Transformation to Value:
A Leadership Guide

STRUCTURE AND INVESTMENTS

Who We Are

The **Health Care Transformation Task Force** (Task Force) is an industry consortium that brings together patients, payers, providers, and purchasers to align private and public sector efforts to clear the way for a sweeping transformation of the U.S. health care system. We are committed to rapid, measurable change from volume of services to value of care, both for ourselves and our industry. To achieve this, we commit to have 75 percent of our respective businesses operating under value-based payment arrangements by 2020.

Introduction

The transformation from fee-for-service to value can be highly challenging, even for the most sophisticated organizations. The process of transformation requires strong leadership, well-defined strategic and operational plans, appropriate resources, and exceptional dedication at all organizational levels. Despite the importance of value transformation, there are few public resources that provide strategic guidance and examine broader trends in organizations' transformation experiences.

The Health Care Transformation Task Force (Task Force) has created a *Dimensions of Health Care Transformation Framework* (Framework) to help health care organizations assess their transformational maturity along the value-based payment and care continuum (Figure 1). The structure of the Framework provides the foundation for a series of interviews with provider and payer organizations that are deeply engaged in the transition to value. These interviews provide insight into the process of transformation: the decisions that organizations must make as they move along the value continuum, the options available to them and their consideration of alternative approaches, the rationale for particular decisions, and the subsequent results of those decisions.

Shared learnings related to changing organizational strategy and culture, as well as new structure and investments that organizations have put in place to facilitate their transition to value, are captured in this report. The report presents this information in a consistent way: (1) common approaches; (2) varying approaches; and (3) lessons learned.

The transformation to value is a long and risky process. There is no clear roadmap to success, and each organization has unique needs and resources. Further, it will not be possible to fully assess the impact of the changes that organizations have made for several years yet to come. Rather than identify industry best practices for delivery system change, the approaches described below illuminate a broader plan for success. In some instances, there is significant alignment about the path forward; in others, the organizations interviewed diverge in their approaches. Together, these findings paint a detailed and diverse picture of the path to transformation to help guide organizations as they embark on their own journey to value.

Structure and Investments

In the second dimension of the Framework, Structure and Investments, the Task Force identified three main influential components: (1) Infrastructure; (2) Workforce; and (3) Business Focus Areas.

Dimensions		*Concept* *Execution* *Sustainability*
Structure and Investments	*Infrastructure*	What infrastructure is needed to support the value-based model of care? How is infrastructure assessed, built, and maximized? What are the capital needs and available financing resources?
	Workforce	What skills, competencies, and roles are needed to support the new models of care delivery? How are staff recruited or re-trained to incorporate new staff roles and functions? What are the performance metrics?
	Business Focus Areas	How are initial payment models or care delivery models identified? How are distinct payment models/care delivery models integrated? How is consumer engagement planned and achieved?

Structure and investments are critical to the transformation journey because they encompass the physical infrastructure and human capital requirements needed to successfully build a value-based delivery system. Finding the right balance of resources to invest in can be extraordinarily challenging, especially for organizations that are new to value-based care. Many of the executives interviewed discussed the importance of identifying highly skilled, experienced leaders to assist with the transition process. With experienced stewardship, organizations can successfully stand up their value businesses and invest intelligently in infrastructure and resources. Below, high-performing organizations discuss their own experiences in building value-based care structures.

Infrastructure

Common Approaches

Substantial investment in infrastructure, especially data analytics and reporting, was a common theme among surveyed organizations. While most began their value transformation journeys with some technological competency, many reported making significant additional investments.

"We've really been able to build analytics engines and build an IT staff and have robust network systems and call centers and care management programs, and do the kind of work that we now do in the ACO frame. If not for the resources, I don't know that we would be ready to do it."

EXECUTIVE; FEDERALLY QUALIFIED HEALTH SYSTEM (FQHC)

Many organizations highlighted the value of streamlined electronic health records, and the importance of interoperability in coordinating care and collecting data for evaluation. A few organizations mentioned building analytics infrastructure that can support proactive versus reactive care. Others also discussed the importance of ensuring tight alignment between care management and IT infrastructure, and the value of securing and using robust data sources to inform clinical and administrative decision-making.

