



How the right ecosystem of partners can accelerate your strategic imperatives

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Session objectives

- Identify key criteria for selecting strategic partnerships
- Understand the impact of scalability on health care delivery
- Develop strategies for navigating evolving health care landscapes

Agenda

- 1 State of the health care industry
- 2 Best practices for partnership considerations
- 3 The 3 types of provider partnerships
- 4 Real-world success
- 5 Discussion

3

State of the health care industry

Health care market forces that will have long-term impact



Costs: PwC predicts health care costs will **rise 7% in 2025** due to inflation and rising Rx costs. McKinsey estimates annual U.S. health expenditure is likely to be **\$370B higher by 2027** due to inflation.



Quality and risk: Declining Star Ratings and risk adjustment rulings **drive profit losses and decreased investment** in Medicare Advantage. Medicaid to decline by **13–14 million** by year-end.



Care teams: McKinsey estimates health care labor cost growth will outpace inflation with clinical labor shortage resulting in **\$170B in incremental costs in 2027**.



**Partnership offers
a solution**

4

Best practices for partnership consideration



Mission alignment

Health care is a mission-driven undertaking, and successful partnerships must be built on a foundation of aligned cultures of the partners. This common focus helps organizations find alignment in our respective missions and values.



Aligned incentives

Aligning performance-based incentives with organizational goals involves setting clear, measurable targets tied to key performance indicators (KPIs) in strategic areas.



Mutual benefit

Successful partnerships rely on mutual benefits, meeting unique strategic goals through collaboration, ensuring value and fostering ongoing commitment and investment from both sides.

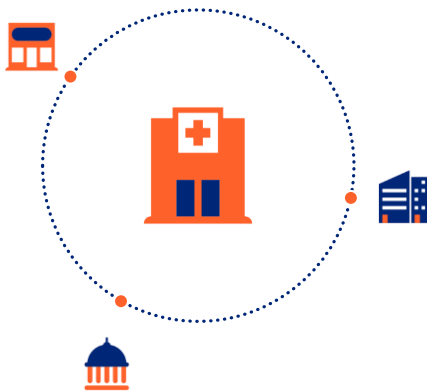


With all types of jobs facing shortages throughout the pandemic, one health care provider and one nursing school have been making some changes.

Northern Light Health and the **University of Maine's nursing school** partner to help nursing students find jobs after school.

5

3 types of provider partnerships



Payer

These involve working with insurance companies to adopt value-based care models, manage costs and improve patient outcomes through shared savings programs, risk-sharing contracts or bundled payments.



Local organizations

Providers partner with hospitals, universities, employers and local governments to support clinical care, medical education, research and community health initiatives that address local health care needs and promote wellness.



Vendors

Providers collaborate with vendors for technology, medical equipment and service solutions that enhance operational efficiency and patient care.

6

Common payer partnership structures

Custom risk-based contract

Characterized by one-to-one risk-based contracts between a health plan and provider, with shared goals and investments. A key advantage is the ability to customize agreements, which streamlines the process for organizations with multiple contracts.

Payer-branded value program

A dominant payer in the market adopts nonexclusive, risk-based contracts with multiple health systems, ACOs, physician groups and/or specialty groups. Best suited for unconsolidated provider markets where the participating payer has market dominance

Third party-mediated relationship

An intermediary organization (PHO, IPA, MSO, etc.) contracts with a payer on behalf of multiple provider groups. These arrangements are best suited for markets with small and independent physician groups that have limited resources.



Risk-bearing network collaboration

Payer(s) and providers create a risk-bearing network (IDN, ACO, CIN, PHSO, etc.) for specific, existing insurance plans. These are best suited for competitive markets where it's necessary to leverage existing plans, rather than create new health plan products.

Joint venture insurance product

A payer and provider create a new insurance product that is partially or jointly owned by both organizations. Joint venture insurance products are best suited for uncompetitive markets, typically suburban or rural, where there is ample room for new product development and growth.

Common partnership structures with local organizations

Clinical partnerships

Affiliation agreements: Providers collaborate with local hospitals or universities to offer clinical services or support medical training and residency programs.

Joint ventures: Providers partner to invest in new facilities, such as urgent care centers, outpatient clinics or specialty care practices.

Academic and research collaborations

Research partnerships: Providers work with universities to conduct clinical trials, public health studies or other medical research aimed at advancing health care.

Teaching partnerships: Providers often partner with academic institutions to support the education and training of health care professionals.

Public health initiatives

Community health programs: Providers team up with local health departments or governments to implement public health programs.

Health advocacy: Providers work with government agencies to promote health policies, secure funding for health programs and advocate for underserved populations.



Community-based care initiatives

Integrated care models: Providers partner with local community organizations and health systems to deliver comprehensive care, often focusing on mental health, addiction services or other specialized areas.

Outreach and wellness programs: Providers work with local nonprofits or community groups to promote wellness programs, health education and preventive care in underserved areas.

Technology and innovation partnerships

Telemedicine and IT development: Providers may collaborate with universities or tech companies to implement telehealth platforms or innovate new health care technologies.

Data-sharing agreements: Providers partner with government agencies or research institutions to share health data for public health monitoring or predictive analytics.

Common vendor partnership structures

Consultant

A vendor that can help with strategy, insight or industry knowledge to assist with a business goal. These partnerships offer access to an external perspective, the ability to quickly increase capacity for short-term projects, and access to best practices for improving process or efficiency.



Full-function outsourcing

A provider transfers an entire function or department to external partner. This partnership structure eliminates inhouse operational and staffing expenses. In addition, the partner centrally manages multiple tasks, eliminating the need for coordination between them.

Partial-function outsourcing

The provider contracts with a third-party vendor for specific processes or tasks. By selecting a best-in-class partner for specific tasks, an organization can lower risk and achieve quicker implementation while retaining internal control over the rest of its functions.

Strategic partner

A strategic partner offers operational and strategic support, usually with multiple functions. These partnerships provide access to industry scale, workforce, data insights and new capabilities via access to capital and/or technology.

Guiding principles for strategic partnerships

Strategic partnership

A partner who provides a combination of **strategic and operational support**, usually with multiple functions.

Use this model to:

- Advance a long-term growth plan
- Stabilize finances
- Access capital
- Optimize non-clinical functions
- Avoid acquisition



Why pursue partnership?

- An organization has stable finances in the present but is not prepared to thrive in the future as the health care landscape changes.
- An organization with distressed finances is looking to create scale to achieve better margins.

Strategic partnerships are long-term, high involvement and offer high contract value. Companies who offer strategic partnerships typically have **broad industry expertise** and **multidimensional capabilities**.

The strategic partner becomes embedded in the hospital or health system in both a functional and strategic capacity. This combination can enable innovation and growth.

Real-world success



Through our partnership, Boulder Community Health combines its care delivery expertise and commitment to patients with the technologies, efficiencies and insights of Optum.

The partnership supports Boulder Community Health's growth and innovation objectives by:

- Creating a **broad strategic relationship** through partnership while preserving independence
- Accelerating **innovation and growth** to support care delivery initiatives
- Establishing parameters for **cost savings and revenue improvement** for a sustainable financial future

Service line growth and transformation

Our service line transformation initiatives with BCH led to:

- 30% increase in new patients between Q2 2022 and Q2 2023
- 20% increase in echo volumes driving approximately \$750,000 in additional revenue
- \$1M in additional gross revenue in 2023 compared to 2022 from total growth in interventional cardiology based on Q1 performance

11



Discussion

12

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