



PROVIDER VS. PAYER? ENGAGING WITH THIRD PARTY PAYERS IN THE TRANSITION TO VALUE-BASED CARE

APRIL 12, 2016

NAVIGANT

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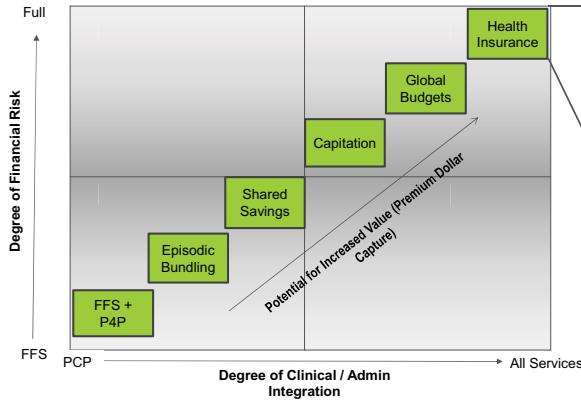
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HEALTH SYSTEMS WILL NEED TO EVALUATE THE SPECTRUM OF RISK-BASED PAYMENT MODELS TO INFORM THEIR STRATEGY

State of the Market

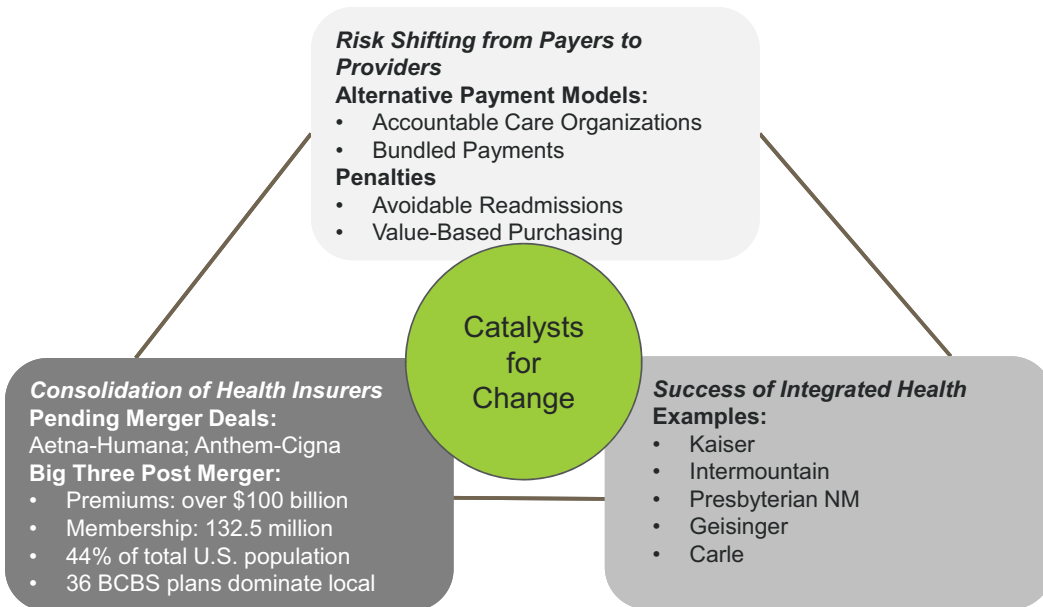
Having a Payer-Provider Partnership or a Provider Sponsored Health Plan may enable significant strategic and economic advantages in managing risk and growing the populations served by the health system



Evaluating the type of PSHP will need to consider the optimal design for a given health system

- Buying a health plan and integrate services
- Creating an integrated joint venture with an existing health plan
- Building a de novo PSHP with integrated services

