

# Vertical Integration: Preparing for New Competition

Potential impacts, opportunities, and defensive strategies  
for providers

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RESEARCH REPORT

# Market Innovation Center

## Project Director

Emily Zuehlke Heuser

heuser@advisory.com  
202-266-5747

## Research Team

Jodi Askew

## Program Leadership

Alicia Daugherty

Anna Yakovenko

## Design Consultant

Matt Starchak

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# Executive Summary

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## Anticipate Potential Impacts of Vertical Integration to Plan Strategy

Health care mergers and acquisitions are hardly new, but many recent transactions involve vertical integration: new-in-kind combinations of major players resulting in unprecedented scale and scope. With aligned incentives, complementary data sets, and combined assets, these vertical partnerships are redefining players' roles and disrupting market dynamics.

While the full industry impact of these changes remains unknown, providers would be remiss to take a “wait and see” approach. Instead, they should scenario plan for integrators' potential moves, forecast potential effects on their own organizations, and create a plan to defend against or capitalize on the changes.

This research report is designed to guide that scenario planning. It explores the opportunities available to vertical integrators, the potential impacts on providers, and suggested action steps for three types of vertical integrations:

**1**

**National Retail  
Clinic/Pharmacy  
and Insurer**



**2**

**Insurer and Provider**



**3**

**Non-provider Entity  
and Physician Group**



# Vertical Integration Could Shift Market Dynamics

## New-in-Kind Partnerships and Acquisitions Generate Market Uncertainty

### Consolidation in the Health Care Industry

Over the past two decades, the U.S. health care industry—including the regulation, demand, supply, technology, and reimbursement landscapes—has entirely transformed. During this time, stakeholders from across the industry have turned to consolidation as a way to safeguard against turbulent market shifts.

Traditionally, consolidation has taken the form of horizontal integration: mergers or acquisitions between companies of the same constituency group. Now, health care is beginning to see a new form of consolidation rise in frequency and prominence: vertical integration, in which different-in-kind players combine in new ways.

### Vertical Integration's Unremarkable Track Record in Health Care

Other industries, such as communications and entertainment, have shown that players tend to integrate vertically as a strategy to combat uncertainty, using their scale and diversified revenue streams to maintain their competitiveness amid market changes. A key to these entities' success, however, is the ability to capitalize on their economies of scale and respond nimbly to market shifts.

To date, vertically integrated health care entities have largely struggled to leverage their advantage for significant competitive gains. Regulatory hurdles, barriers with interoperability, misaligned priorities, and lengthy decision-making processes are all common roadblocks.

### Scale and Scope of Today's Vertical Integration Creates Uncertainty

Even still, today's vertical partnerships are disrupting health care for several reasons.

- First, the players making headlines often have tremendous capital resources, national scale, or valuable data assets, so any potential impact could be widespread.
- Second, many of the players are new to health care and bring competitive advantages such as extensive marketing and consumer behavior change expertise, new data sets and analytical abilities, and optimized supply chains.
- Finally, because these new players are partnering in new ways, their motivations and likely steps are less predictable.

As a result, many leaders of provider organizations are concerned their markets will be disrupted.

Source: "2017 Year in Review: The Year M&A Shook the Healthcare Landscape," KaufmanHall, 2018; Robeznieks, Andy, "Health insurance markets are highly concentrated, new report reveals," AMA Wire, Oct. 2017, available at <https://wire.ama-assn.org/ama-news/health-insurance-markets-are-highly-concentrated-new-report-reveals>; Market Innovation Center analysis.

# Time to Prepare, Not to Panic

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## Providers Should Anticipate Potential Impacts and Proactively Respond

### Disruption Will Take Time

The concerns providers are voicing are valid. However, the easiest and quickest win for integrators—and likely the driving factor behind many acquisitions—is revenue stream diversification. As many vertical integration attempts have shown, unlocking two entities' synergies to create more disruptive change requires time, investment, and an appetite for significant risk. Further, these partnerships face heavy scrutiny from regulators, media, partners, patients, physicians, and payers.

As a result, some integrators will likely approach partnerships with no plans to change anything besides ownership. Others will take a more activist approach to try to improve margins, care delivery, and patient outcomes. But even in those situations:

- **The timeline** for integrators to capitalize on their opportunity gives providers the chance to prepare.
- **The novelty** of impact is generally low: increased competition for patients and margin pressures are not new challenges to health care providers.
- **The likelihood** of impact will vary from market to market and integration to integration.



### Hospitals and Health Systems Must Plan for Action

While such timelines should help reduce the cause for alarm, the unpredictability of what integrators could do—and other integrations they could precipitate—means provider organizations need to prepare today.

By anticipating integrators' possible opportunities, identifying those most likely impacted, and weighing the likelihood and timeline of changes, provider strategists can plan to take defensive actions or capitalize on emergent opportunities.







## ► Project Overview

# Scenario Planning for Vertical Integration

## Purpose of This Report

This guide helps you plan for vertical integration. We have analyzed types of stakeholder combinations that have been rumored, proposed, or approved to help you understand:

- The potential opportunities available to integrators
- The most likely impacts in affected markets
- The types of providers most at risk, and those who could benefit
- Possible actions to defend against or capitalize on the opportunity

These analyses are player-agnostic. They are intended to show what *could* happen if integrators decided to leverage their synergies, not what *has* happened in any particular acquisition to date.

At the end of each section, we present an illustrative case study of players who have considered or pursued that type of vertical integration. This guide does not claim to present details of these integrations beyond what the involved entities have made publicly available. Instead, we analyzed the business models, types of clients, scale, data assets, and capital resources of the *type* of organization that could be involved. We also identified potential goals such an organization *could* have and predicted the *possible* impact on other providers. We acknowledge where variations between organizations could yield different impacts.

We are not suggesting the entities we profile will take the actions laid out in this guide; rather, we are hypothesizing what organizations in their position could do to disrupt the provider market.

## Types of Vertical Integrations Explored

This guide considers three types of new-in-kind vertical integrations that have been rumored, proposed, or initiated, and that have potential to change market dynamics for providers:

### National Retail Clinic/Pharmacy and Insurer



A retail clinic and pharmacy chain with a national presence, partnered with a commercial health insurer

### Insurer and Provider



A commercial health insurer partnered with an organization that provides outpatient, inpatient, and/or post-acute care

### Non-provider Entity and Physician Group



An organization that is not involved in care delivery partnered with an independent physician group

### What Kinds of Partnerships Did We Omit from Our Analyses?

Several partnerships and integrations in the national news do not fall into these three categories, including Intermountain and other health systems launching a generic drug company; Amazon, JPMorgan, and Berkshire Hathaway tackling employee health costs; Cigna and ExpressScripts; and Amazon pursuing potential forays into the drug and health care supply chain space. While all notable, these ventures, at least as they have been described to the public, either are not new-in-kind, or we do not anticipate them creating *new* competitive threats to hospitals and health systems.

# Scoping Integrators' Potential Plays

## Two Primary Ways Partners Could Affect Market Dynamics

### Integrators' Likely Opportunities

For each of the three types of integrations considered in this report, the partners have two major opportunities unlocked by their combined assets and aligned incentives:



**Improve cost efficiency:** Partnerships could shift market dynamics by outperforming the traditional hospital's ability to achieve cost-effective care with positive outcomes. This includes reducing the cost of services and improving individuals' health to lower the total cost of care.



**Influence customer options and choices:** Partnerships can increase market competition for patient volumes directly by steering covered lives and marketing to consumers, or by entering the direct-to-employer market to indirectly win patient volumes.

These opportunities will vary by the type of partnership and the advantages the partnership affords the combined entity. To that end, this report examines the following opportunities for each set of integrators:

#### Types of Integration

		Integrators' Opportunities:	Retail + Insurer	Insurer + Provider	Non-provider Entity + Physician Group(s)
Improve Cost Efficiency		Reduce cost of services		<ul style="list-style-type: none"> <li>Assemble a Low-Cost Network</li> </ul>	<ul style="list-style-type: none"> <li>Improve efficiency of care delivery</li> </ul>
		Improve patients' long-term health outcomes	<ul style="list-style-type: none"> <li>Target beneficiary interventions</li> </ul>	<ul style="list-style-type: none"> <li>Emphasize primary care</li> <li>Control risk escalation</li> </ul>	<ul style="list-style-type: none"> <li>Leverage new data for population health</li> </ul>
Influence Customer Options and Choice		Directly incentivize patients' choice	<ul style="list-style-type: none"> <li>Capture low-acuity care volumes</li> </ul>	<ul style="list-style-type: none"> <li>Direct volumes to network sites</li> </ul>	
		Capture shopping patients	<ul style="list-style-type: none"> <li>Capture prescription volumes</li> <li>Capture lab Volumes</li> <li>Capture imaging volumes</li> <li>Capture infusion volumes</li> </ul>		<ul style="list-style-type: none"> <li>Leverage brand recognition</li> <li>Apply marketing expertise</li> </ul>
		Create an employer product	<ul style="list-style-type: none"> <li>Launch employer wellness services</li> <li>Offer occupational health services</li> </ul>		
			Page 15	Page 27	Page 35

# Overview of Various Impacts by Integration Type

## Likely Impacts of Integration on Providers

This guide then details the impacts each integration could have on providers, as summarized below:

<p><b>National Retail Clinic/Pharmacy and Insurer</b></p> 	<ul style="list-style-type: none"> <li>• Steerage of downstream referrals to partner sites</li> <li>• Pharmacy volumes diverted to retailer's sites</li> <li>• Low-acuity care diverted to retailer sites</li> <li>• Care volumes diverted to retailer's sites as a result of increased pharmacy foot traffic</li> <li>• Reduced ED<sup>1</sup> and downstream volumes</li> <li>• Increased competition for APs,<sup>2</sup> nurses, pathologists, lab specialists, imaging technologists, infusion RNs, physicians, pharmacists/pharmacy tech, and occupational medicine providers</li> <li>• Increased competition for new and renewing employer contracts</li> <li>• Lab volumes diverted to retailer's sites</li> <li>• Imaging volumes diverted to retailer's sites; increased pricing pressure on HOPD<sup>3</sup> imaging</li> <li>• Increased competition for infusion volumes</li> <li>• Decreased demand for downstream specialty care through improved beneficiary risk management</li> <li>• Heightened expectations for competitive population health management tools from other payers and employers</li> </ul>
<p><b>Insurer and Provider</b></p> 	<ul style="list-style-type: none"> <li>• Partnership land grab for low-cost providers in the market</li> <li>• Volumes and downstream referrals driven within narrow network</li> <li>• Increased beneficiary utilization of primary care through insurance design</li> <li>• Decreased demand for downstream specialty care through referral requirements</li> <li>• New low-cost precedent for direct employer products and employer-sponsored health plans offered in the market</li> <li>• Better-controlled beneficiary health risk status and, eventually, reduced readmissions and demand for downstream specialty care</li> <li>• Heightened expectations for competitive population health management tools from other payers and employers</li> </ul>
<p><b>Non-provider Entity and Physician Group</b></p> 	<ul style="list-style-type: none"> <li>• Increased competition for customers if acquirer improves patient experience, operational changes result in shorter time to next available appointment, or entity passes on cost savings to appeal to consumers and payers</li> <li>• Shift in downstream referral volumes if entity significantly grows patient panels, or wins new or changed insurance contracts</li> <li>• Shift in employment landscape if acquirer provides more competitive employment opportunities, or if acquisition results in lower engagement and increased turnover in acquired group</li> <li>• Increased competition for talent</li> <li>• Decreased demand for downstream specialty care through improved care management</li> <li>• Heightened expectations for competitive population health management tools from other payers and employers</li> </ul>

1) Emergency department.




