty value-based care.

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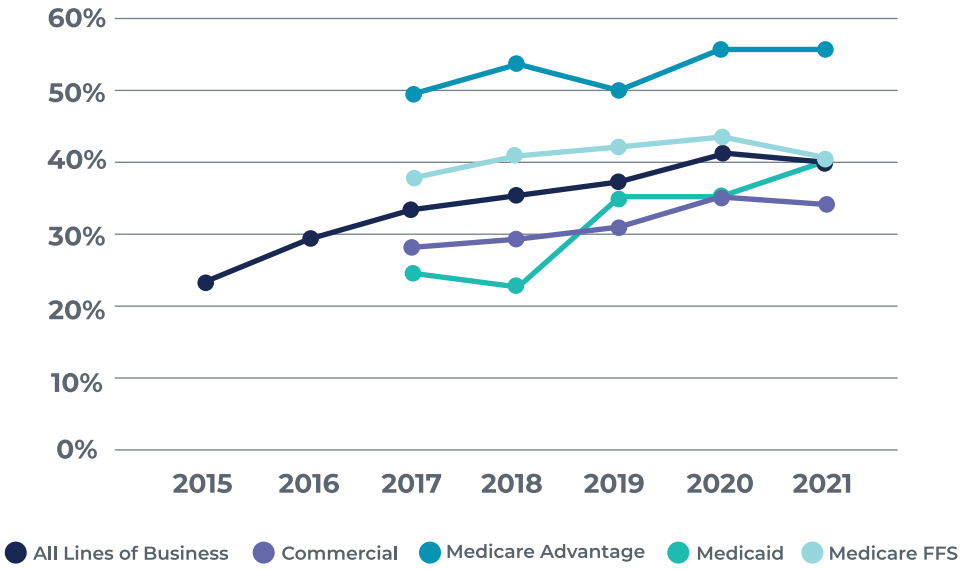
Trends Seen in the Value-Based Care Market

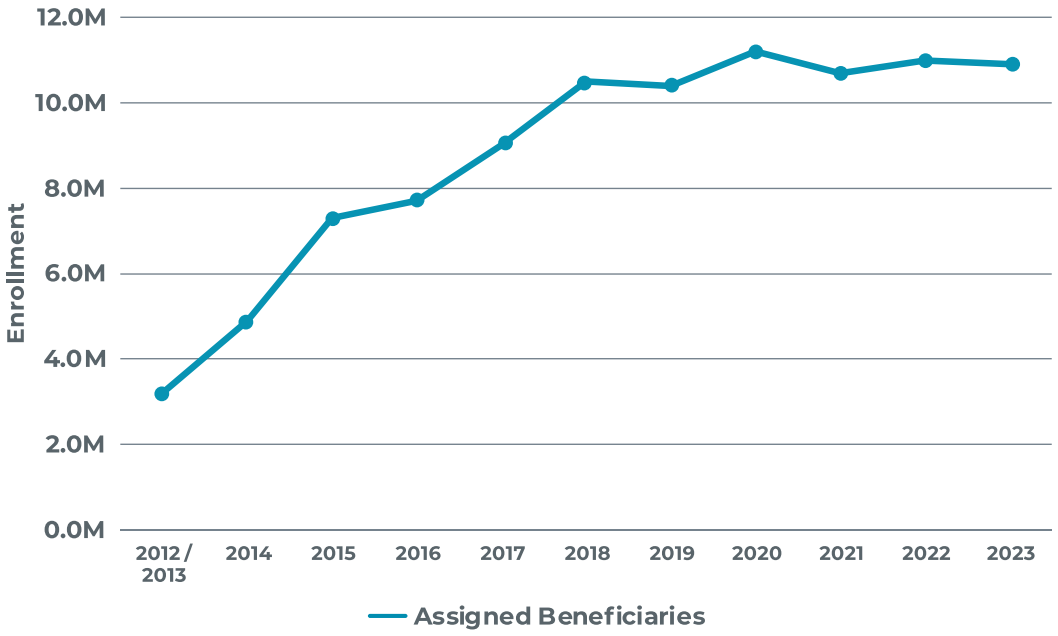
Within Alternative Payment Models (APMs), Category 3+ spending is beginning to plateau across all lines of business as a percentage of total spending.

Figure 1: Categories 3-4 Spending by Year and by Line of Business



Enrollment in Accountable Care Organizations (ACO) across lines of business has been plateauing since 2020. Specifically, Medicare Shared Savings Program (MSSP) beneficiary data for ACOs showcases this trend within the Medicare line of business as recent as 2023 (see Figure 2).