A large, multi-state health system makes strategic investments in data analytics

For one health system, investment in data analytics has proven critical to its value transformation. The organization has redefined how it uses analytics, expanding it from just an IT function to a more holistic, cross-departmental initiative, and shifting from a reactive to proactive approach to patient needs. One executive expressed a goal of becoming the "Netflix of health care" by anticipating patient needs before they arise, much like the media company identifies consumer viewing patterns and proactively tailors its entertainment accordingly.

Such a proactive approach is becoming more common among leaders in value-based care, but is still new in the world of volume-driven fee-for-service medicine, where patient needs are addressed reactively. The health system is currently working directly with community providers to enhance its proactive population health strategy.

Varying Approaches

Although most organizations emphasize strong IT and care management infrastructures, there is variation in who is responsible for developing and implementing them. Payers are more likely to build out their IT capabilities in-house, or have an internal effort dedicated to finding and assembling "best-in-breed" solutions. Some payers have developed infrastructure exclusively for their value-based care initiatives, while others have built upon existing capabilities, such as claims analytics, in other lines of business. One payer has partnered extensively with individual providers to develop market-specific value-based care initiatives, combining resources from both payer and provider to fill in knowledge and infrastructure gaps.

How are organizations developing their value infrastructures?

Provider	• Hiring experienced leaders and staff to design and build out their own infrastructures, contracting with one or more vendors for specific capabilities (i.e., EHR) • Partnering with a consultant to: o Conduct needs/capabilities assessments o Build out IT infrastructures, oftentimes implementing integrated platforms that can integrate various data sources such as EHRs, claims data, and admissions/discharge feeds o Design and create care management leadership structures and delivery teams – sometimes using staff from partner organizations • Working collaboratively with a partner/consultant to provide expertise and guidance on a particular program or set of programs, but retaining primary control over development and oversight
Payer	• Building from existing internal resources, such as IT, analytics, and care management functions • Outsourcing care management to contracted provider organizations • Creating "spinoff" entities that have consulting, IT, and care management functions (note: some of these spinoffs are being re-incorporated into their parent companies in order to streamline financial and organizational management) • Creating joint venture partnerships with health systems that already have value-based infrastructures in place

Some health systems and provider organizations are collaborating with third-party partners to build out their infrastructures, preferring to bring in outside expertise and resources – at least initially. In some business models, third-party organizations help set up the initial IT, care management, and governance structures with the eventual goal of fully transitioning responsibility to the provider. In other models, partner organizations will provide the infrastructure, including ongoing data analytics and care management support, for an initial implementation fee and per member/per month cost. Other health systems have decided to pursue value transformation on their own, preferring instead to hire and build out their own infrastructures. The organization's strategy depends on several variables such as timeline, resources, baseline technical and clinical competencies, and culture.

Another variance is the process by which organizations incorporate new learnings and programs into their infrastructure. Some interviewees, including a few large payers with broad books of value business, indicated that they were creating rapid-cycle innovation processes to allow new programs to be tested, evaluated, and rapidly discontinued if results did not show improvement. Large health systems are adopting similar processes to identify key learnings and innovations in individual markets, then scale and implement those innovations across other markets.

"We essentially have groups that meet and sprint every six weeks, so they're looking at data on how their population is performing, their members are performing, and then they are writing stories and developing innovations to better prove the outcomes for that population. They then implement those, and review progress. They demo their innovations to the company writ large, and then they sprint again."

EXECUTIVE; LARGE NATIONAL HEALTH SYSTEM

Other interviewees, especially smaller organizations with fewer value initiatives, do not currently have the infrastructure to support formalized rapid-cycle testing processes, or may be participating in government value initiatives that are not as conductive to rapid-cycle innovation.

Lessons Learned

Multiple providers emphasized the importance of carefully assessing how much the organization needs to invest in infrastructure before moving forward with value-based care, especially with competing attention from many different vendors and services. While there was broad consensus on the importance of building out supporting infrastructure, some sounded a note of caution on investing too heavily too quickly in technology without fully understanding how to most effectively allocate resources.