2) Advanced practitioner.

3) Hospital outpatient department.

# Understanding the Provider Impact

## Defining the Measures Used to Analyze Impact

The measures outlined below are designed to help you better understand the feasibility and speed of these potential impacts occurring in your market.

Timeline	Novelty	Likelihood of Impact
<p>The time expected for the impacts to hit providers most affected<sup>1</sup></p> 	<p>Rating of whether impacts are new-in-kind challenges</p> 	<p>How likely impacted providers will realize these effects in full</p> 
<p><b>Short:</b> One to five years</p> <p><b>Intermediate:</b> Three to seven years</p> <p><b>Long:</b> Five to ten years</p>	<p><b>Low:</b> Similar impacts are already common for providers</p> <p><b>Moderate:</b> Related impacts are somewhat familiar to providers</p> <p><b>High:</b> Impacts are new-in-kind for most providers</p>	<p><b>Low:</b> Significant barriers to integrators' success; impact likely to be felt partially or not at all</p> <p><b>Moderate:</b> Some barriers to integrators' success; impact may be felt</p> <p><b>High:</b> Minimal barrier to integrators' success; impact likely to be felt</p>

## Understanding Which Providers Are Most Impacted

Vertical integrations will not have a uniform impact on provider organizations. Depending on a provider's relationship with the integrators, level of risk, portfolio, partnerships, network, and market dynamics, an organization may experience positive, negative, neutral, or mixed impacts. This guide identifies the types of providers that could face the greatest threats or opportunities based on these factors.

Throughout the report, we use the term "high-index market" to refer to markets with a high presence of both integrators. Providers in these markets are most susceptible to seeing market disruption quickly from a given integration. "Borderline high-index markets" may have a high presence of one integrator or the other, or a moderate presence of both. Providers in these markets might feel the impacts of an integration less and/or more slowly than a high-index market, but they should still prepare for impacts since the integrators could more easily increase their presence in those markets.

## Identifying Defensive and/or Opportunistic Actions

Finally, we have listed suggested actions for mitigating the negative and magnifying the positive impacts for each type of vertical integration. Work with your planning team to determine which of these actions best aligns with your organization's strategy, and use the resources profiled in the "next steps" section beginning on page 43 to access supporting data, best practices, and toolkits across these system strategies:

- Scenario plan for market changes
- Create a competitive consumer strategy
- Optimize physician relationships
- Pave the way for best-in-class patient access
- Differentiate outpatient sites
- Create a competitive employer product
- Optimize the hospital revenue cycle
- Elevate staff recruitment, retention, and engagement
- Strengthen your care management strategy
- Support care coordination with interoperability

1) The timelines hypothesized in this report could be slightly faster if at least one of the organizations involved has previous experience with vertical integration.



## ► National Retail Clinic/Pharmacy + Insurer

Several large retail and pharmacy chains have expressed plans to acquire or more closely partner with commercial insurers. This could change market dynamics if the integrators:

- Improve cost efficiency
  - Improve patients' long-term health outcomes
- Influence consumer choice
  - Directly steer patients
  - Create an employer product

# New Incentives & Ability to Influence, Manage Beneficiaries

## What is the integration strategy?

An integrated retail clinic chain and insurer have three distinct synergies that could threaten providers' status quos.

### 1. Large, complementary data sets.

An aligned insurer and national retail clinic and pharmacy could use their combined data to improve their beneficiaries' health with real-time, data-driven health management. This could occur both through better targeted beneficiary interventions and improved access to convenient, affordable chronic care management at the retailer's sites.

### 2. Aligned incentives, a significant network of care sites, and a mechanism to drive volumes to those sites.

The insurer could also incentivize beneficiaries to use services currently offered at the retailer's sites, including chronic care management, on-demand care, and pharmacy services. Additionally, the retailer could expand its service portfolio to offer low-cost, convenient lab, imaging, and/or infusion services, and it could grow volumes through plan steerage and consumer marketing.









### 3. Existing customer relationships.

If the integrators are successful at reducing beneficiaries' health costs and directing them to the retailer's sites, the integrators could cross-sell on-site and near-site clinic services to employer partners. Using the retailer's existing clinicians, the integrators could offer primary and urgent care and wellness services, or they could invest in new providers, coordination, and reporting protocols to offer occupational health services.

While each of these synergies affords the integrators several opportunities to grow revenues and reduce the cost of care, how—if at all—integrators will actually leverage their combined assets depends on:

- Legal restrictions on data sharing
- The integrators' priorities and goals
- Integrators' ability to create an analytics platform to glean actionable insights from their merged data
- Consumer and employer responses to new products and steerage

## Integrators' Opportunities

	<i>Feasible Timeline<sup>1</sup></i>	<i>Novelty of Impact</i>	<i>Likelihood of Impact</i>	<i>Page Number</i>
 <b>Capture Low-Acuity Care Volumes</b>	Short	Low	High	17
 <b>Capture Prescription Volumes</b>	Short	Low	High	18
 <b>Launch Employer Wellness Services</b>	Short	Low	High	19
 <b>Capture Lab Volumes</b>	Intermediate	Moderate	Moderate	20
 <b>Capture Imaging Volumes</b>	Intermediate	Moderate	Low	21
 <b>Capture Infusion Volumes</b>	Intermediate	High	Low	22
 <b>Offer Occupational Health Services</b>	Intermediate	Low	Moderate	23
 <b>Target Beneficiary Interventions</b>	Intermediate	High	Moderate	24

<sup>1</sup> Lab services are generally less profitable than imaging and infusion services but require less infrastructure build-out, so if and how integrators would add these to their portfolio depends on their priorities and the dynamics of individual markets.



# Capture Low-Acuity Care Volumes







## Integrators' Potential Strategy

Integrators could incentivize the insurer's beneficiaries to use retail clinic sites for low-acuity care (e.g., on-demand care and chronic care management).

## Prerequisites

- ✓ Entities must be legally allowed to share claims, pharmacy, and retail data with each other
- ✓ Entities create data-sharing capabilities to identify beneficiaries in retailer's markets
- ✓ Entity creates IT-enabled feedback loops to share attributed patient information with local primary care providers (PCPs)
- ✓ Insurer restructures plan incentives or creates narrow networks to direct beneficiaries to retailer's sites
- ✓ Retailer hires additional clinicians to meet new demand
- ✓ Arrangement proves to be cost-effective for insurer, profitable for retailer, and acceptable to beneficiaries

## Potential Provider Impacts

	 <b>Low-acuity care diverted to retailer sites</b>	 <b>Steering of downstream referrals to partner sites</b>	 <b>Reduced ED and downstream volumes from better care management</b>	 <b>Increased competition for APs</b>
THREAT FOR	Providers in borderline/high-index markets not partnered with retailer's clinics, particularly those with a large ambulatory footprint	Providers in borderline/high-index markets who are not a preferred provider for insurer, not in entity's narrow network, and have no partnership with retailer's clinics	Providers in borderline/high-index markets, especially those with fee-for-service contracts <sup>1</sup>	All providers in borderline/high-index markets, especially if there is an existing or predicted provider shortage
HOW TO PREPARE	Compete by offering on-demand access to low-acuity care backed by the quality and trusted health system brand. For example, revamp scheduling to offer same-day, walk-in, or virtual appointments with patients' regular care teams; or provide online scheduling or virtual waiting lines for low-acuity care.	Pursue partnering with retailer or other retail or urgent care network. Staffing, providing medical oversight, or integrating your EMR into an existing retail/urgent care site can help generate appropriate, in-network referrals, as can launching a new care site under your financial and operational control.	Market ED wait times on your website to compete for remaining ED volumes. Consider developing an app, Alexa skill, or Google Home app that helps consumers quickly find the closest and shortest wait time.	Forecast need for clinicians. If understaffing is possible, build a strong employee referral program and equip managers to "sell" candidates on why your role may be a better fit than a retail clinic role.
OPPORTUNITY FOR	Providers partnered with retailer's clinics	Providers partnered with integrators through narrow networks, preferred provider designation, or retail partnership	Providers in borderline/high-index markets with risk-based contracts or overcrowded EDs	No one
HOW TO CAPITALIZE	Assuage PCPs' concerns about competition by positioning retailer as a care extender. Set care coordination protocols so retailer supplements access to episodic care, preserving PCP relationship.	Secure retailer's referrals by offering targeted referral decision support, enhancing specialty care access, and involving retailer's clinicians in care coordination.	Consider risk-based contracts with integrators. Prove ability to manage types of patients covered by the insurer to help them improve their beneficiaries' health and care costs.	N/A

<sup>1</sup>) While healthier patients are a mission-win for everyone, these providers should prepare for the financial impact of a healthier patient population by meeting patients' remaining care needs.