Figure 2: MSSP ACO Enrollment



As the industry sees value based payments and enrollment in ACOs plateau, the associated value curve for these programs is threatened. The flattening of this value for traditional PCP-centric value-based programs is predicated on the following:

The baseline for success is higher. Investments in primary care practice capabilities coupled with payment models that reward performance on cost and quality outcomes have resulted in reductions in low value care. Quality programs such as the Medicare Stars program have paved the way for industry-wide improvements in coding, gap closure and patient follow-up. Incentive payments under these programs are declining given that many VBC programs reward providers, in part, for improved quality and cost of care from prior years.

Primary Care Physicians are already engaged. Current programs have worked over the last decade to continuously incorporate new primary care providers and provider groups that are interested in participating in value-based care arrangements. Therefore, the overall growth opportunity related to adding new PCPs to existing programs declines every year as the total pool of eligible and interested net-new providers is reduced.

Cost of care drivers are changing. Population aging and rising costs associated with specialty care are changing the extent to which primary care alone can bend the cost curve. Organizations such as Evernorth Health Services expect specialty trends to continue, with specialty spending increasing as much as 10-15% in the coming years. Patients themselves are demonstrating increased preference to utilizing specialists earlier on in their care journey. For example, Medicare specialist visits increased by 20% between 2000 and 2019. Today, the average Medicare FFS patient visits 2 PCPs and 5 specialists annually.

Key Considerations in Establishing Specialty Value-Based Engagement Strategies

To date, the number of specialists engaged directly in value-based arrangements significantly trails primary care participation in value. Health plans must work with providers on developing more condition-based approaches to target areas ripe for care innovation, such as for MSK, Cardiology and CKD. However, specialty value-based care programs have fundamental differences and complexities compared to traditional PCP-centric models that health plans need to appreciate and plan for, including:

Differentiated Model Design and Operations: Despite continued evolution of PCP-centric value-based payment models, for the most part, the processes underlying many of these programs remain the same. Many PCP-oriented total cost of care programs have similar methods of attribution target setting and value measurement and operate on similar timelines. Health plans and providers have built scalable infrastructure and operating units around these similar processes.

In contrast, the design and mechanics of specialty VBC programs differ fundamentally from those of PCP-centric models. For example, attribution of plan members to specialist practices will frequently require more real-time activation than claims-based processes can support. Measures of value will also differ. While some specialty models are able to align to total cost of care frameworks leveraged in PCP-centric models (e.g., CKD), many other programs will define value and outcomes within the context of specific clinical pathways or episodes (e.g., Oncology, Maternity). Target setting for cost and quality outcomes will also differ materially from established PCP-centric approaches.

The impact of these differences in model design and operations will be profound for health plans that seek to scale specialist programs, especially as many health plans pursue administrative cost reductions that limit capacity to execute unique processes.

Coordination with Existing VBC Footprint: As specialty VBC programs scale, health plans and providers will be increasingly challenged to solve the financial and clinical challenges posed by dual attribution, in which a member is concurrently attributed (or eligible to be attributed) to multiple VBC programs. To date, health plans and providers have largely avoided complexities posed by operating specialty VBC programs separately from other value-based programs due to the limited size and scope of specialty models. However, as these programs scale, health plans and providers will need to address three primary challenges:

(1) Defining payment terms to avoid duplicating payment for outcomes potentially attributable to multiple providers

(2) Avoiding disintermediating primary care physicians from member care

(3) Avoiding member confusion regarding which physician or provider entity is directing his or her care during an acute health event

How to Move Forward

To capitalize on the overarching market evolution in specialty care, health plans need to develop a proactive specialty VBC strategy focused on direct specialist inclusion. **A proactive specialty VBC strategy allows plans to intentionally target select conditions and providers, develop scalable VBC model concepts that are applicable to priority specialties, align internal operations and inform the evolution of existing PCP-led models.** Key questions that plans will need to address as they develop specialist VBC strategies include:

Health plans need to develop a proactive specialty VBC strategy focused on direct specialist inclusion.

- **How can the plan prioritize to ensure that specialist care is managed in a way that enables efficient and quality care with improved health outcomes?**
- **Which actions will enable specialists to improve patient outcomes?**
- **What is the role of the PCP in managing patients engaged with targeted specialists?**
- **What is the optimal specialist incentive model for greater adoption of target strategies?**
- **How will the plan reconcile and distribute payments between PCPs and specialists?**
- **What new capabilities or existing capability enhancements are needed to support attribution, performance measurement and payment?**

HealthScape Can Help

HealthScape works with a variety of health plans and providers to navigate these questions, design, launch and monitor effectiveness of targeted programs that add value for high-cost member populations. Please reach out to Mike Ferson, Kevin Mehta, Nate Akers or Kristin Mullany for additional information.

The authors would like to thank Unsh Thakore and Ryan Navin for their support and contributions to this article.

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