

HELPING REVENUE CYCLE MANAGEMENT VENDORS NAVIGATE THE SHIFT TO VALUE

REVENUE CYCLE MANAGEMENT AND ITS EVOLVING ROLE IN VALUE-BASED CARE

The movement away from fee-for-service (FFS) to value-based care (VBC) is disrupting many health care market segments and its influence is spreading. Leavitt Partners' data shows that at the end of Q3 2019, Accountable Care Organizations (ACOs) covered nearly 44 million lives nationwide (see figure 1).

The aim of VBC is to substantially transform the way we pay for health care services to incentivize improved patient outcomes. One market segment that has been largely left alone in this transition is revenue cycle management (RCM)—but change is coming. RCM is at the center of how health care is paid for and delivered. This central position in the payment and delivery process requires RCM vendors to adapt to this change or risk losing their relevance. Modern Healthcare noted in a recent survey that the majority of RCM companies believe that the growth of ACOs has "increased the need for outside help in RCM."¹

BACKGROUND

Recently, Leavitt Partners was approached by a leading RCM vendor seeking help to better understand and position itself to thrive within the emerging VBC ecosystem. As health care industry stakeholders, including payers and providers, embrace value-based reimbursement (VBR) structures, increase risk sharing, and implement stronger cost controls, RCMs that have traditionally thrived in a FFS environment face an imperative to adapt to the needs of risk-bearing providers.

Leavitt Partners possesses a combination of institutional knowledge and internal data assets, which made it the ideal strategic partner to assist the client in navigating a changing health care landscape and charting a strategic direction.

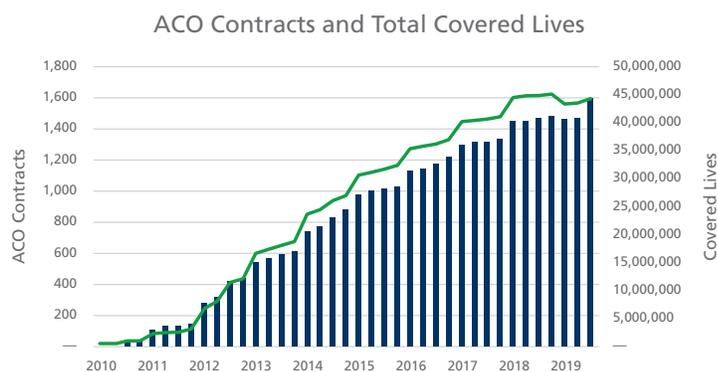
KEY QUESTIONS ADDRESSED

- How does an RCM vendor need to adapt as providers move up the risk spectrum (i.e., moving from FFS to pay-for-performance, to shared savings, to downside risk, to capitation)?
- What new capabilities do risk-bearing providers need addressed under risk?
- Which of these capabilities should be addressed through an RCM vendor and which are better left for other organizations?
- Which VBR solutions for risk-bearing providers naturally build off of the existing infrastructure and solutions of current RCM organizations?

EDUCATE CLIENT ON MOVEMENT TO VALUE

Leavitt Partners leverages unique assets including former state and federal health care leaders, experts with deep private sector experience, an extensive multi-sector network, and proprietary data, to explain the shift to value and the potential short and long-term implications specifically for RCM vendors.

Figure 1



¹Modern Healthcare [Internet]. [cited 2019 Sept 30]. Available from: <https://www.modernhealthcare.com/data-lists/40437/largest-revenue-cycle-management-firms-2019-pdf-excel-full-results>

APPROACH

Evaluate Client Competencies and Business Model

Leavitt Partners performed a market assessment across five key domains:



Client assets, competencies, and current strategy



Key client partnerships



Relevant regulatory, economic, and policy context



Market demand for VBR services



The competitive landscape

IDENTIFY NEEDED COMPETENCIES FOR SUCCESS IN VALUE

Leavitt Partners leveraged its external expertise and research capabilities to create a conceptual framework detailing the key activities necessary for risk-bearing providers to succeed in value-based arrangements.

ESTABLISH STRATEGIC PRIORITIES AND DIRECTION

Leavitt Partners worked closely with the client's leadership team to create a strategic roadmap detailing the key actions necessary for the client to position itself to succeed in offering value-based RCM solutions to the risk-bearing provider clients.

PRIORITIZE POTENTIAL CLIENTS

Leavitt Partners then leveraged its Torch Insight™ database to build a dataset of health systems across the country, detailing the market conditions, organizational characteristics, financial health, and exposure to risk-based contracts—as a percentage of total system revenue—that impact the unique strategic considerations each organization may include in their decision-making processes when evaluating the client's core service offerings. Finally, Leavitt Partners synthesized the health system dataset and the results of the strategic workshop session into a digestible output to enable additional analysis and evaluation of potential client goals and

opportunities. Leavitt Partners then presented the strategic recommendations, findings, and insights from the prior workstreams to client leadership.

KEY LESSONS LEARNED

- Health care will continue to shift toward VBC—providers will increasingly engage in risk-sharing arrangements
- The shift to value necessitates that risk-bearing providers develop, learn, and/or acquire new capabilities
- The demand for these new capabilities creates opportunities for RCM vendors to provide value-added services to its risk-bearing clients

CALL TO ACTION

RCM vendors seeking to offer their services to providers participating in value-based arrangements are likely to face challenges. Although the transition to value is certain, FFS arrangements are still the predominant method of care delivery and payment. Most existing RCM capabilities are tailored to facilitate those interactions; RCM vendors seeking to service value-based arrangements must act carefully and intentionally to develop the capabilities required to serve this growing market segment, a process which can be both expensive and time consuming. By beginning now to develop the needed resources and capabilities, RCM vendors can position themselves to succeed in the coming months and years as the movement to value continues to grow.

EVOLVE YOUR GROWTH STRATEGY

Develop an effective and targeted provider strategy within the evolving VBC ecosystem for your organization's strategic growth. Contact Leavitt Partners at **801-538-5082**, info@leavittpartners.com, or visit leavittpartners.com.

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