# Capture Prescription Volumes



## Integrators' Potential Strategy

The integrators could incentivize the insurer's beneficiaries to use the retailer's specialty and retail pharmacies and market pharmacies' convenience to consumers.

## Prerequisites

- ✓ Entities must be legally allowed to share claims, pharmacy, and retail data with each other
- ✓ Entities create data-sharing capabilities to identify beneficiaries' pharmacy needs in retailer's markets
- ✓ Insurer restructures plan incentives or creates narrow networks to direct beneficiaries to retailer's sites
- ✓ Arrangement proves cost-effective for insurer, profitable for retailer, and acceptable to beneficiaries

## Potential Provider Impacts



Pharmacy volumes diverted to retailer's sites<sup>1</sup>



Care volumes diverted to retailer's sites as a result of increased pharmacy foot traffic



Reduced downstream volumes from improved medication adherence<sup>1</sup>

THREAT FOR	Providers in borderline/high-index market, particularly those with hospital-based or outpatient retail pharmacy	Providers in borderline/high-index market, particularly those with an ambulatory footprint	Providers in borderline/high-index market, particularly those with fee-for-service contracts <sup>2</sup>
	<p>Compete on superior care continuity: use access to patients' medical records and prescribers to improve service quality for patients and providers.</p> <p>Increase the convenience of hospital-based retail pharmacy through a med-to-bed program.</p> <p><i>Pharmacy Executive Forum members can learn more about med-to-bed programs in <b>Bedside Medication Delivery</b> on <a href="https://www.advisory.com">advisory.com</a>.</i></p>	<p>Engage patients upstream through competitive contracting strategies. For example, pursue exclusive or preferential agreements with employers (e.g., on-site or near-site clinics), offer urgent care subscription models for self-pay patients, or invest in concierge medicine.</p> <p>Target marketing to patients with mail-order prescriptions.</p>	<p>Grow share of remaining volumes by retailizing specialty services to appeal directly to consumers. For example, consider providing symptom searches to help consumers navigate health care jargon when shopping for care, and competitively price front-door services.</p>
OPPORTUNITY FOR	Providers with risk-based contracts or other partnerships with the insurer; providers with lower pharmacy prices than the retailer	Providers partnered with integrators through retail partnership	Providers with risk-based contracts or other partnerships with the insurer
	<p>Use navigators and communications to promote and have physicians recommend retailer's affordable, convenient pharmacy services among managed lives to improve medication adherence.</p> <p><i>Pharmacy Executive Forum members interested in expanding their outpatient pharmacy can use the <b>Outpatient Pharmacy Pro Forma</b>.</i></p>	<p>Pursue greater financial and operational autonomy of partnered retail clinics. Moving from a medical oversight model or co-branded retail clinic to a clinical partnership or even to a fully autonomous clinic within the retailer's site increases your exposure to financial risk and also can help generate in-network referrals.</p>	<p>Further promote retailer's affordable, convenient pharmacy services among managed lives to improve medication adherence.</p>

1) If either integrator also has a PBM, this impact could be magnified since the PBM could pass rebates on to consumers, resulting in lower prescription costs at the retailer's sites.

2) While healthier patients are a mission-win for everyone, these providers should prepare for the financial impact of a healthier patient population by meeting patients' remaining care needs.

# Launch Employer Wellness Services





## Integrators' Potential Strategy

The retailer could cross-sell on-site or near-site primary care, urgent care, and wellness services to the insurer's existing employer partners. The retailer could also sell these services to other employers in their market.

## Prerequisites

- ✓ Retailer develops an employer-centered infrastructure (e.g., employer-facing models, sales, and relationship management; coordination and case reporting protocols)
- ✓ Employer buys into retailer's offerings (may involve breaking existing provider contracts)
- ✓ Retailer may need to build on-site clinic or retrofit existing clinics to accommodate employee volumes
- ✓ Retailer hires clinicians to meet new demand
- ✓ If successful in reducing employer health costs, retailer could sell its offering to other employers

## Potential Provider Impacts

	 <b>Increased competition for new and renewing employer contracts</b>	 <b>Downstream volume steerage</b>	 <b>Increased competition for advanced practitioners</b>
THREAT FOR	Providers in borderline/high-index markets not partnered with retailer's clinics with a direct-to-employer strategy	Providers in borderline/high-index markets not partnered with integrated entity (e.g., not a preferred provider with insurer, not in entity's narrow networks, no partnership with retailer's clinics)	Providers in borderline/high-index markets, especially those with current or forecasted shortage in their market
HOW TO PREPARE	Use the health system advantage to offer customized, holistic employer offerings. While integrators may be able to offer a less expensive wellness option, it's likely to be narrowly scoped and "one size fits all." Providers, however, have the ability to offer cross-spectrum care continuity, which appeals to employers trying to reduce absenteeism and care costs. Allow employers to choose between a range of models, such as on-site care, bundled payments, direct contracting, etc. to win employer partnerships.	Position your service lines to compete directly for self-referring consumers. Appropriately market your specialty services, and then win self-referrals by competitively pricing front-door services and offering rapid access to anxious patients.  Pursue a direct contracting relationship with employers to win their employees' specialty and surgical care volumes.	Forecast need for advanced practitioners. If understaffing is possible, build a strong employee referral program and equip managers to "sell" candidates on why your role may be a better fit than an on-site/near-site employer clinic role.
OPPORTUNITY FOR	Providers partnered with integrators through retail partnership	Providers partnered with integrators through narrow networks, preferred provider designation, or retail partnership	No one
HOW TO CAPITALIZE	Work with retailer to create complementary employer offerings (e.g., retailer provides on-site wellness services; health system offers narrow networks for specialty and surgical care).	Strengthen relationship with integrated entity to capture downstream referrals. Offer targeted referral decision support to retailer's clinicians, and offer enhanced specialty care access.	N/A

# Capture Lab Volumes



## Integrators' Potential Strategy

The integrators could add lab services to the retailer's portfolio and incentivize the insurer's beneficiaries to use those sites. This could expand the retailer's care offerings (e.g., STD<sup>1</sup> testing, urine microscopy, metabolic panels). For more on the impacts of integrators offering low-acuity care, see page 17.

Because state regulations require clinicians to order labs for patients, there will be limited opportunities to market lab services to consumers outside of Arizona, where these restrictions do not exist.

## Prerequisites

- ✓ Entities must be legally allowed to share claims, pharmacy, and retail data with each other
- ✓ Entities create data-sharing capabilities to identify insurer's beneficiaries in retailer's markets
- ✓ Retailer modifies or creates clinic space that is private, safe, and sterile for specimen collection and storage; hires clinical support to accommodate redirected volumes
- ✓ Retailer either:
  - Partners with existing medical labs to process lab work
  - Invests in its own labs, including acquiring lab equipment and physical space, and hiring pathologists and medical lab scientists
- ✓ Insurer restructures plan incentives or creates narrow networks to direct beneficiaries to retailer's sites for lab work
- ✓ Entity works with local clinicians to drive lab orders to retailer's sites
- ✓ Arrangement proves cost-effective for insurer, profitable for retailer, and acceptable to beneficiaries

## Potential Provider Impacts



Lab volumes diverted to retailer's sites



Increased competition for APs, nurses, and possibly for pathologists and lab specialists

THREAT FOR	Providers in borderline/high-index markets who have freestanding labs, especially in Arizona (where consumers can self-refer to a lab for testing)	Providers in borderline/high-index markets, especially if there is already a provider shortage or a predicted shortage
HOW TO PREPARE	Offer up-front, customized price estimates for lab work. For example, provide an online calculator or invest in a pricing office that factors a patient's insurance and deductible into a meaningful estimate.	Understand your current market supply for these professionals. Host "stay interviews" with top performers to learn what keeps them at your organization (and what might pull them away), and respond accordingly to retain talent.
OPPORTUNITY FOR	Providers in borderline/high-index markets looking for a low-cost option to which to outsource lab reads	No one
HOW TO CAPITALIZE	Create care coordination protocols so that patients go to retailer for lab needs but return to your system for results and ensuing care.	N/A

1) Sexually transmitted disease.

# Capture Imaging Volumes



## Integrators' Potential Strategy

The integrators could add imaging to the retailer's portfolio and incentivize beneficiaries to use the retailer's sites for screening and/or diagnostic imaging. This could expand the retailer's care offerings (e.g., casting). The retailer could also market convenient mammograms to consumers.

Screening equipment (e.g., X-ray, ultrasound) is lower cost and easier to add to existing or new retail space than diagnostics (e.g., CT scanners, MRIs). But cost-competitive diagnostics would have a greater impact on providers' HOPD or freestanding imaging.

## Prerequisites

- ✓ Entities must be legally allowed to share claims, pharmacy, and retail data with each other
- ✓ Entities create data-sharing capabilities to identify insurer's beneficiaries in retailer's markets
- ✓ Retailer invests in imaging technology, creates private and safe space for imaging scans, hires additional clinical staff to support redirected volumes, and invests in image storage and sharing capabilities
- ✓ Retailer partners with radiology groups to interpret tests
- ✓ Insurer restructures plan incentives or creates narrow networks to steer beneficiaries to retailer's sites for imaging
- ✓ Local physicians to send imaging orders to retailer's sites
- ✓ Arrangement proves cost-effective for insurer, profitable for retailer, and acceptable to beneficiaries

## Potential Provider Impacts

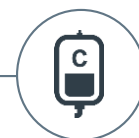
	<b>Imaging volumes diverted to retailer's sites; increased pricing pressure on HOPD imaging</b>	<b>Downstream volume steerage, especially for oncology<sup>1</sup> and advanced imaging</b>	<b>Increased competition for imaging technologists</b>
THREAT FOR	Providers in borderline/high-index markets, especially those without a freestanding imaging presence and those for whom oncology, orthopedics, and/or neuroscience <sup>2</sup> are key service lines	Providers in borderline/high-index markets not partnered with integrated entity (e.g., not a preferred provider with insurer, not in entity's narrow networks, no partnership with retailer's clinics), especially those for whom oncology or advanced imaging is a key service line	All providers in borderline/high-index markets, especially where there is already a shortage or predicted shortage for imaging technologists
HOW TO PREPARE	Invest in freestanding imaging center or pursue co-ventures. Hire specialized radiologists. Adopt price transparency for imaging. Maximize operational efficiency to compete on price and access. Invest in patient experience (especially for mammography). Pursue narrow network inclusion.	Consider investing in a breast center to compete for volumes and to win downstream volumes for advanced imaging and care. A welcoming setting can attract consumers needing a mammogram, second opinion, or advanced diagnostics. Specialization, technology and treatment options, clinical quality, and wraparound support can convince patients to stay for treatment.	Pursue teleradiology partnerships. Contract with remote radiology companies for access to specialized radiologists, many of whom offer quick turnarounds on final interpretations and can bill Medicare and private payers directly.
OPPORTUNITY FOR	Providers with mobile imaging equipment, especially mammography	Providers partnered with integrators through narrow networks, preferred provider designation, or retail partnership	Radiology groups that can partner with integrators to read retailer's tests
HOW TO CAPITALIZE	Pursue partnership with retailer to hold regular mobile screening days as alternative to integrators investing in imaging equipment.	Strengthen relationship with integrators by linking retail screening patients who don't have a PCP to system providers, and by improving access to downstream oncology and advanced imaging services.	Pursue a radiology partnership with integrators in which tests are run at retailer site and read by your radiologists. This could also help capture advanced imaging volumes generated through the retail site.