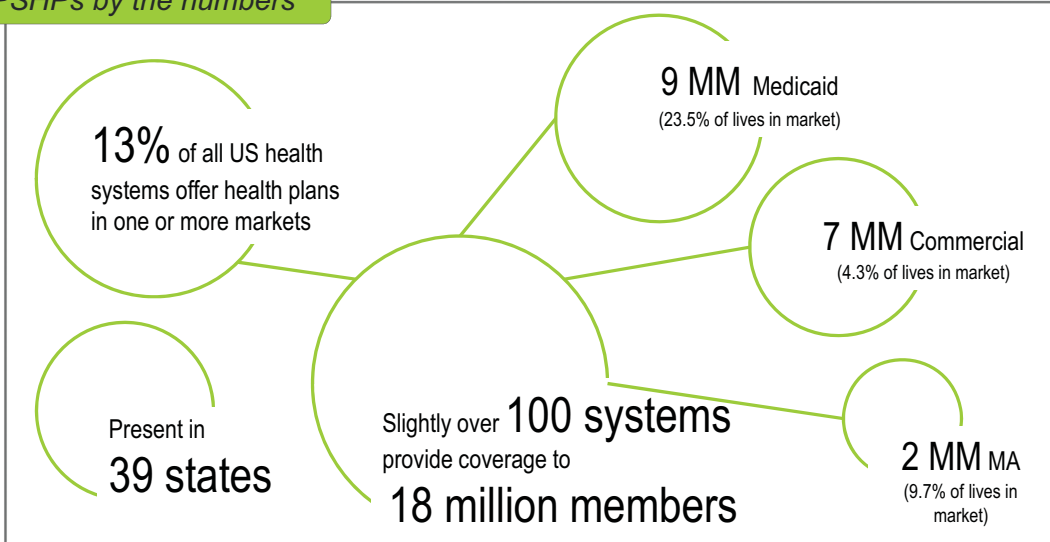
THE EVOLVING HEALTH CARE MARKET HAS LED TO HEALTH SYSTEMS ASSUMING MORE RISK



STATE OF THE MARKET

THIS MARKET SHIFT OF RISK TO PROVIDERS HAS LED TO AN INCREASING NUMBER OF PROVIDER SPONSORED HEALTH PLANS

PSHPs by the numbers



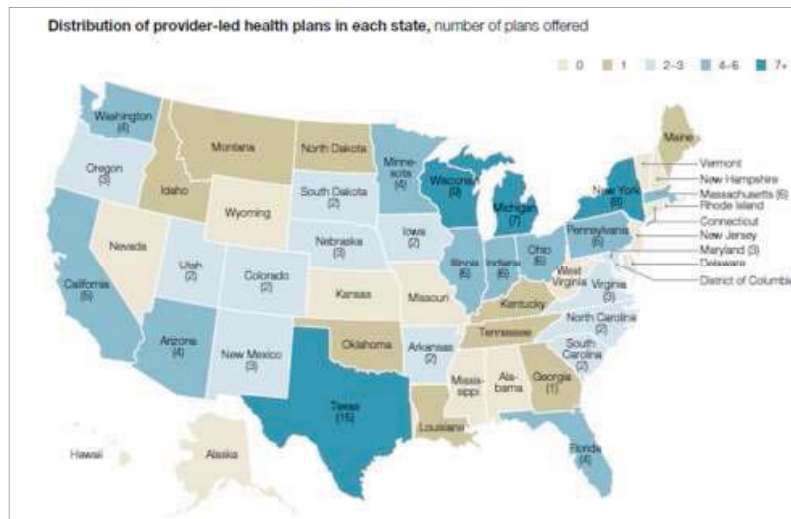
Source: *Provider-led health plans: The next frontier—or the 1990s all over again?*; McKinsey & Company

STATE OF THE MARKET

THE NUMBER OF PSHPs CONTINUES TO INCREASE BUT THERE IS SIGNIFICANT DIVERSITY IN THE SIZE AND GEOGRAPHIC LOCATION

The size, and potentially needs, of the PSHPs significantly vary:

- The 10 largest plans account for approximately 43% of the 18MM lives
- The next 10 largest plans cover another 20% of the lives
- Conversely, the 10 smallest plans represent only 1% of the covered lives



Source: *Provider-led health plans: The next frontier—or the 1990s all over again?*; McKinsey & Company

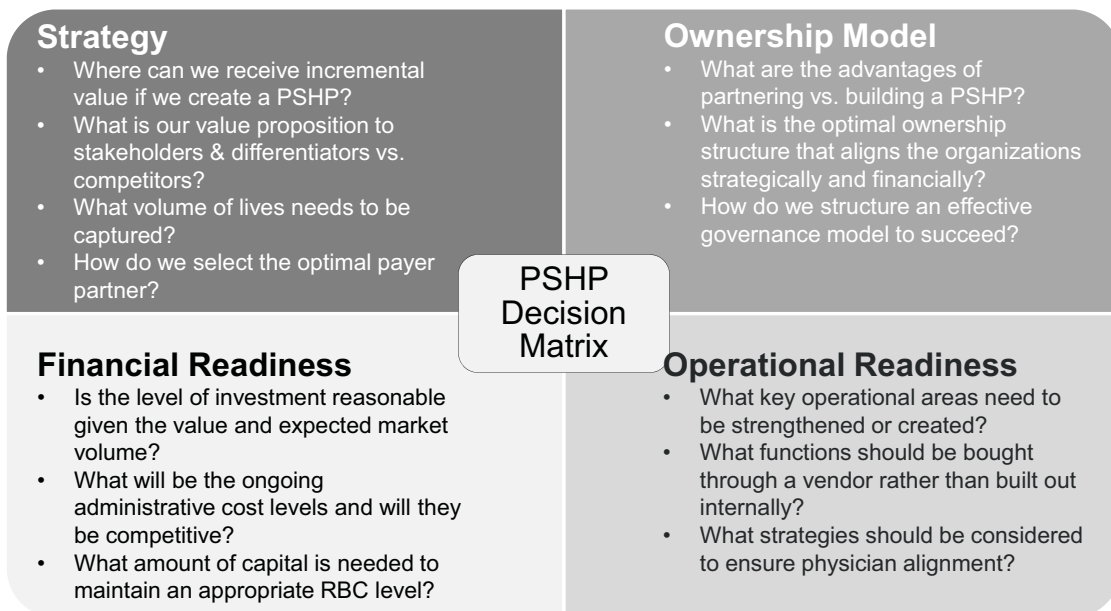
THE LEVEL OF RISK AND WHEN TO ASSUME IT SHOULD BE BASED ON THE KEY CIRCUMSTANCES THAT FACE A HEALTH SYSTEM...



These considerations lead to assessing the macro-level question of:

How can payer-provider integration enable your organization to achieve its short and longer term vision as well as its strategic and economic goals?

...FOLLOWED BY A THOROUGH EVALUATION OF THE FOLLOWING KEY QUESTIONS...



...AND TAKING STEPS TO MITIGATE THE KEY RISKS ASSOCIATED WITH BECOMING A PROVIDER SPONSORED HEALTH PLAN



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