



Health Care Trends Impacting Organized Provider Groups

Implications and Opportunities for Pharmaceutical Company Partnerships

Findings from the
**McCann Managed Markets
Organized Provider Group Perspectives Summit**

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Executive Summary

Large organized provider groups (OPGs) are becoming increasingly influential and are integrating more with health care providers, payers, employers, and patients. Improved coordination of care helps OPGs achieve the Triple Aim—a model that strives to manage the health of defined patient populations while improving the care experience and lowering per-capita costs. Leading OPGs are also determined to remain competitive in their market as reimbursement in the US health care system moves from a volume-based to a value-based approach.

Considering these factors, pharmaceutical companies are uniquely positioned to partner with OPGs in the delivery of coordinated patient care. To ensure successful collaboration, pharmaceutical companies must understand the priorities and needs of OPGs, consider shared interests, and demonstrate relevant value beyond the brand.

McCann Managed Markets convened the OPG Perspectives Summit at the American Medical Group Association (AMGA) Annual Conference to identify trends and market forces affecting OPGs, uncover what is driving change in local markets, and identify collaboration opportunities to enhance patient care.

C-suite executives from 9 leading OPG organizations outlined their priorities and business drivers, and identified areas where pharmaceutical companies can offer their expertise for collaborative population-health initiatives.

Key Trends and Market Drivers Affecting OPGs

In the last decade, dramatic changes in the health care landscape have led to new approaches to delivering patient care. OPGs, such as Integrated Delivery Networks (IDNs), Accountable Care Organizations (ACOs), and large medical groups, are leaders in providing coordinated care for a population of patients across multiple sites of care.

OPGs are powerful influencers in their local markets and are integrating with providers, employers, and payers to achieve a patient-centric approach to care delivery. OPGs have the clout to negotiate favorable reimbursement rates with payers and attract top-rated physicians to their networks. In many cases, they are the dominant health care organization in their local market. Examples of these locally dominant OPGs include Carolinas Health System, University of Pittsburgh Medical Center, and Partners HealthCare System.¹

As OPGs evolve and grow, the landscape and markets they serve are evolving as well. Seven key trends impacting OPGs were identified at the OPG Perspectives Summit (Figure 1).



Figure 1

HIGH-COST SPECIALTY PRODUCTS

High-cost specialty products are increasing the total cost of health care, representing 38% of total drug spend in 2015 with an anticipated increase to 50% by 2018.³ The cost of specialty medicines is growing at a higher rate than other drugs, representing 70% of overall medicine spending growth between 2010 and 2015.⁴

With specialty drug costs on the rise, payers are developing new payment models that call for OPGs to bear financial risk for the total cost of care.⁵

EXPANDING PAYER CONTROL

Payers use a variety of strategies to control drug utilization and costs, including utilization management and benefit design. Common utilization management controls include prior authorizations (PAs), step edits, quantity limits, partial fill requirements, and specialist restrictions. Payers also have increased their use of clinical pathways to guide patients and prescribers to use the most efficacious and cost-effective therapies available. Plans covering 74% of lives used clinical pathways for oncology drugs in 2015, up from 37% of lives in 2014.⁶

Payers use benefit design to effectively manage drugs and determine patient cost-sharing responsibilities. Recent trends include moving high-cost drugs to the pharmacy benefit where PAs can be enforced more effectively, and increasing deductibles, co-pays, and co-insurance amounts to shift more drug costs to patients. Moving high-cost drugs to specialty tiers with higher cost-sharing requirements is another method payers use to control utilization.⁶

VOLUME TO VALUE

The way health care is managed and paid for in the United States is shifting from a volume-based to a value-based approach, with OPG and provider performance measured through quality metric reporting. This shift has been driven in part by provisions of the Affordable Care Act and new payment reform initiatives pioneered by the Centers for Medicare & Medicaid Services (CMS), which established innovative health care delivery models that prioritize improved quality of patient care at a lower cost.⁷ To this end, the Medicare Access & CHIP Reauthorization Act (MACRA) calls for 90% of Medicare fee-for-service payments to be tied to quality or value by the end of 2018.⁸ Twenty major OPGs and commercial payers have pledged to tie 75% of their business to value-based arrangements by 2020.⁹