1) Most imaging tests require an order from a clinician, and patients who seek imaging tests at a retailer's site will return to the referring clinician for test results and downstream care referrals. However, mammograms do not require a clinician order, so patients could make their mammogram appointments directly at the retailer and receive a referral for downstream oncology care from the retailer. Similarly, the retailer's on-site clinician would direct referrals coming out of imaging tests they ordered as part of low-acuity care treatment (page 17).

2) Imaging is a key gateway to these service lines.



# Capture Infusion Volumes



## Integrators' Potential Strategy

The integrators could add infusion services to the retailer's portfolio and incentivize the insurer's beneficiaries to use the retailer's sites for infusion. They could also market this service to convenience-seeking patients.

## Prerequisites

- ✓ Entities must be legally allowed to share claims, pharmacy, and retail data with each other
- ✓ Entities create data-sharing capabilities to identify insurer's beneficiaries in retailer's markets and markets with sufficient infusion volumes to support service expansion
- ✓ Retailer creates dedicated and patient-friendly space isolated from sick patients for infusion; invests in refrigeration, supplies, an inventory management system, and infusion meds; and hires clinical support, including infusion registered nurses, physicians,<sup>1</sup> and pharmacists, to meet demand<sup>2</sup>
- ✓ Insurer restructures plan incentives or creates narrow network plans to direct beneficiaries to retailer's sites for infusion
- ✓ Entity works with local physicians to drive infusion referrals to retailer's sites
- ✓ Arrangement proves cost-effective for insurer, profitable for retailer, and acceptable to beneficiaries


## Potential Provider Impacts



**Infusion volume diverted to retailer's care sites**



**Increased competition for APs, infusion registered nurses, physicians, and pharmacists/pharmacy techs**

THREAT FOR	Providers (including cancer centers and medical oncology practices) in borderline/high-index markets, particularly those with an infusion center and/or home infusion business	All providers in borderline/high-index markets
HOW TO PREPARE	<p>Invest in amenities to appeal to infusion patients.</p> <p>Maximize benefit from 340B drug discount by focusing on Medicaid patients, who retailer would likely avoid.</p> <p>Consider partnerships between health systems and independent cancer centers or oncology practices.</p> <p>Strengthen and expand referral networks, especially for oncology, immunology, gastroenterology, rheumatology, and infectious disease services.</p> <p>Consider launching a home infusion business.</p> <p><i>Determine the right home infusion strategy for your organization using the <a href="#">Home Infusion Market and Strategy</a> on advisory.com.</i></p> 	<p>Promote staff retention by hosting "stay interviews" with top performers to learn what keeps them at your organization and what might pull them away.</p> <p>Invest in staff development opportunities to keep top performers engaged.</p>
OPPORTUNITY FOR	Physician groups not covered by the 340B program in borderline/high-index markets who do not have profitable infusion services and can outsource cases to retailer; particularly those in capitated systems	No one
HOW TO CAPITALIZE	Minimize unprofitable infusion therapy administered on site by referring to retailer. Facilitate care coordination between retail infusion site and your physicians by ensuring EMR interoperability and setting coordination protocols.	N/A

1) Medicare requires a physician to supervise chemotherapy administration in the freestanding setting.

2) Alternatively, insurer could require beneficiaries buy infused and injectable drugs from retailer and "white bag" them to the HOPD infusion center, cutting provider out of drug revenue stream but leaving it responsible for unprofitable administration. See page 18 for more on pharmacy steerage.

# Offer Occupational Health Services



## Integrators' Potential Strategy

The retailer could launch occupational health services and cross-sell to the insurer's existing employer partners. The retailer could also sell these services to other employers in their market.

## Prerequisites

- ✓ Retailer invests in occupational health service delivery, including hiring specialized clinicians
- ✓ Retailer develops an employer-centered infrastructure (e.g., employer-facing models, sales, and relationship management; coordination and case reporting protocols)
- ✓ Employers buy into retailer's offerings (may require breaking existing provider contracts)
- ✓ Retailer may need to build on-site clinic or retrofit existing clinics to accommodate employee volumes
- ✓ If successful in reducing employer health care costs, retailer could sell its offering to other employers

## Potential Provider Impacts

	 <b>Increased competition for new and existing employer contracts</b>	 <b>Downstream volume steerage</b>	 <b>Increased competition for occupational medicine providers</b>
THREAT FOR	Providers in borderline/high-index markets not partnered with retailer's clinics with occupational health offerings	Providers in borderline/high-index markets not partnered with integrated entity (e.g., not a preferred provider with insurer, not in entity's narrow networks, no partnership with retailer's clinics)	Providers in borderline/high-index markets offering occupational health services, especially those with current or forecasted occupational health specialists shortages in their market.
HOW TO PREPARE	Offer customized, cross-spectrum employer offerings to appeal to employers looking for a comprehensive option to manage employees' health and care costs. Allow employers to choose between a range of models, such as on-site care, bundled payments, direct contracting, etc., to win employer partnerships.	Pursue a direct contracting relationship with employers to win their employees' specialty and surgical care volumes. Position your service lines to compete directly for self-referring consumers. Appropriately market your specialty services, and then win self-referrals by competitively pricing front-door services and offering rapid access to anxious patients.	Cross-train physicians in occupational medicine through apprenticeship or extracurricular opportunities.
OPPORTUNITY FOR	Providers partnered with integrators through retail partnership	Providers partnered with integrators through narrow networks, preferred provider designation, or retail partnership	No one
HOW TO CAPITALIZE	Work with retailer to create complementary employer offerings (e.g., retailer provides occupational health services; health system offers narrow networks for downstream care).	Strengthen relationship with integrated entity to capture downstream referrals. Offer targeted referral decision support to retailer's clinicians, and offer enhanced specialty care access.	N/A

Source: Market Innovation Center analysis.

# Target Beneficiary Interventions



## Integrators' Potential Strategy

The integrators could combine their data assets to better target real-time beneficiary interventions.

## Prerequisites

- ✓ Entities must be legally allowed to share claims, pharmacy, and retail data with each other
- ✓ Entities create a data-sharing platform, predictive algorithms, and analytical capabilities to recognize trigger events and/or risking-risk beneficiaries
- ✓ Entities invest in scalable, cost-efficient messaging capabilities (e.g., navigators, CRM<sup>1</sup> system) to relay personalized messages
- ✓ Interventions cause beneficiaries to change their behavior and lead to health and cost benefits

## Potential Provider Impacts

	<p><b>↓ Decreased demand and for downstream specialty care through improved beneficiary risk management</b></p>	<p><b>↑ Heightened expectations for competitive population health management tools from other payers and employers</b></p>
THREAT FOR	Providers with fee-for-service contracts in borderline/high-index markets <sup>2</sup>	Providers with little population health management experience/tools, especially in borderline/high-index markets
HOW TO PREPARE	Maximize capture of remaining volumes by meeting preferences of self-referring consumers and other referring physicians. Highlight areas of specialization and offer customized price estimates to compete on value, develop rapid access to key services (e.g., diagnostics) to differentiate on access, and promote word-of-mouth to win consumers' trust.	Pilot population health capabilities with your employee population to develop the skills and strategies to scale accountable care delivery. Focus on improving physician alignment, reducing spend on high-cost procedures, and improve care coordination with post-acute providers.
OPPORTUNITY FOR	Providers with risk-based contracts with the insurer, especially in borderline/high-index markets	Providers in borderline/high-index markets with strong population health analytics
HOW TO CAPITALIZE	Capture remaining specialty care volumes by offering front-door access through the retailer. For example, embed online scheduling for specialty services on retailer's website, and ensure EMR interoperability to facilitate referrals, care coordination, and scheduling.	Continue to scale accountable care delivery by reducing care variation and improving physician alignment. Scope opportunities to partner with other population health managers, including the integrators and payers.

<sup>1</sup>) Customer relationship management.

<sup>2</sup>) While healthier patients are a mission-win for everyone, these providers should prepare for the financial impact of a healthier patient population by meeting patients' remaining care needs.



# Integration Case Study: CVS's Acquisition of Aetna

## Proposed Deal Could Align Delivery Network, Insurer's Incentives



### INTEGRATION IN BRIEF

#### CVS Health Corporation's Proposed Acquisition of Aetna Inc.

In December 2017, CVS Health, a national chain of retail clinics and pharmacies as well as a pharmacy benefit manager (PBM), announced plans to acquire Aetna Inc., a national insurer and PBM service, for \$69 billion.

CVS has a large national presence through its physical footprint, consisting of approximately 9,800 drug store locations, 1,100 MinuteClinic retail clinic locations, and 23 retail specialty locations. Aetna is one of the largest national health care insurers, offering mostly commercial plans, as well as Medicaid and Medicare Advantage, Part D, and Supplement plans.

### Planning for Potential CVS-Aetna Plays

While the integrators have not publicly announced their goals or intents for this acquisition, strategists can still scenario plan for potential integration impacts by considering the scale and assets these entities have in the context of the opportunities analyzed in this section.