"There have been high expectations that technology is the solution, that there have to be nice big data tools that integrate large swaths of information to do accountable care effectively. And some systems have gone in lock, stock and barrel into that space. Others have not. We've struggled not to rush out and see technology as the solution and look for the next shiny object of the day. Rather, we're trying to be effective in delivering care. But it's easy to spend money on infrastructure. It's hard to find the sweet spot of where that effective use of that spending can help you get to the same achievement in engaging your patient population, which is your end game."

EXECUTIVE; MULTI-STATE PROVIDER SYSTEM

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EXECUTIVE; LARGE NATIONAL HEALTH SYSTEM

Workforce

Common Approaches

Interviewees almost universally emphasized the importance of a highly skilled workforce, especially individuals with prior experience implementing successful value-based programs and those with sophisticated technological and data analysis skills. Health systems identified the challenges of creating cultural and structural change in organizations where the status quo is held as the standard. These leaders highlighted the value in importing talent from outside the organization, and even outside the provider sector, to help catalyze momentum for change:

"If you don't have it, you need to import the technical know-how. It has been difficult for people who have been in standard care delivery models, hospitals or even physician practices. It's hard for them to understand the population health approach or the episode approach, frankly.

It's important to get people with good experience, often times from managed care plans or people who have done extensive work across the continuum of care management activities."

EXECUTIVE; LARGE NATIONAL HEALTH SYSTEM

Where skill gaps remain, especially within the clinical workforce, members noted the need for retraining. Much of the education and retraining focuses on the integration of care elements such as social services and care management, as well as training on assessment, workflow, and reporting tools.

Finding staff, leaders, and clinicians who are culturally aligned with the mission of the organization and the value transformation is critically important. Since transformation must occur at all levels of the organization, misalignment in goals and motivation has the potential to sabotage long-term success.

Skill types sought in value-based workforce (by both payers and providers)

Organization Type	Value Initiative
Leadership	• Previous experience running value-based programs • Experience working in both clinical and managed-care environments • Ability to motivate/engage all organizational levels around transformational change
Clinical	• Flexibility/adaptability to organizational transformation • Ability and willingness to collaborate with multifunctional teams (i.e., care management, primary care, social services, and behavioral health) • Literacy in tracking/interpreting data and incorporating into continuous improvement cycles

Skill types sought in value-based workforce (by both payers and providers), Cont.	
IT	• Sophisticated data analytics and reporting capabilities • Ability to integrate data from multiple sources
Other Staff	• Actuarial and financial modeling experience • Population health experience, particularly in care management • Literacy/experience with federal and state program regulations • Experience with value-based contractual negotiations (particularly important for providers)

Varying Approaches

Organizations differed in how they teamed and collaborated on new value initiatives. Payers and some providers are more likely to hire and train staff in specific areas such as data analytics, actuarial science, and reporting. For businesses with a heavy focus on technology, hiring highly capable and experienced technical workers is prioritized. For other organizations, finding nimble workers who can operate in a multi-disciplinary, matrixed environment is paramount.

"People just bring different expertise to the table. We've turned the concept of traditional roles on its head. We're focused more on the outcomes – who has got the bandwidth to do something? I don't care what your title is. We'll fit the functionality to the competency."

EXECUTIVE; MULTI-STATE HEALTH SYSTEM

Lessons Learned

One common observation was that despite culture and skills training, not all staff or clinicians have the ability or desire to engage in value transformation. Medical leadership can pose both intentional and unintentional roadblocks if they are opposed to change or simply lack the necessary skill sets to effectively guide their staff and fellow clinicians. In these instances, organizations emphasized the importance of identifying these skill/value discrepancies early on; employed health systems in particular should expect a natural attrition rate for significant value transformations. Ensuring that providers have ample opportunity for training and education can be critical, however, especially in markets where there is a shortage of primary care resources and/or providers are affiliated rather than employed by the health system. In these markets, organizations must be mindful to build support systems for providers to help them move toward value, and to offer appropriate financial incentives for strong performance. However, even with a highly motivated/competent workforce and excellent leadership, the cultural transformation to value can take a vast deal of time, resources, and patience.