This movement towards prioritizing value over volume has been especially evident in oncology, with prominent organizations such as the American Society of Clinical Oncology (ASCO) developing frameworks to assess the value of cancer therapies by evaluating efficacy, safety, and improvement in patient symptoms or quality of life in the context of cost.¹⁰ The value of new drugs is also being considered by the influential Institute for Clinical and Economic Review (ICER), which evaluates the short- and long-term cost impact of new therapies on the health care system.¹¹

GROWTH OF CONSUMERISM

As payers shift more costs to their members, patients are becoming more sensitive to the price and value of their health care purchases. As they begin to pay more of their health care costs out of their own pockets, patients are becoming more engaged in their health care decisions. OPG executives acknowledged that patients who are actively engaged in their health care tend to be healthier and have better outcomes.

Trends driving consumerism in health care identified at the OPG Perspectives Summit include²:

- Millions of newly insured patients are evaluating insurance options
- Increased cost-sharing mandated by payers
- Increased use of patient assistance programs
- More health information transparency and availability of self-management tools

OPGs receiving outcomes-based reimbursement must be especially cognizant of factors made more important by the growth of consumerism, such as improving patient satisfaction and eliminating unnecessary services. With patients now incentivized to seek lower cost sites of care, providing patient-centric services and treating a larger patient population are mutually necessary for remaining competitive.¹²

PATIENT SATISFACTION VS PROVIDER BURNOUT

Patient satisfaction is becoming an important quality measure for OPGs and a central domain of the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) survey mandated by CMS.¹³ OPGs that are unable to maintain high patient satisfaction scores may be at a competitive disadvantage.

Executives at the OPG Perspectives Summit recognized that patient satisfaction is driven by expectations of better delivery of health care, but increasing pressure to provide an optimal experience to more patients is causing burnout among physicians (Figure 2).

Physician burnout is associated with reduced patient satisfaction, worse clinical outcomes, and increased health care costs, all of which jeopardize the goals of Triple Aim.¹⁴ Health care experts recommend creating the Quadruple Aim, expanding the Triple Aim to include improving the work life of health care providers and their staff.¹⁴



Figure 2

PROVIDER MODEL CHANGES AND GROWTH

Increasing health care industry consolidation is significantly changing the delivery of patient care in the United States (Figure 3). OPGs must become even more integrated and deliver highly coordinated care to adequately provide value-based care. Many OPGs are achieving this by gaining more influence and control, acquiring independent practices and hospitals, merging with competitors, realizing efficiencies through system integration, and expanding their presence beyond their local markets.¹⁵ OPG Perspective Summit participants expect dominant players to emerge, leading to new patient-care delivery models.

