

APPROACH

Hospitals and medical groups are increasingly looking for the improved stability and profitability of revenue streams from contracting to treat populations of patients, rather than just the discrete individuals who now arrive at their doors. Only through such population-health efforts can providers wean themselves from the deteriorating FFS rates that are increasingly threatening their very financial viability. Only through such measures can providers be incentivized and rewarded for investing in the primary care coordination, chronic disease management, quality management, case management, prevention programs, reengineered treatment processes, and heightened cost-consciousness necessary to improve patient outcomes and reduce total spending. Without such value-based revenue models, any savings always default to the third-party payers, not the providers who produced them. Worse, the biggest savings result from reduced utilization (and revenues) of hospitals' most expensive and profitable services. In other words, the better they get, the worse off they are.

To assist in developing such population health treatment and revenue models, Stroudwater Associates has a deeply experienced team—led by former managed-care CEO and actuary Steve Hyde—to support clients in developing the value-based strategies and on-the-ground operational models that optimize financial performance, manage risk, and minimize investment costs. The Stroudwater team provides a comprehensive suite of solutions that enable value-focused providers to thrive in the emerging era of population health.

CASE EXAMPLE

Steve and his team have conducted numerous engagements assisting clients to maximize the operational and financial results of their quality-improvement, population-health, and primary care patient-coordination efforts. An excellent example was the work we did with a successful integrated hospital system in the Pacific Northwest that engaged Stroudwater to help them develop and implement the first stages of a complete population-health business strategy for their Medicare, Medicaid, privately insured, and self-funded employee health plan markets. Stroudwater evaluated all these markets and their major payers and then devised a practical step-by-step strategy by which the client would initially demonstrate its growing population-health expertise by generating savings from its own self-funded employee health plan. Stroudwater led efforts to evaluate the plan's benefit structure and historic claims experience to identify opportunities for savings. It then provided guidance in a major restructuring of plan benefits and patient management mechanisms to engage both patients and providers in prevention, chronic-disease management, quality improvement, and per-capita cost reduction.

In parallel with these tactical efforts Stroudwater also (1) conducted a Medicare Advantage feasibility assessment for the client, (2) explored opportunities to engage the client's private insurance payers in savings-capture revenue models to augment and ultimately replace FFS, and (3) provided strategic guidance in implementing new Medicaid managed care revenue and service capabilities.

Finally, because value-based revenue models have the effect of transforming traditional hospital profit centers into cost centers, Stroudwater assisted the client in designing and implementing a new and

highly efficient organizational structure to deal with the sometimes conflicting operational demands of parallel FFS and per-capita revenue models.

Because of the comprehensive strategic and tactical nature of this engagement, it is important to note that many Stroudwater engagements are more limited in scope, such as evaluating or optimizing a hospital's self-funded health plan, or developing a Medicaid managed care capability, or negotiating with insurance payers for maximum hospital savings-capture revenue models. We also assist clients in setting up their own provider-sponsored health plans.

TEAM

Stroudwater professionals have deep domain expertise. The Stroudwater team is made up of former CEOs, clinicians, senior managers, investment bankers, financial analysts, and content specialists. Stroudwater knows the community hospital, integrated medical system, academic medical center, health insurance, and medical group markets. We are also a leading firm in rural health care. Our understanding of these markets and their success dynamics provides direct, high-dollar value to our clients.

PRACTICE LEADER

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