

The CLIMB

to value-based care

Mapping industry stakeholder influence on VBC's future

Value-based care (VBC) is already an important part of Medicare. But the next 10 years of VBC will be shaped by the private sector. Below, we detail the position of each major stakeholder: who's most motivated to act, how they can shape future reimbursement models, and what's standing in their way.

Ultimately, the goal of VBC is to reduce healthcare costs, and that will mean less money to go around. Stakeholders who scramble to the top will create a VBC future that works to their advantage. So, it's a competition. And the climb is on.



Hospitals and health systems

MOTIVATION TO EMBRACE VBC
Low; higher if they own or closely partner with a health plan

DEGREE OF INFLUENCE
Medium-high; higher if they have:

- High market penetration
- Low level of competition, as a whole or for select services
- An expansive ambulatory footprint
- Strong brand and patient loyalty
- High levels of "systemness"
- Close partnership with major health plan(s) (e.g., ownership, affiliation, joint venture)
- Collaboration and alignment with employed and independent clinicians in the market

RISK OF BEING LEFT BEHIND
Medium-high, because there will always be a need for acute care; however, the demand for inpatient beds will decrease—systems relying on revenue from the highest cost assets in healthcare (hospitals) are most at risk of being left behind

LEVERS OF INFLUENCE

- Own and operate diverse services across the care continuum
- Maintain EHR across sites with patient data
- Establish care standards and manage referrals across inpatient, primary care, and specialty care
- Staff care management teams to manage high- and rising-risk patients
- Set terms with health plans

BARRIERS TO ACTION

- Dependent on FFS revenue
- High fixed-cost structure
- Competing priorities for leadership attention (e.g., inflation, staff turnover)
- Challenges to working as a system (e.g., silos)
- Difficulty changing clinician behavior, driving inappropriate care
- Lack of up-front investment to make care delivery changes necessary to succeed under risk-based payments (e.g., analytics, staff)
- Variety of health plan contracts with different requirements (e.g., metrics, services)
- Challenges in having accessible and actionable data



Health plans

MOTIVATION TO EMBRACE VBC
Medium-high; very high if they own or heavily invest in physician groups

DEGREE OF INFLUENCE
Medium-high; higher if they have:

- Large market share and high pricing control (as regional plans often do)
- Easy access to capital
- Close relationships with provider organizations (e.g., vertically integrated), especially with primary care
- Close relationships with employers

RISK OF BEING LEFT BEHIND
Medium-low, since payers are driving VBC—but plans need to evolve as providers would assume some traditional health plan functions (actuarial analysis, risk aggregation) in full VBC

LEVERS OF INFLUENCE

- Remove high-cost, low-quality providers from their network
- Offer resources and support to providers to support and increase their risk-sharing
- Have cross-continuum patient data
- Control provider reimbursement structure
- Control member benefit design

BARRIERS TO ACTION

- Highly regulated with multiple layers of coordination (e.g., third-party administrators, behavioral health and pharmacy benefit manager carve-outs, brokers and consultants, purchaser coalitions)
- Historical reputation for being difficult to partner with
- Pressure from consumers and employers to include brand-name, high-priced providers
- Employers' resistance to shake up health benefits
- Pressure to provide a broad network
- Fear of losing relevance
- Fear of giving up control



Independent medical groups

MOTIVATION TO EMBRACE VBC
Medium-high; higher if they are more primary care-focused and/or partner closely with a health plan

DEGREE OF INFLUENCE
Medium-high; higher if they have:

- Experience in VBC
- Close relationships
- High negotiating power
- Low level of competition
- High patient loyalty
- Robust primary care offering
- Access to capital (e.g., backed by private equity)
- Alternatives to high-cost sites of care (e.g., ambulatory surgery centers)
- Population health as an explicit part of their mission statement

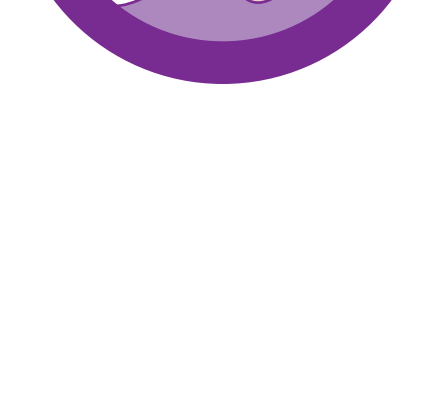
RISK OF BEING LEFT BEHIND
Low, because physician groups provide outpatient care necessary for population health management without a costly hospital footprint

LEVERS OF INFLUENCE

- Have control over referrals to higher-cost, more intensive services
- Offer lower-cost care as an outpatient practice
- Have physicians involved in decision-making early and thus garner their buy-in
- Set terms with health plans