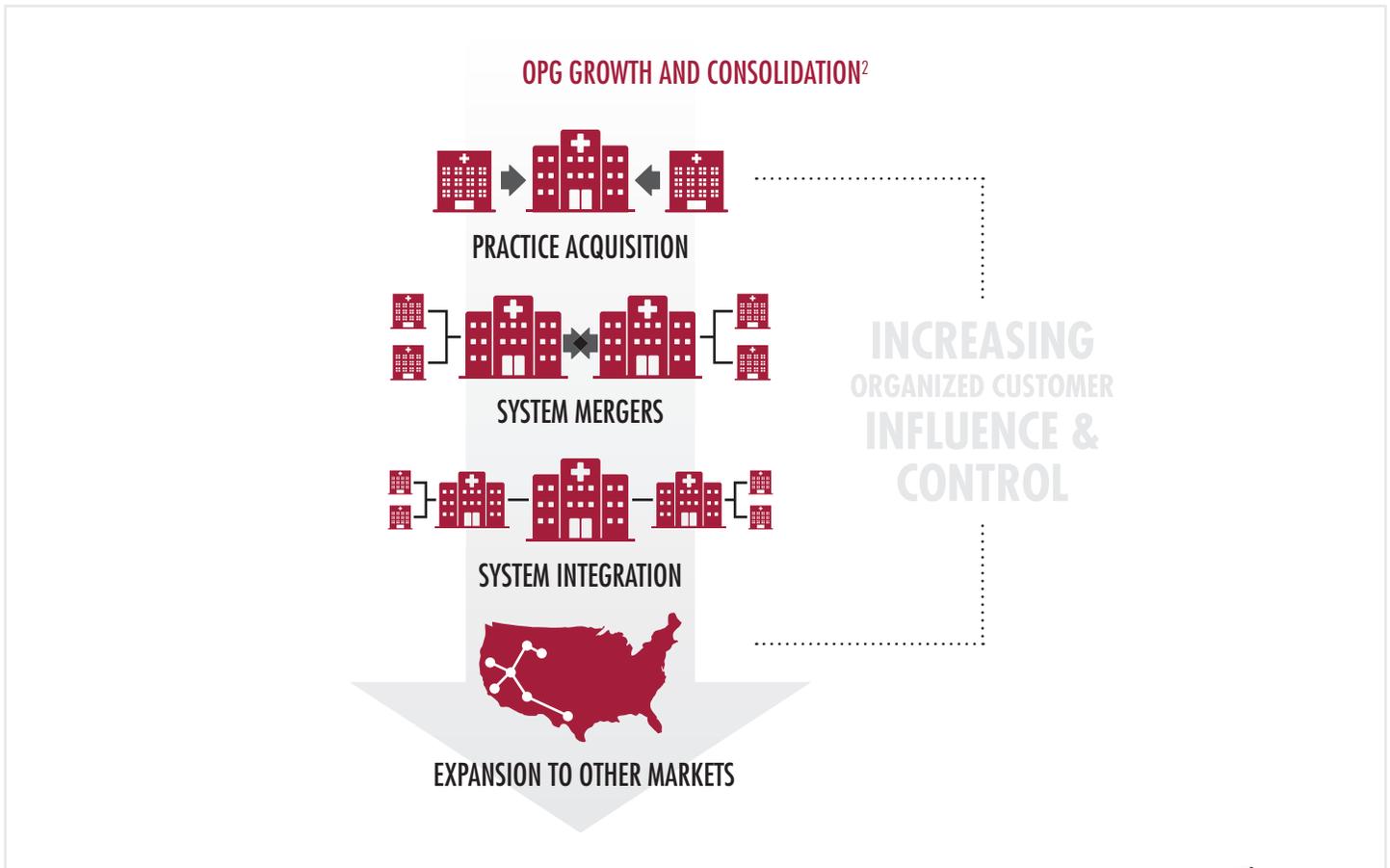


Figure 3

LACK OF TRUST WITH THE PHARMACEUTICAL INDUSTRY

Attendees of the OPG Perspectives Summit expressed concerns about the heavy focus on promotions and sales by drug manufacturers, which they believe many times does not align with their goals of improving the health of diverse patient populations. As a result, some OPG executives have blocked pharmaceutical sales representatives from accessing their physician networks. However, many OPG leaders are interested in working with pharmaceutical companies in areas of shared interest to improve patient outcomes.

OPG Executives Are Interested in Programs That Demonstrate Value Beyond the Brand and Help Achieve Key Quality and Population Health Goals

OPG Perspectives Summit attendees expressed interest in working with pharmaceutical companies to support population health, identifying specific areas for collaboration with pharmaceutical companies (Figure 4). To be valued collaborators with OPGs, pharmaceutical companies must deliver relevant programs and services that improve patient care and add value to their customers' organizations. When pharmaceutical companies promote their brands, they should also seek opportunities to support OPGs with solutions that address these areas of opportunity.