For example, these two entities bring large, nation-wide customer bases and powerful consumer data sets (pharmacy, claims, and retail purchases) to the potential acquisition, and they could theoretically use these to disrupt the provider market in a number of ways.

*Review potential impacts and action steps on...*

The easiest and quickest opportunities for CVS and Aetna to capitalize on their synergies could potentially involve incentivizing their established beneficiary base to use CVS's existing sites for pharmacy, on-demand care, and select chronic care services already offered by the retailer.<sup>1</sup> For example, CVS Caremark, a PBM, could pass manufacturer rebates on to Aetna beneficiaries, significantly reducing the cost to beneficiaries when they fill their prescriptions at CVS and driving volumes to CVS's sites.

→ Pages 17-18

If this steerage is profitable for CVS (either through direct revenue growth and/or reduced care costs for Aetna beneficiaries) and valuable to beneficiaries (e.g., through improved access to primary care, quality of care, or cost savings), CVS could expand its service portfolio to offer ancillary services, both to Aetna's covered lives and other consumers in the market. It could also cross-sell its existing services to Aetna's employer partners through a new direct-to-employer offering.

→ Pages 19-23

The integrators could also use their combined data to improve the effectiveness of Aetna's health interventions.

→ Page 24

Additionally, CVS and Aetna's broad product and service capabilities could shift competitive dynamics in other health care fields, such as the PBM industry. These disruptions would likely be only tangentially relevant for most health care providers since most do not directly compete in these fields.

### Regions Most Likely to See Impacts

Despite players' national scale, not every market will fully realize the impacts of this integration. Health Referral Regions (HRRs) where Aetna and CVS MinuteClinic both have a strong presence have the highest likelihood of realizing the full impact of this vertical integration.

### Other Proposed Example of Vertical Integration:

- Walmart and Humana



How likely is your market to feel the effects of a CVS and Aetna integration? Find out at [advisory.com/mic](http://advisory.com/mic).

<sup>1</sup>) The Prerequisites explained on pages 17-18 would need to be met before this could occur.



## ► Insurer + Provider

While there are hundreds of provider-sponsored health plans in the US, recent years have seen a spike in insurers acquiring provider groups or delivery networks, as well. With their diversified revenue streams and aligned incentives, these new entities are advantageously positioned to:

- Improve cost efficiency
  - Reduce cost of services
  - Improve patients' long-term health outcomes
- Influence consumer choice
  - Directly steer beneficiaries

# Controlling Beneficiary Costs Through Network Design

## What is the integration strategy?





An integrated delivery and insurance network has aligned incentives and enhanced abilities to retain beneficiaries in-network. To do this, the integrators could design plan incentives that encourage beneficiaries to use the provider's sites. They may also include a selection of other low-cost providers in their narrow network to complement services and supplement access. Savings from the narrow network could enable the entities to price services and plans competitively.

As a result, markets experiencing insurer-provider integration often see a redirection of volumes. The magnitude of this impact is determined by the size of both integrators, how narrowly they define the network, and the types of incentives they use to direct care to preferred sites.

Aligned financial incentives could also push the integrators to reduce unnecessary care and more effectively manage beneficiaries' health risks. Through HMO plan designs, the integrators could position primary care providers as gatekeepers to manage specialty care utilization; they could also use their combined data assets to more effectively target support to rising- and high-risk patients.

If this new entity is successful in better coordinating care and improving beneficiaries' health, patients and providers across the market would benefit both directly and indirectly, as other providers are pushed to meet the entity's new standard. Providers in the entity's markets should consider the financial implications of such impacts, however, and continue to prepare to compete in a value-based market.

## Integrators' Opportunities

		<i>Feasible Timeline</i>	<i>Novelty of Impact</i>	<i>Likelihood of Impact</i>	<i>Page Number</i>
	<b>Assemble a Low-Cost Network</b>	Short	Low	High	29
	<b>Direct Volumes to Network Sites</b>	Short	Low	High	30
	<b>Emphasize Primary Care</b>	Short	Low	High	31
	<b>Control Risk Escalation</b>	Intermediate	Moderate	Moderate	32

# Assemble a Low-Cost Network



## Integrators' Potential Strategy

The integrators could partner with or acquire low-cost providers, particularly those that complement geographic, service, or site-related gaps in the provider's network. Savings from the narrow network could enable the entities to price services and plans competitively for employers.

## Prerequisites

- ✓ Insurer has large enough share of covered lives that other providers will offer cost-competitive rates for new narrow network inclusion
- ✓ Entity fills network gaps by partnering with or acquiring low-cost, high-quality providers
- ✓ Entity may end partnerships or negotiate lower rates with high-cost or competing providers
- ✓ New network uses savings to price direct-to-employer services and/or employer-sponsored insurance plans below market average
- ✓ Employers must be interested in partnering with the network

## Potential Provider Impacts



**Partnership land grab for low-cost providers in the market**



**New low-cost precedent for direct employer products and employer-sponsored health plans offered in the market**

THREAT  
FOR

High-cost providers in the integrated provider's market, primary competitors of the integrated provider, and other providers in the integrated provider's market whose existing partnerships could be disrupted

Providers in the integrated provider's market with employer contracts

HOW TO  
PREPARE

Improve your partnership opportunities—with the integrators or other providers and insurers in the market—by improving cost and quality performance. Reducing care variation, investing in labor and technology substitutions, renegotiating device and commodity supplies contracts, and investing in pharmaceutical utilization management can help lower costs, which not only improves your organization's attractiveness for partnership, but also strengthens the hospital's competitiveness under reduced reimbursement, alternative payment models, or other risk-based contracts.

Instead of directly competing on price for employer products, consider offering services that reduce employers' total costs (e.g., tailored health coaching, high-risk navigation, or clinical analytical testing), and continually document ROI to prove the value of your services.

Hospitals with a competing plan should either differentiate their value proposition through broad selection, enhanced population health management tools, and/or data sharing; or consider partnering with the plan.

OPPORTUNITY  
FOR

Providers already partnered with the integrators,<sup>1</sup> and low-cost, local providers with complementary services, sites, or regions, who are willing to join integrators' narrow network

Providers included in integrators' new narrow network

HOW TO  
CAPITALIZE

Outline your goals for partnering with the network (e.g., financial, clinical, or continuum advantages). Then, determine if the new network has the characteristics necessary to meet your goals, and evaluate partnership models to determine how best to formalize an affiliation with the integrators.

Maximize capture of employer volumes by strengthening your relationship with the integrators' narrow network through investment in interoperability, strong care transition protocols, referral decision support, and superior specialty care access.

1) Example: Partnered with integrated provider through a clinical affiliation, regional collaborative, ACO, or clinically integrated network; or partnered with integrated insurer through narrow network or preferred partner designation.

# Direct Volumes to Network Sites



## Integrators' Potential Strategy

Integrators could incentivize beneficiaries to use the provider's and preferred partners' sites for care.

## Prerequisites

- ✓ Entity assembles a narrow network through partnership or acquisition
- ✓ Insurer structures plans to incentivize use of network (e.g., providing no or minimal coverage for out-of-network sites and services)
- ✓ Beneficiaries seek minimal out-of-network care
- ✓ Employers and beneficiaries stay loyal to the entity's plan during reenrollment

## Potential Provider Impacts



**Volumes and downstream referrals driven within narrow network**

THREAT  
FOR

Providers in the integrated provider's market who are excluded from the integrators' narrow networks

HOW TO  
PREPARE

Narrow networks may struggle to provide adequate access to care, so differentiate your services by investing in quick access to primary care (e.g., restructure clinic scheduling to accommodate walk-in or same-day availability), and downstream care (e.g., by flexing hours of operations so staff work during predictably high-volume times, investing in specialty virtual visits, or offering rapid, preliminary appointments with an advanced practitioner).

OPPORTUNITY  
FOR

Providers included in integrators' new narrow network

HOW TO  
CAPITALIZE

Partners should strengthen their relationship with the integrators' narrow network and audit access, operations, and quality in the areas where they anticipate volume growth. Where gaps between current and desired performance exist, refine processes and target support resources to prepare for new volumes.

# Emphasize Primary Care





## Integrators' Potential Strategy

The integrators could position primary care providers as gatekeepers to specialty care to minimize unnecessary utilization and manage beneficiary needs in the lowest-cost setting.

## Prerequisites

- ✓ Entity has sufficient primary care assets to meet beneficiary needs
- ✓ Entity structures plans to incentivize or require greater use of primary care (e.g., HMO plans)
- ✓ Entity maintains or improves care quality and reduces unnecessary utilization

## Potential Provider Impacts

	 <b>Primary care volumes diverted to integrators' network through insurance design</b>	 <b>Decreased demand for downstream specialty care through referral requirements</b>
THREAT FOR	Providers in the integrated provider's market who are excluded from the integrators' narrow network, particularly those with a primary care portfolio that competes with the network, or who lost former primary care referral partners to the network	Providers in the integrated provider's market with fee-for-service contracts
HOW TO PREPARE	<p>Narrow networks often struggle to provide adequate access to primary care, so provide alternative options to consumers seeking on-demand care by offering same-day, walk-in, or virtual appointments at primary care, urgent care, and/or retail clinics.</p> <p>Be able to offer an on-demand price estimate for shoppers who are seeking primary, urgent, or retail care outside the narrow network.</p>	<p>Recover volumes by retailizing specialty services to appeal directly to consumers. For example, consider providing symptom searches to help consumers navigate health care jargon when shopping for care, and competitively price front-door services.</p> <p>Scope opportunities to join the integrators' network in specialties where the narrow network lacks adequacy. If you are not a market leader in cost or quality for these specialties, target improvements to position your system as an attractive partner.</p>
OPPORTUNITY FOR	Providers included in integrators' new narrow network within the integrated provider's market	Providers with risk-based contracts with the integrated entity
HOW TO CAPITALIZE	Perform a primary care access audit to look for opportunities to improve practice productivity (e.g., through care team extension, group visits, or efficiency investments), and/or expand the primary care network through retail clinics, worksite clinics, urgent care locations, or virtual visits.	<p>Continually monitor value-based performance with the entity, review metrics tied to reimbursement, and coordinate network-wide care management efforts.</p> <p>Also, capture remaining specialty care volumes through an embedded telehealth platform with system physicians, or online scheduling for specialty services.</p>

# Control Risk Escalation



## Integrators' Potential Strategy

The integrators could combine their data for better risk segmentation, interventions, and care management. They could also emphasize use of the provider's post-acute services, if applicable, to reduce readmissions.

