



ORGANIZATIONAL STRUCTURES TO ADVANCE VALUE-BASED CARE

Management models often do not keep up with systems' evolving approach to contracting. What options exist to set the system up for success?

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Driven by federal mandates, state actions, employer demands—and the vision of forward-looking health care leaders—value-based care (VBC) has taken root across the country. Granted, some markets and regions are more advanced than others, and overall the transformation from volume to value has not moved as fast as expected. Nevertheless, health systems are experimenting with and expanding value-based care, recognizing that the eventual shift to value is inevitable, if not entirely predictable.

Often, however, the organizational structures managing these efforts have not kept pace. Value-based initiatives may be led as part-time assignments or passion projects by executives whose main responsibilities are in the fee-for-service (FFS) business. With this kind of informal structure, resources may be inadequate and management models can conflict. Capabilities required for success, such as risk-based contracting, physician leadership, care management and data analytics, may have to be “borrowed” from other departments or functions. Incentives may be mismatched, with the value-based projects aiming to lower utilization while the FFS side is working to boost volumes. What’s more, a central tension exists around the cost of providing the infrastructure required for value-based care—it may cost more to run these programs than the expected or realized return, at least over the short-term.

The weaknesses of the current management model may be revealed when internal drivers (eg, the need to align more closely with physicians) or external factors (eg, a push by the state or by employers) spur the health system to expand the scope and scale of its value-based programs. A more advanced org structure with dedicated resources, leadership and governance will likely be needed to house and optimize necessary competencies as the organization gains participating physicians and covered lives.

“Our value-based care strategy is like popcorn. There are all these pilots popping up all over the system and we can’t get our arms around them.”

—Health System Executive

“Competing priorities for bandwidth, confusing lines of authority, no single signature in charge, a specialty-centric culture—it’s hard to have the teamwork needed for value-based care.”

—David B Nash, MD, MBA, Dean,
Jefferson College of Population Health

Sg2 has identified **4 management models** that can meet the needs of health systems at various stages of value-based care adoption:

▶ **FOCUSED POPULATION HEALTH EFFORT**

▶ **POPULATION HEALTH INSTITUTE**

▶ **SEPARATE POPULATION HEALTH ENTITY**

▶ **VALUE-BASED CARE ENTERPRISE**

The models reflect rising levels of experience—and increasing potential to transform care delivery, strengthen alignment with physicians and truly impact the health of broader populations. However, the models are not intended as a rigid sequence but rather as options for organizing assets (people, technology and resources) to execute on the organization’s scale of ambition for value-based care in its market(s). Particular models may be more or less adapted to an organization’s size, levels of risk, resources, capabilities and types of physician alignment. And actual management structures may not fall neatly into just one model. A single provider system may adopt aspects of different models to manage its value-based business.

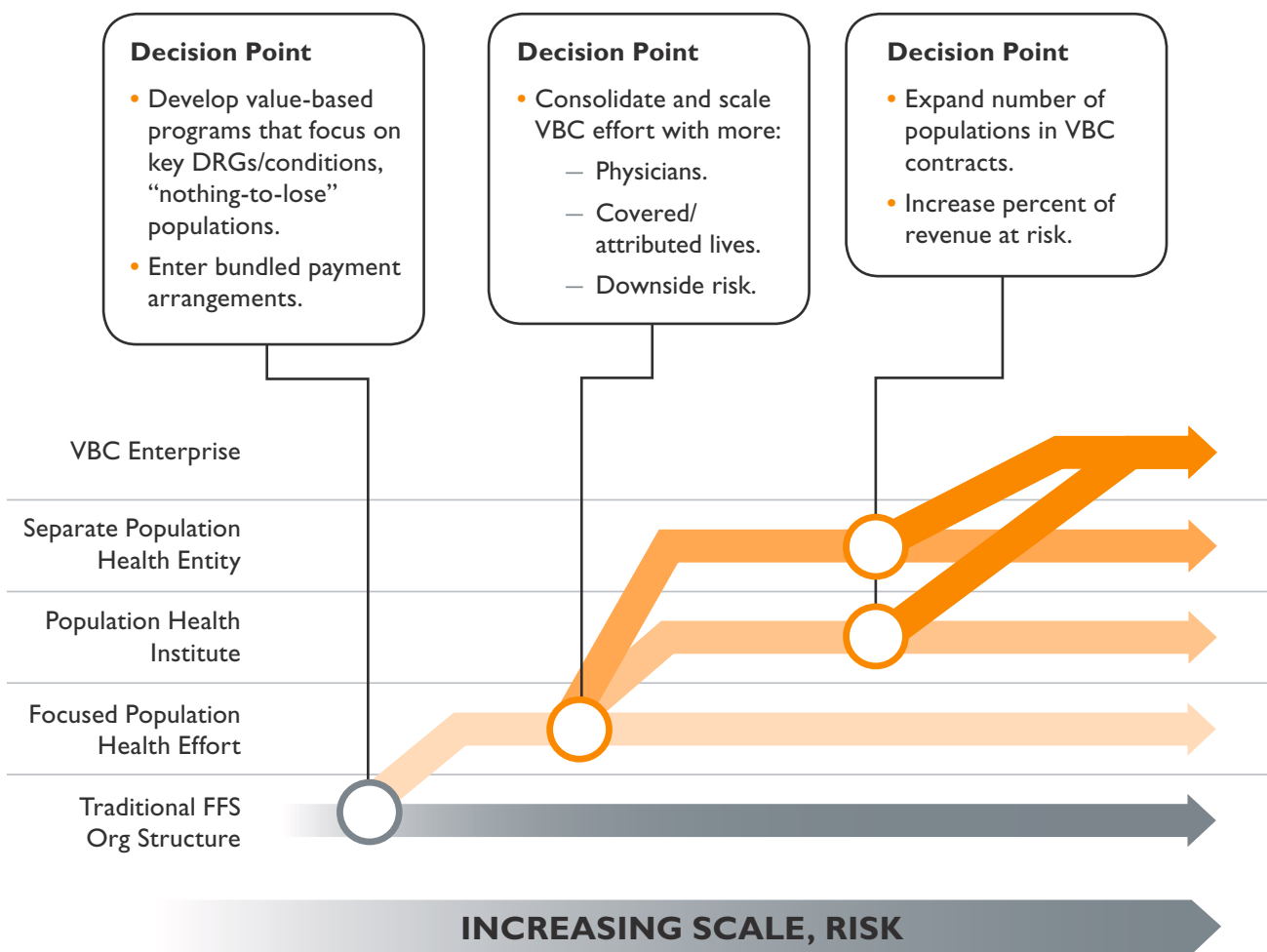
Sg2’s report *Organizational Structures to Advance Value-Based Care*:

- Describes the impetus for each model and its leadership and governance structure, risk profile, approximate start-up costs, and key capabilities, as well as examples of health systems employing the model.
- Highlights organizations that have accelerated the development of their org structures for value-based care by partnering with commercial companies and/or other providers.
- Illustrates the critical decision points at which an organization may need to make the move to a more advanced management model, along with the key tasks each requires.

CRITICAL DECISION POINTS PROMPT NEW MODELS

As organizations expand their value-based care initiatives, from time to time it will become evident that the current management structure has become inadequate or unwieldy. Establishing a more advanced model, with additional staff and resources and a dedicated leadership/governance structure, will pave the way for increasing scale.

The path from one model to another illustrated here is not meant to be a set progression or hierarchy. The journey may not follow this sequence, and a system's management structure may have characteristics of more than one of these archetypes. Organizations should choose the option that best matches their goals and circumstances.



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