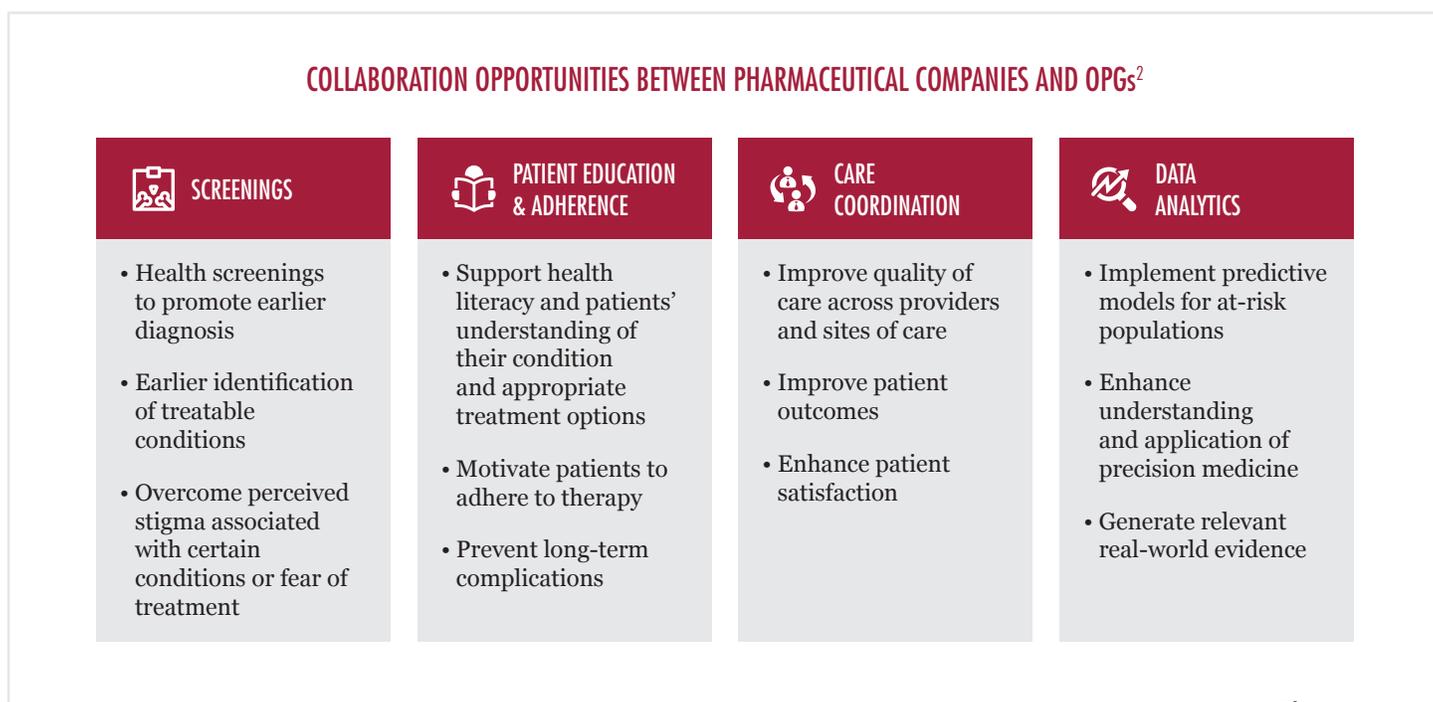


Figure 4

Broader areas of opportunity for collaboration aligning with key OPG priorities identified at the OPG Perspectives Summit include:

- Reducing hospitalizations and readmissions
- Achieving quality performance measures
- Managing adverse events
- Preventing other diseases or complications
- Improving patient experience, satisfaction, and quality of life
- Avoiding provider burnout
- Offering patient financial assistance programs

With these areas of opportunity in mind, pharmaceutical companies should proactively engage in discussions about the best way to partner on initiatives that address the needs of individual OPGs.

KEYS TO OPG ENGAGEMENT SUCCESS

Organized providers vary in structure, size, and sophistication, so a single approach may not align with every organization's priorities. C-suite and D-suite stakeholders prefer that drug manufacturers understand their organizational model and priorities (Figure 5). To better address the needs of OPGs, pharmaceutical companies must proactively understand OPGs':

- Business model, mission, and vision
- Priorities and needs relevant to population health and patient care
- Barriers to providing quality care
- Major care initiatives currently underway