## Prerequisites

- ✓ Entity creates a data-sharing platform, predictive algorithms, and analytical capabilities to recognize trigger events and/or rising-risk beneficiaries
- ✓ Entity targets rising- and high-risk beneficiaries with effective interventions
- ✓ Entity invests in scalable, cost-efficient care management capabilities (e.g., navigators, CRM system) that support health maintenance
- ✓ Interventions cause beneficiaries to change their behavior and lead to health and cost benefits


## Potential Provider Impacts



**Better-controlled beneficiary health risk status and, eventually, reduced readmissions and demand for downstream specialty care**



**Heightened expectations for population health management tools from other payers and employers**

THREAT FOR	Providers in the integrated provider's market with fee-for-service contracts <sup>1</sup>	Providers in the integrated provider's market with little population health management experience
	<p>Capture remaining downstream services in the market by retailizing specialty care access points to attract self-referring consumers (e.g., use symptom-focused messaging and a targeted pricing strategy).</p> <p>Additionally, prepare a path to success under risk-based payments. Build effective partnerships with specialists, ensure efficient post-acute episodes, optimize the supply chain, and achieve care pathway standardization.</p> <div> <p><i>Health Care Advisory Board members can learn more about the new rules for risk in <a href="#">Medicare Risk Strategy</a> on advisory.com</i></p>  </div>	<p>Prepare to compete for these services by piloting population health capabilities with your own employee population, and use lessons learned when commercializing the platform.</p> <p>Begin by stratifying your employees by risk. For the biggest impact, target high-risk, high-cost individuals first with a mix of individual care management interventions and ongoing advanced medical home support. For low-risk individuals, create easily accessible channels for low-acuity care and foster loyalty to the health system.</p>
OPPORTUNITY FOR	Providers with risk-based contracts with the integrated entity	Providers in the integrated provider's market with strong population health analytics
	<p>Coordinate care management strategies with the integrators, continually review those strategies for gaps, and tie metrics to care management goals. Reinforce the system's ability to perform under risk-based contracts by monitoring key metrics for clinical standardization and creating a plan for continual improvement.</p>	<p>Leverage these capabilities to seek out more risk contracts with employers and other payers. If using an in-house risk stratification algorithm, consider opportunities to sell analytics to other care managers.</p>

<sup>1</sup>) While healthier patients are a mission-win for everyone, these providers should prepare for the financial impact of a healthier patient population by meeting patients' remaining care needs.



# Case Study: Highmark Health-Alleghany Health Network

## Narrow Network Enables Volume Capture, Low-Cost Management



### INTEGRATION IN BRIEF

#### Highmark Health's Acquisition of Alleghany Health Network

In 2013, insurer Highmark Health acquired Alleghany Health Network (AHN),<sup>1</sup> a health system in Western Pennsylvania, for \$475 million, including an up-front payment of \$50 million to prevent the system's closure. It was one of the earliest payer-led integrations of this type.

Both entities were dominant in Western Pennsylvania at the time of the deal—Highmark Health held roughly 60% market share at the time—enabling them to capitalize on many of the integration opportunities discussed in this section. Since the acquisition, the integrated network, now called “Highmark Inc.,” has grown to challenge the region's other large integrated player, UPMC. Because of the predominance of vertically integrated systems in this particular market, Highmark's acquisition has been subject to monitoring by the Pennsylvania Insurance Department to ensure consumer protections.

### Highmark Inc. Models the Impacts of Insurer-Provider Integration

Following Highmark Health's acquisition of AHN, the entity developed partnerships with low-cost, high-value provider partners—especially primary care physicians and community hospitals—to fill outstanding network gaps.

In the four years following acquisition, Highmark Inc. saw commercial inpatient discharges decrease by 33%, far outpacing the 6% overall dip in the region's total commercial inpatient discharges over the same period. While we can't definitively attribute this decline to any one cause, it could indicate the insurer successfully reduced beneficiary demand for costly downstream services, especially since the network grew share of commercial discharges over this same time.

The 25% increase in share of commercial discharges was likely a result of Highmark Inc.'s ability to motivate beneficiaries to stay within their new care delivery network.

*Review potential impacts and action steps on...*



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### Other Examples of Payer-Provider Vertical Integration:

- Humana's acquisitions of Kindred Healthcare, Concentra
- Anthem's acquisitions of CareMore, HealthSun
- Centene's acquisition of Community Medical Group

Source: Compass Lexicon, “Assessment of Healthcare Competition Following Highmark Inc.'s Affiliation with West Penn Allegheny Health System, Inc. and other Healthcare Providers”, July 2017, available at: <http://www.insurance.pa.gov/companies/industry/activity/corporate/acquisitions-of-public-interest/highmark-west-penn-allegheny-health-system/documents/companies%20exec-on%20public%20assessment%20of%20healthcare%20competition%20in%20the%20state%20of%20pa%20july%202017.pdf>; Market Innovation Center analysis.

1) Formerly called West Penn Allegheny Health System.



## ► Non-provider Entity + Physician Group(s)

Venture capital groups, Optum, Apple, and others in a diverse array of players have acquired or expressed interest in acquiring physician groups. These companies may view physician groups simply as profitable investments, but the integrators could also:

- Improve efficiency of care delivery
  - Reduce cost of services
  - Improve patients' long-term health outcomes
- Influence customer options and choice
  - Capture shopping patients

# Infusing Physician Practice with New Expertise, Assets, Data

## What is the integration strategy?





A primary reason a non-provider entity would acquire a physician group is to diversify its revenue streams. While acquisition alone would accomplish this goal, the integrators may be able to leverage other expertise or assets from their core business to further grow revenue.

One such asset is the acquirer's brand. By rebranding or co-branding the physician group, the combined entity may be able to grow patient volumes based on name recognition alone. The impact this will have on patient market share will vary based on the acquirer's brand recognition among consumers and how comfortable consumers are with that brand's involvement in their health care.

Other expertise and assets may help the physician group deliver better, more cost-effective care, keep patients healthier, and grow the group's business. In particular, the acquirer could share marketing expertise to help the physician group appeal to more consumers, or the acquirer could bring technology, capital, or business acumen to optimize care delivery. Additionally, if the two integrators have complementary data, they could better identify rising-risk patients, improve the effectiveness of population health interventions, and create better outcomes for their patients.

While these types of integrations may produce similar-in-kind market impacts, the scale of these impacts will vary dramatically depending on the scale and scope of both the non-provider entity and the physician group.

## Integrators' Opportunities

	<i>Feasible Timeline</i>	<i>Novelty of Impact</i>	<i>Likelihood of Impact</i>	<i>Page Number</i>
 <b>Leverage Brand Recognition</b>	Short	High	Moderate	37
 <b>Apply Marketing Expertise</b>	Short	Low	Moderate	38
 <b>Improve Efficiency of Care Delivery</b>	Intermediate	High	High	39
 <b>Leverage New Data for Population Health</b>	Long	High	Moderate	40

# Leverage Brand Recognition



## Integrators' Potential Strategy

The acquirer could rebrand the physician group to leverage its brand recognition to attract consumers. The scale of impact will vary depending on the brand's recognition, the types of individuals it appeals to, and the type of care delivered by the acquired physician group (e.g., urgent care versus specialty care).

## Prerequisites

- ✓ Acquirer has a brand that consumers recognize and trust to be involved with their health care
- ✓ Entities develop a synergistic co-branding strategy
- ✓ Entities message the change to the market

## Potential Provider Impacts

	Increased competition for consumers	Shift in downstream referral volumes	Increased competition for talent
THREAT FOR	Providers in the market of the integrated physician group or groups that offer competing services with the group, particularly if the market has large groups of traditionally low-loyalty patients (e.g., young consumers, HDHP patients, transient population)	Providers in the market of the integrated physician group or groups that are <i>not</i> part of a clinical affiliation, regional collaborative, ACO, or CIN <sup>1</sup> with the integrated physician group, particularly if the market has large groups of traditionally low-loyalty patients (e.g., young consumers, transient population)	Providers in the market of the integrated physician group or groups; especially those with current or forecasted clinician shortages in their market
HOW TO PREPARE	<p>Directly compete by emphasizing your organization's reputation for quality and experience treating patients. Win consumers' trust by promoting areas of specialization to prove your expertise.</p> <p>Invest in consumer-oriented enhancements at sites that compete with the integrators. Same- or next-day appointments and extended access (weekend or extended weekday hours) have high potential to attract patients.</p> <p>Alternatively, scope partnership opportunities with the integrators or other physician groups in the market.</p>	<p>Earn referrals by offering targeted referral support, expediting access to care, and involving referrers in patients' care.</p> <p>Compete directly for volumes by retailizing specialty services. Highlight the hospital's specialization in messaging that consumers understand. Provide fast access for select parts of the care pathway, and expedite access for the patients and specialties where it matters most—i.e. for newly-diagnosed patients or for second opinion services.</p>	<p>Forecast future staff shortages by analyzing market saturation.</p> <p>Invest in a retention strategy by hosting "stay interview s" with top performers to learn what keeps them at your organization, and what may pull them away.</p>
OPPORTUNITY FOR	No one	Providers who are a part of a clinical affiliation, regional collaborative, CIN, or narrow network with the integrated physician group	Providers in the market of the integrated physician group or groups that can capitalize on potential employee turnover
HOW TO CAPITALIZE	N/A	<p>Test the brand's power to attract patients. Consider a co-branding strategy that combines the allure of their brand and your trusted name. Negotiate for brand exclusivity, and create clear co-branding standards.</p> <p>Understand integrators' goals and values to ensure continued partnership.</p>	Optimize hiring by using behavioral-based interviewing to screen candidates for cultural fit, equipping managers to "sell" candidates on the job, and building a strong referral program.

1) Clinically integrated network.

# Apply Marketing Expertise



## Integrators' Potential Strategy

The acquirer could use its marketing expertise to improve the effectiveness of the acquired physician group's marketing campaigns.