Business Focus Areas

Common Approaches

Nearly all organizations and professionals would agree that there is no one-size-fits-all approach to the transformation to value. Just as key operational changes and decisions (e.g., governance, workforce, infrastructure) are based on a variety of factors and characteristics, the overarching decision around which value-based payment and care delivery models to pursue is predicated on the needs of an organization's attributed population as well as a variety of other components such as cost-saving potential, organizational ethos, potential return on investment, organization size, provider type, type of partnerships available, and a desire to gain experience in certain value-based models.

"Our original intent in joining the MSSP program had less to do with any sort of anticipated new revenue stream, and much more to do with our first venture into really starting to manage the total population's health."

EXECUTIVE; FQHC

It is key, therefore, that an organization assess its potential for success under a variety of models and align that with the clinical needs of their patient population and the factors described above to ensure the best possible care. The organizations interviewed shared this sentiment:

"The biggest thing is scope. With each market, we are really running tandem assessments of what the market dynamics are, the fit, the type of value-based initiative or demonstration that makes sense."

EXECUTIVE; MULTI-STATE HEALTH SYSTEM

In addition, most organizations are not homogenous institutions. Therefore, the factors and assessment described above often lead to an organization investing in and pursuing a variety of value-based models within a single organization. In doing so, organizations must determine how much, or how little, to integrate these efforts, which impacts discussions of structure and governance, particularly for large organizations.

Varying Approaches

Given the variability in organizations and populations, it is not surprising that the organizations interviewed varied greatly in the type and quantity of models pursued. This difference was most stark, however, when comparing across organization type (i.e., payer vs. provider). In order to accommodate the characteristics and complexities of a variety of markets, payers appeared to be involved in a wider array of value-based payment arrangements than were providers.

"We actually have a high degree of flexibility in each of these models. One PCMH program may operate materially different than a different one, and one ACO product may have materially different terms than another one. And that's by design, because the providers are on an evolutionary cycle of their own, and we're trying to meet them where they are and then advance them along the continuum."

EXECUTIVE; LARGE NATIONAL PAYER

There are also differing opinions about the need for, and utility of, varying value-based models. In particular, organizations differed in their use of bundled or episode-based payments to augment their accountable care or shared savings arrangements.

In addition to the specific models chosen, organizations also differ in their recognition and definition of progress. On the one hand, some organizations believe that in order to "move the needle" at all on improving quality of care while lowering costs, drastic changes must be made to the current models of payment and care delivery. While there is recognition that transformation takes time, these organizations believe in the need to act quickly, invest greatly (upfront), and promote change by transforming entire organizations at once. On the other hand, some organizations believe in the power of small, incremental change. They note that transforming entire organizations all at once requires an investment that is too large, too risky, and possibly doomed to fail. As such, these organizations welcome any and all change, no matter how small, and have invested in a variety of programs and processes that will slowly transform their organizations over time. This contrast is captured by the following pair of quotes:

"If I wanted to do a little experiment and dip my toe in the water, I'd do a couple of bundles, or maybe an ACO here or there. If I want to get on the road to a system that's transformed to be delivering that kind of care, I've got to get as much of our businesses into payment vehicles that support that as we can. And that's the rationale."

EXECUTIVE; LARGE NATIONAL HEALTH SYSTEM

"The best way to assess [transformation change] is not in the grand scheme, but in the small, incremental changes where the improvement is made."

EXECUTIVE; FQHC

Lessons Learned

The transformation to value is a complicated endeavor that lives and dies on the ability of organizations to successfully negotiate, manage, and execute value-based contracts. As noted above, this requires organizations to recruit individuals skilled in the intricacies of value-based contracting, and/or retrain individuals accordingly. Many of the organizations interviewed agreed that along the way, they have learned to use caution and foresight in contract negotiations. One of the key reasons for this is that under shared savings models, financial returns will not be realized within short-term contract cycles. As a result, organizations have recognized the need to plan accordingly for the long-term, both in terms of investments and in terms of anticipated savings over time. The use of appropriate due diligence and caution in value-based contracting was also recognized as essential in helping organizations fully understand the financial implications of their investments.

