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BDC Advisors Urges Healthcare Providers to Find their ‘Sweet Spot’ in New Value-Based Contracts for Managing Population Health

Need to respond to U.S. Department of Health and Human Services and private sector task force initiatives to move between 50% and 75% of all healthcare payments into value-based arrangements by 2020.

Miami, FL (BUSINESS WIRE) – August 19 – With the transition from traditional fee-for-service payments to new fee-for-value payments accelerating in markets across the nation, health systems must redouble their efforts to develop new business models, which tie an increasing level of their payment to success in managing to total cost of care for given populations, and for achieving better customer satisfaction, according to Bill Eggbeer, Managing Director, BDC Advisors, a national healthcare consulting firm.

Writing in the August hfm Magazine cover story entitled “Finding the ‘sweet spot’ in value based contracts,” Eggbeer, and his co-authors Kevin Sears, Senior Vice President Payer Strategy and Product Development of the Trinity Health System, Livonia, Michigan; and, Kenneth Homer, M.D., President of Holy Cross Physician Partners, and Chief Medical Officer of Holy Cross Hospital Fort Lauderdale, argue that value-based contracting should be a culmination of a set of strategic and operational business model changes to prepare for the new risk sharing environment. The authors conclude that a well-executed, value-based agreement has the potential to create a material impact on all major drivers of healthcare value: enhanced patient experience, improved outcomes, reduced costs, and extended reach of care.

In their article, Eggbeer and his colleagues review the pros and cons for various types of value-contracts from shared savings contracts, to capitation and global budgets, as well as private label health plans developed in partnership with a health plan. Their article provides a guide to the operational requirements for successful contracting and the key contractual safeguards for any value-sharing agreement.

Direct contracts between large integrated delivery systems and employers will become increasingly important for provider systems, according to Eggbeer. “A direct contract enables the employers to design a health insurance plan and delivery system offering highly tailored to the employer’s need while avoiding or reducing the broker or health plan costs. The employer
gets access to a well-regarded system at a favorable rate, and the provider system gets exclusive access to additional commercial volume.”

BDC Advisors is a national healthcare strategy firm with a client base of many of the nation’s leading academic health systems and integrated delivery networks. For additional information contact William.eggbeer@bdcadvisors.com or Dudley.morris@bdcadvisors.com. 805-565-3240.