## Prerequisites

- ✓ Acquirer has deep marketing expertise
- ✓ Acquirer gains understanding of health care services and regulations (e.g., HIPAA), if it is a new entrant
- ✓ Acquirer shares marketing expertise with or assumes responsibility for the physician group
- ✓ Entity may need to invest in new marketing capabilities, data, etc. (e.g., CRM system) to improve marketing effectiveness and campaign tracking
- ✓ New marketing campaigns show higher ROI than previous campaigns
- ✓ Quality of improved marketing must be sustained past initial campaigns

## Potential Provider Impacts



**Increased competition for consumers**



**Shift in downstream referrals**

THREAT FOR	Providers in markets with integrated physician group or groups that offer competing services with the group	Providers in markets with integrated physician group or groups that are <i>not</i> part of a clinical affiliation, regional collaborative, ACO, or CIN with the integrated physician group
HOW TO PREPARE	Compete for business by investing in new marketing tools and expertise—beginning with a leading CRM system that segments your target audience, tailors messaging, and automates communications. Update your digital strategy by investing in functionalities like search engine marketing and geo-targeting that can help attract consumers, and enhanced feedback functionality and other communication platforms to retain patients.	Compete directly for self-referrers in specialty services. Provide fast access for select parts of the care pathway, highlight specialization, and expedite access for the patients and specialties where it matters most—i.e. for newly diagnosed patients, or for second opinion services.  Tailor pricing strategy to attract consumers for diagnostics and imaging services.
OPPORTUNITY FOR	No one	Providers who are a part of a clinical affiliation, regional collaborative, ACO, or clinically integrated network with the integrated physician group
HOW TO CAPITALIZE	N/A	Protect and strengthen relationship with the entity. Maximize referral integrity by offering referral decision support and enhancing specialty care access.

# Improve Efficiency of Care Delivery



## Integrators' Potential Strategy

The acquirer could use expertise or an asset from its core business to improve care delivery. This could be:

- Capital or technology
- Workflow or operations expertise
- Understanding of consumer preferences and behavior drivers
- Management or business expertise
- Support for innovation
- Data to identify high-value providers

## Prerequisites

- ✓ Acquirer gains understanding of health care industry if it is a new entrant
- ✓ Acquirer has an asset or expertise that could grow the physician group's revenue or reduce its costs
- ✓ Acquirer implements its change in physician group's practice or workflow
- ✓ Physicians and care staff are receptive to the change
- ✓ Acquirer's change results in sustained, increased revenue and/or decreased costs for the physician group

## Potential Provider Impacts



### Increased competition for customers if entity:

- Improves patient experience
- Reduces time to next available appointment through operational changes
- Passes on savings to customers



### Shift in downstream referral volumes if entity:

- Grows patient panels
- Wins new or changed insurance contracts



### Shift in employment landscape if acquirer:

- Provides competitive employment opportunities
- Spurs lower engagement and increased turnover in acquired group

	THREAT FOR	HOW TO PREPARE	OPPORTUNITY FOR	HOW TO CAPITALIZE
	Providers in markets with integrated physician group or groups that offer competing services	Develop a differentiated value proposition from the integrators. Review consumers' and referrers' top drivers of choice, and invest in creating a niche that appeals to a different group of consumers. For example, if the integrators compete on experience, focus on improving access or price transparency. Compete head-to-head on this new proposition while leveraging your current brand.	No one	N/A
	Providers in markets with integrated physician group or groups that are <i>not</i> part of a clinical affiliation, regional collaborative, CIN, or narrow network with the integrated physician group	Diversify referral streams by growing physician relationships and retailizing specialty services to appeal directly to patients. Expediting access for select parts of the care pathway, highlighting specialization, and improving patient experience can help win both groups' choice.	Providers who are a part of a clinical affiliation, regional collaborative, CIN, or narrow network with the integrated physician group	Protect and strengthen relationships with the integrators through provider-to-provider teleconferences, elevated referral service, and an optimized liaison program.
	Providers in markets with integrated physician group or groups	Conduct regular market reviews to benchmark the system's salary and benefits to competitors, and ensure system employment value proposition is strong. Prevent major turnover by equipping managers to spot flight risks and training them with intervention tools.	Providers in markets with integrated physician group or groups that can capitalize on potential employee turnover within the acquired physician group	To capture job seekers, facilitate a strong employee referral program, and employ behavioral-based interviewing to screen candidates for cultural fit.

Source: Market Innovation Center analysis.

# Leverage New Data for Population Health



## Integrators' Potential Strategy

The integrators could combine their data to improve population health, either through better predictive analytics or effectively tailored patient interventions.

## Prerequisites

- ✓ Entities have synergistic data and/or analytics to improve population health (e.g., claims, consumer data, pharmacy data, consumer preferences data, etc.)
- ✓ Entities create data-sharing capabilities and analytics to identify opportunities to improve individuals' health or better manage their care
- ✓ Entities mobilize their analytics by creating effective, scalable health interventions; this may include investment in cost-efficient messaging capabilities (e.g., navigators, CRM system)
- ✓ Interventions cause beneficiaries to change their behavior and lead to health benefits

## Potential Provider Impacts



**Decreased demand for downstream specialty care through improved care management<sup>1</sup>**



**Heightened expectations for competitive population health management tools from other payers and employers**

THREAT  
FOR

Providers with fee-for-service contracts in markets with the integrated physician group or groups

Providers with little population health management experience in markets with the integrated physician group or groups

HOW TO  
PREPARE

Capture remaining downstream services in the market by retailizing specialty care access points to attract self-referring consumers (e.g., use symptom-focused messaging and a targeted pricing strategy). Additionally, prepare a path to success under risk-based payments. Build effective partnerships with specialists, ensure efficient post-acute episodes, optimize the supply chain, and achieve care pathway standardization.

Pilot population health capabilities with your employee population to develop the skills and strategies to scale accountable care delivery.

Focus on improving physician alignment, reducing spend on high-cost procedures, and improving care coordination with post-acute providers.

Health Care Advisory Board members can learn more about the new rules for risk in [Medicare Risk Strategy](#) on advisory.com



OPPORTUNITY  
FOR

Providers with risk-based contracts in markets with the integrated physician group or groups

Providers in markets with the integrated physician group or groups that have a strong population health infrastructure

HOW TO  
CAPITALIZE

Capture remaining specialty care volumes by evaluating opportunities to complement the integrated physician group's service portfolio. Hospitals can seek greater alignment through arrangements such as clinical affiliations, regional collaboratives, or co-branding; through services such as physician-to-physician virtual visits or disease-focused clinical councils; or through operational changes such as embedded online scheduling for complementary services on the group's website.

Scale accountable care delivery by reducing care variation and improving physician alignment. Scope opportunities to partner with other population health managers, including the integrators and payers.

<sup>1</sup>) While healthier patients are a mission-win for everyone, these providers should prepare for the financial impact of a healthier patient population by meeting patients' remaining care needs.



# Case Study: Speculating on Apple's Interest in Primary Care

## Similar Integration Goals for Otherwise Different Non-provider Acquirers

Non-provider entities can differ significantly in their scale, areas of expertise, assets, and customer bases. Therefore, while they all they could have similar types of vertical integration opportunities, the impacts of these integrations will also vary in size and scope. This section looks at two case studies to highlight that variation.



### INTEGRATION IN BRIEF

#### Apple's Rumored Interest in Acquiring Primary Care Providers

Apple is a global company that designs, manufactures, and markets mobile communication and media devices. They sell a range of related software, services, accessories, networking solutions, and third-party digital content and applications.

Apple recently expressed interest in primary care delivery. In 2017, the company was rumored to have been in talks to acquire OneMedical, a group of membership-based primary care practices, and with Crossover Health, a vendor of employer on-site care services. Neither acquisition occurred. Instead, Apple launched AC Wellness, an independent medical practice that provides care exclusively to Apple employees.

While Apple's new venture suggests its interest in OneMedical and Crossover was likely based in its desire to improve its employee health offerings, the acquisition rumors still ignited speculation about what Apple—or other enormous, consumer-friendly companies—*could* do if it entered into health care delivery through vertical integration.

### Modeling the Impact of an Apple-Primary Care Acquisition

If a non-provider entity like Apple acquired a primary care physician group like OneMedical, it could use its capital, technology, and operations expertise to maximize efficiency of care delivery and generate higher volumes. For example, Apple's experts in user design could help redesign clinics to optimize patient flow, or its technology could reimagine patient registration and collections and expedite physician documentation.

With its in-depth understanding of consumer behaviors and the Apple HealthKit, Apple could complement the physician group's clinical expertise to better engage patients in their care and improve care management effectiveness.

Additionally, Apple's widely known and trusted brand could influence consumer choice and physician employment. Fans—both physicians and patients—of Apple products would likely be interested in being involved in its newest venture.

Finally, Apple's marketing teams could improve the effectiveness of the physician group's marketing campaigns to influence more consumers. Since some consumers would likely be wary of their phone provider's involvement in their care, strategic marketing expertise could help the integrators assuage market concerns and earn consumers' trust.

*Review potential impacts and action steps on...*

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Source: Reuters, "Apple Inc (AAPL)," <https://www.reuters.com/markets/stocks/companies-profile/AAPL/>; Farr C, "Apple explored buying a medical-clinic start-up as part of a bigger push into health care," CNBC, <https://www.cnbc.com/2017/10/16/apple-considers-acquisition-of-crossover-health-part-of-health-push.html>; Market Innovation Center analysis.

# Case Study: Physician Group Acquisitions at Optum

## Physician Aggregator Owns Numerous Groups; Marginal Disruption To Date



### INTEGRATION IN BRIEF

#### Optum Acquires Array of Physician Groups

Optum,<sup>1</sup> a health care consulting and data analytics firm and subsidiary of UnitedHealth Group Inc., has rapidly added to its growing portfolio of clinical staff and care sites over the past decade. Recent acquisitions include the 141-urgent care clinic operator MedExpress in 2015, and 3,000-physician, 205-surgical facility Surgical Care Affiliates in 2017. More recently, Optum acquired DaVita Medical Group for \$4.9 billion in late 2017. DaVita Medical Group consists of over 300 clinics, urgent care centers, and outpatient surgery centers; it provides care to 1.7 million patients each year.