BARRIERS TO ACTION

- Limited capital and financial sustainability
- Limited centralized infrastructure and technology assets
- Complex governance structure and need for clinician buy-in can slow decision-making
- Need to demonstrate short-term gains, especially when investor-backed



Life sciences companies

MOTIVATION TO EMBRACE VBC
Medium-low; higher if their plan and provider customers are committed to value-based contracting

DEGREE OF INFLUENCE
Medium-low; higher if they have:

- A broad portfolio addressing a range of therapeutic areas necessary for population health management
- A deep portfolio on a top therapeutic area in value-based arrangements (e.g., oncology, cardiovascular)
- Products with high potential to reduce the total cost of care (e.g., insulin, statins)

RISK OF BEING LEFT BEHIND
Medium-high, because life sciences companies are excluded from value-based agreement negotiations, even if their involvement is necessary for the agreement to work

LEVERS OF INFLUENCE

- Generate real-world evidence and clinical trial data to test what works
- Cross-pollinate pilots and experiments across markets and therapeutic areas
- Focus on consumer experience and adherence to treatment
- Demonstrate cost effectiveness compared to competitors
- Develop/own/create a range of products that enable exclusive or near-exclusive arrangements for scale at a lower price for customers
- Experiment with drug benefit design

BARRIERS TO ACTION

- Historically mistrusted by other industry members
- Payment mechanisms for drugs, devices, etc. with long-term savings do not exist (e.g., gene and cell therapies with durable effects)
- Often blamed for high costs in healthcare by other industry members
- Existing incentives to sell products now, rather than change regulatory approval or sales process under risk
- Regulator and health plan end points¹ not fully aligned with VBC models for drugs and devices
- Concern about commoditizing their products
- Faith that lobbying will prevent government systems from changing
- Long research and development to commercialization cycle

1. End points are measures used by regulators and health plans to judge effectiveness of a drug or device. They generally focus on efficacy and safety.



Employers

MOTIVATION TO EMBRACE VBC
Medium-low; higher if reducing healthcare costs is a top priority

DEGREE OF INFLUENCE
Medium-low; higher if they have:

- Large (and geographically concentrated) employee base
- Experienced HR staff with time to dedicate to benefits design and management

RISK OF BEING LEFT BEHIND
Medium-low because employers are the primary way patients get their health insurance

LEVERS OF INFLUENCE

- Switch health plan vendor
- Have proximity to patients/employees (vehicle to insurance)
- Control employee benefit design and provider network composition, if self-insured

BARRIERS TO ACTION

- Lack health plan capabilities (e.g., actuaries, data to prioritize opportunities)
- Concerned with upsetting current or prospective employees
- Limited staff and time to dedicate to health benefits
- Distacted by other high-priority issues, such as retention and recruitment



Private equity firms

MOTIVATION TO EMBRACE VBC
Medium; higher if VBC and Medicare Advantage market continue to have hot investments

DEGREE OF INFLUENCE
Medium-low; higher if they have:

- Experience and connections in VBC
- Substantial investments in primary care and/or ambulatory assets

RISK OF BEING LEFT BEHIND
High, because PE firms have an exit strategy for any investment and thus are unlikely to be involved in the long term

LEVERS OF INFLUENCE

- Invest capital
- Have business acumen and managerial expertise to shape the industry's direction
- Share learnings from various group investments
- Scale VBC platforms across practices under management

BARRIERS TO ACTION

- Mistrusted by other healthcare industry members
- Lack clinical expertise needed for VBC transformation
- Focused on short-term ROI and resale value (e.g., 5–7 years)



Post-acute care providers

MOTIVATION TO EMBRACE VBC
Medium-low; higher if VBC arrangements increase their revenue to reinvest in staff, operations, etc.

DEGREE OF INFLUENCE
Low; higher if they have:

- Value-based arrangements with plans and provider partners
- A Medicare Advantage plan (e.g., I-SNP)
- Close relationship with health plan(s) and provider partners
- High market penetration

RISK OF BEING LEFT BEHIND
High, because post-acute care providers are often left out of value-based arrangements

LEVERS OF INFLUENCE

- Decrease length of stay in the hospital and SNF
- Improve patient outcomes (e.g., 30-day readmissions)
- Share data back to provider and plan partners
- Increase home health service offerings

BARRIERS TO ACTION

- Staffing limitations (e.g., inadequate expertise, high turnover)
- Limited capital and financial sustainability
- Siloed from other parts of the healthcare system (e.g., different EHR system and care protocols)
- Significant variability in quality between facilities and provider types, making partner selection challenging for providers