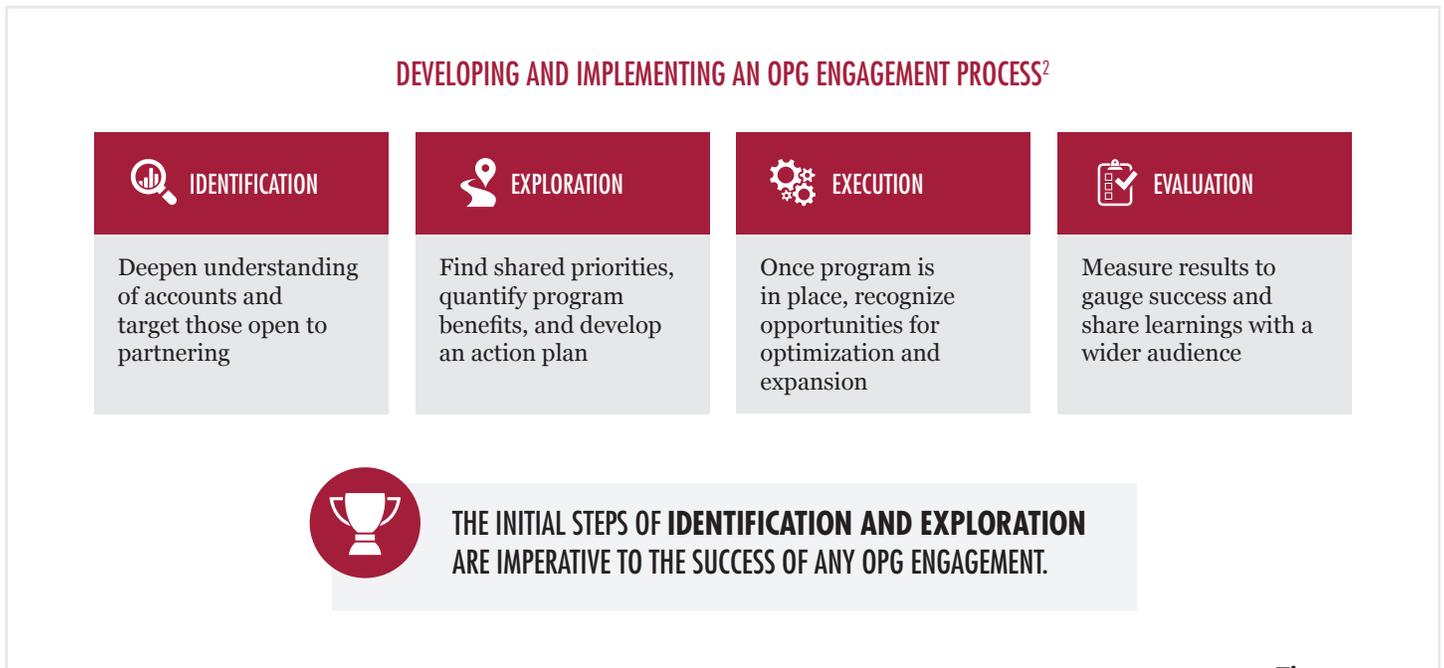


Figure 5

ESTABLISH A RELATIONSHIP BASED ON TRUST

The evolving health care market environment requires pharmaceutical companies to take a new approach to partnering with OPGs on improving patient care. OPGs are tasked with delivering value-based care at a time when their providers are forced to handle a growing volume of patients. In response, allied health professionals, such as nurses, physician assistants, nurse practitioners, and pharmacists, are becoming more involved in health care delivery.

Additionally, OPG Perspectives Summit attendees stated that few pharmaceutical companies are meeting their needs effectively and they would like to see more collaborative relationships addressing patient care. For pharmaceutical companies to forge these relationships, OPGs must view them as valuable and trustworthy partners.

Conclusion

The health care industry is facing a time of unprecedented change as the marketplace rapidly evolves. Key market trends and drivers affecting OPGs are forcing them to evolve their business models and approaches to delivering value-based patient care.

As the market and OPGs evolve, so must the pharmaceutical industry's approach with these important customers. Pharmaceutical companies are optimally positioned to develop mutually beneficial partnerships with OPGs to support population health goals and improve overall patient care. The companies that successfully partner with OPGs to help accomplish these goals are certain to be recognized as forward-thinking leaders in this important and growing segment of health care. ■

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