### Impacts of Physician Group Acquisitions

To date, Optum has focused on preparing its physician groups for value-oriented care by improving their analytics and cost efficiencies. This includes reducing costs by improving care coordination, using data to identify highest-value providers, encouraging appropriate site utilization, expanding access to primary care, and sharing risk assessment expertise. Because many Optum physician groups were high-performing even before their acquisition, they also are able to share clinical best practices with each other.

While Optum has the data and tools to engage patients in their care and improve care management, it has yet to fully integrate its population health tools into its ambulatory sites.

As a B2B<sup>2</sup> company, Optum does not have a significant consumer-facing brand name to leverage; thus, it has largely opted to preserve its physician groups' existing brands. Only LifePrint Health has undergone a branding change to become OptumCare Network of Arizona.

*Review potential  
impacts and  
action steps on...*

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### Providers Most Likely to See Impacts

Optum plans to more than double the number of markets in which it delivers care. Extrapolating its acquisition record, Optum is likely to continue pursuing relationships with physician groups who have experience with risk or who are high-performing and have significant scale, and also with systems interested in aligning with its value-based goals. Providers in markets with such physician groups should scenario plan for the group's acquisition by Optum or another entity (e.g., an insurer or health system) so they are prepared to capitalize on or defend against the new partnership.

### Other Examples of Vertical Integration

- Private equity investors acquiring physician groups
- GuideWell and Diagnostic Clinic Medical Group, Sanitas Medical Center, and GuideWell Emergency Medicine Doctors

1) This report is published by Advisory Board Research, a division of Optum, which is a wholly owned subsidiary of UnitedHealth Group.  
2) Business-to-business.

Source: Teichert E, "UnitedHealth's Optum to Buy DaVita Medical Group for \$4.9 Billion," *Modern Healthcare*, Dec. 2017; Tracer Z, "30,000 Strong: UnitedHealth Gathers a Doctor Army," *Bloomberg*, April 2018; Market Innovation Center analysis.

## ► Your Next Steps

Resources Available to Members

# The Time to Prepare Is Now: Steps You Can Take Today

Amid the uncertainties of vertical integration's potential impacts, one implication is clear: provider organizations should not wait to begin planning their responses.

Across many impacts discussed in this report, there are several common types of recommended action steps. In addition to the provided guidance on "how to prepare" for and "how to capitalize" on the impacts, the following tactics are no-regrets strategies that provider organizations should pursue to remain competitive in an age of vertical integration.

Fortunately, since many of these are established best practices, this mandate should not require a significant restructuring of your strategic priorities. Rather, it should increase the importance of proving value to referrers, competing for consumers, appealing to employers, and retaining top talent.

To learn more about membership, contact us at [programinquiries@advisory.com](mailto:programinquiries@advisory.com).



*The following resources are available to Market Innovation Center members.*

## Scenario Plan for Market Changes

We do not know with certainty the trajectory of any vertical integration, but we can safely anticipate that increased acquisition activity is likely to spur more integration proposals. This environment of reconfiguration will reward those who have planned for the unexpected, who can act nimbly, and who have already taken steps to prepare.

Analyze the impacts that significant market changes could have on your organization.

- *Scenario Planning Workshop Guide*

Learn how to scenario plan for market changes, hold an effective planning retreat, and inspire action.

- *Enhancing Planning Agility Amid Market Complexity*

Forecast the impact of market changes on utilization (e.g., reduced disease burden, increased care management).

- *Market Scenario Planner*

Understand market share and look for areas to recoup referrals.

- *Medicare Market Explorer*

Scope partnership opportunities with integrators or other players.

- *Partnerships and Affiliation Diagnostic*

# Compete for Consumers



## Compete for Low-Acuity Care Volumes

Many of the integrations discussed have the potential to create new, direct competition for low-acuity volumes. Since this care is largely directed by consumers, consider the following strategies to compete on consumers' top decision drivers—namely, access, convenience, and price.

Diagnose opportunities to improve your consumer acquisition and retention strategy.

- *Consumer Strategy Diagnostic*

Invest in consumer-oriented enhancements at primary care clinics.

- *Investments to Attract New Primary Care Consumers*

Consider partnership with retailer or other retail/urgent care network.

- *Consumer-Oriented Ambulatory Network*

Facilitate care coordination between retailers' clinics and your PCPs/specialists.

- *Maximizing Primary Care Access*

Invest in alternative delivery channels.

- *Consumer-Oriented Ambulatory Network*
- *Driving Adoption of Virtual Visits*

Optimize access and operations to reduce time-to-next-available and offer same-day or walk-in visits.

- *Maximizing Primary Care Access*
- *Competing on Consumer Experience*

Adopt consumer-focused pricing strategies and price transparency.

- *How to Grow Share with Price Transparency*
- *Introducing New Pricing Models to Attract Patients*

Improve loyalty by helping consumers know when, why, and where to get care.

- *Consumer Loyalty Framework*

Enlist competitive contracting strategies.

- *Developing Next-Generation Employer Partnerships*
- *Assessing the Case for Concierge Medicine*



## Compete for Reduced or Redirected Downstream Volumes

All the integrations discussed in this report have the potential to redirect or erode downstream volumes, either through care management, beneficiary steerage, or new referral streams. To mitigate the impacts of referral steerage away from your organization and to capture remaining volumes, strengthen your strategy to appeal to self-referring consumers and referring physicians (see page 46).

Appeal directly to self-referrers by highlighting specialization, speaking “patientese,” facilitating word-of-mouth marketing, competing on price, and expediting access to select services.

- *The Retail Service Line*

Capture remaining specialty care volumes.

- *Creating a Consumer-Oriented Digital Strategy*
- *Strategic Program Development for Specialty Telehealth*

Attract imaging consumers by hiring specialized radiologists, maximizing operational efficiency to compete on price and access, and investing in freestanding imaging centers or co-ventures.

- *What Really Matters to Your Imaging Patients*
- *How to Evaluate Freestanding Imaging Market Opportunity*

# Engage Physicians, Employers, and Your Top Talent



## Optimize Physician Relationships

Along with “retailizing” services to appeal to consumers, provider organizations should strengthen their relationships with referring physicians to combat potential redirections in referral volumes.

Strengthen and expand your referral network.

- *Creating a Primary Care Strategy for Service Lines*
- *Maximizing Referral Integrity*
- *The New Physician Network Advantage*

Offer referral decision support to partnered physicians and enhance specialty care access.

- *Creating a Primary Care Strategy for Service Lines*

Pursue teleradiology partnerships.

- *Should you outsource after-hours and weekend radiology shifts?*

Focus physician outreach efforts by analyzing your market's loyal, splitter, and dissenter physicians.

- *Crimson Market Advantage*



## Craft a Competitive Employer Product

Developing or expanding direct-to-employer offerings can help you compete directly with employer products that integrators may launch. It can also help you compete directly for consumers by influencing the care options available to employees. Employers generally appreciate à la carte options that help them keep employees healthier while reducing absenteeism and care costs and promoting “presenteeism.”

Launch a competitive direct-to-employer strategy, customize offerings to partner's needs, and emphasize the health system's advantage of providing cross-spectrum care continuity.

- *Developing Next-Generation Employer Partnerships*
- *Occupational Health and Beyond*
- *Employer Partnerships Action Plan*

Pursue risk-based contracts with employers.

- *10 Keys to Risk-Based Contracting with Employer Partners*



## Elevate Recruitment, Retention, and Engagement

If integrators launch new care delivery options or change the culture at an existing care site, they could create a new and attractive employment option in your market. This could both make it harder to hire new staff and pose a threat to retaining your current talent.

Forecast need for clinicians.

- *Physician Demand Estimator*

Create a candidate-centric hiring process.

- *Win Talent in a Candidate-Centric Market*
- *The Recruiter's Guide to Hiring Top Talent*
- *Physician recruitment, retention, and engagement: Insights for community hospitals*

Invest in your organization's culture.

- *Talent Development: Leadership Culture*
- *Medical Group Culture Intensive*

Create a retention strategy for existing staff.

- *The Manager's Guide to Engaging Staff*

# Improve Internal Processes



## Strengthen Your Care Management Strategy

The combination of an insurer and any care provider aligns integrators' incentives to manage utilization. As a result, impacted markets could see an increased emphasis on risk-based contracts. Improve your organization's population health management strategies to prepare for more risk-based contracts.

Learn how to slow the progression of rising-risk patients and reduce future costs.

- *Addressing the Needs of Your Rising-Risk Patients*

Learn solutions for reducing unnecessary ED utilization.

- *Reducing Avoidable Emergency Department Use*

Pilot population health capabilities with the hospital's employee population.

- *Six steps to transforming your employee health benefit to population health*

Refine ambulatory sites' role in your care management strategy.

- *Advancing Your Approach to Ambulatory Care Management*



## Fine-Tune the Hospital Revenue Cycle

Vertical integration could increase margin pressures in several ways. Losing volumes to the integrators and their partners, for example, could reduce a provider's leverage in negotiations with insurers. An increased emphasis on risk-based contracts would further increase the importance of optimizing revenue cycle efficiency.

Learn eight strategies to contain future cost growth.

- *The New Cost Mandate*

Optimize the preauthorization process to reduce unseen denials and failed collections.

- *Preauthorization Toolkit*

Improve overall revenue cycle performance.

- *The Blueprint for Revenue Cycle Transformation*

Benchmark revenue cycle performance against key metrics.

- *Benchmarking Revenue Cycle Performance*

Compare system performance on value-based care measures to other organizations or national averages.

- *Customized Assessment Portal*



## Support Care Coordination with Interoperability

Integrators' partners should position themselves to complement the integrators' services by both capturing referrals for downstream services and improving care coordination. A successful partnership will be largely predicated on the ability to seamlessly and safely share data and information.

Ensure the system has the IT infrastructure to support care coordination.

- *Building a Community of Care: Achieving Systemness in a Sea of Individuality*
- *Extended Enterprise Integration*

Learn how to enable data, workflows, and clinical knowledge to flow across systems seamlessly.

- *Interoperability: Can You Hear Me Now?*

Ensure the system is poised to capture increasingly health data-collecting patients.

- *How to Get Started with Patient Generated Health Data for Patient Monitoring*
- *Incorporating Wearables Data into Clinical Practice*