Another lesson learned by organizations was that individual market dynamics make it difficult to implement change to the same degree, or on the same timeline, for every market in which an organization is invested. While nationally based organizations have a broad view of transformation efforts and market dynamics across the country, these organizations have also seen that achieving broad change across the national market is not a practical or achievable goal. Instead, organizations have prioritized investment in specific markets, tailoring their efforts and catering to local market dynamics and populations in order to achieve greater success in transformation.

A national payer finds success in targeted partnerships

When it comes to defining success in value-based care, one national payer has experienced first-hand the challenges of deciding how to invest in value across markets. The organization started out with plans to have a broad, national value footprint, but eventually recognized that certain markets were not ready to support the change. The decision to scale back its initiatives to certain markets is a reflection of the payer industry's desire to evolve upstream into more direct member engagement models such as accountable care organizations that encourage providers to take on more risk. Noted one executive,

"I think we've gotten increasingly focused on…being deeper in fewer markets now than we've been in the past…And we're looking to grow membership and market share in those kind of markets and put a lot of resources in those spaces, as opposed to continuing to find more and more markets to spread our resources."

Conclusion and Implications

The journey to value is complex, resource-intensive, and highly individualized. What works well in one scenario may not translate well to another. Although there is no "one size fits all" for value transformation, there are many lessons to be drawn from the experiences of organizations that have achieved success in value. The interviews described here, and the Dimensions of Health Care Transformation Framework on which they were based, provide a framework and knowledge base for leaders to draw from as they make strategic value decisions on structures and investments.

Recommendations for organizations embarking on the value journey

Provider	• Engage in robust internal strategic planning before committing to a value-based strategy. Determine what will be necessary to build up-front versus what can be developed out in the future. • Consider partnering with a consultant/technology firm that has significant experience helping other organizations develop their infrastructures, but be mindful of what can be built in-house versus what must be outsourced. • Hire wisely. Seek out individuals with prior experience in value and/or specific skill sets that are directly relevant to the value business.
Payer	• Consider forming strategic partnerships with specific provider organizations in certain markets, instead of broadly pursuing value-based arrangements that may not effectively move the needle on value-based care (such as pay-for-performance agreements).

Detailed Methodology

The Task Force created the Dimensions of Health Care Transformation Framework to assist health care leaders as they design and implement their transition to value. The Framework is built on the collective experience and wisdom from member organizations that are at the vanguard of value-based payment and care delivery. It reflects questions that change leaders should ask themselves in building out a transformation strategy. The Framework was developed from a series of working sessions with the Task Force Path to Transformation Advisory Group, consisting of Task Force members, over a period of several months.

The Task Force used the Framework dimensions to craft an interview guide for members. Task Force staff sought participation from members of the Path to Transformation Advisory Group. Members had the option of participating via phone or through a written response to the interview guide. In total, the Task Force conducted interviews with 12 member organizations, corresponding to over 20 hours of interviews, and received four written responses. The breakdown was as follows:

- 3 payers (two national, one regional)
- 9 providers
- 3 partners (guide providers through value transformation)

Following interview transcription by a professional transcription service, the transcripts and written responses were qualitatively coded using Dedoose, an online coding platform, to highlight and organize key themes among member experiences and observations across each dimension. Task Force staff also completed a summary analysis to enable comparison of approaches and results for similar member organizations. All quotes in this report draw from these interview and written transcripts.

Acknowledgments

This is a product of the Health Care Transformation Task Force under the leadership of the Path to Transformation Advisory Group. The Path to Transformation Advisory Group is comprised of Task Force members who are dedicated to identifying issues and challenges that impact the path to value transformation. The Advisory Group addresses both internal operational challenges of moving toward broad adoption of value and external, atmospheric meta-issues that challenge transformation efforts for health care organizations.

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