

A photograph of a surgeon in a blue surgical cap and mask, looking towards the camera. The background is a blurred operating room with surgical lights and equipment. Two vertical blue bars are positioned on either side of the text.

Spotlight on provider-sponsored health plans

Are provider-sponsored health plans here to stay?

Overview

Provider-sponsored health plans (PSHPs) first emerged in the 1980s and 1990s as a way for hospitals to better control increasing health care costs, capture premiums and manage employee care. More recently – since 2010 – a new generation of PSHPs has emerged in response to changing market, reimbursement and regulatory conditions. The long-term viability of these new plans likely hinges on their ability to gain traction with differentiated plan designs and effectively manage members and physicians in value-based care models. While many plans are showing signs of early success, others are struggling to generate enough membership and scale to cover the substantial up-front investment and operating costs of the plan. There will be winners and losers over the next 5 to 10 years and probably fewer PSHPs by 2025 than there are today.

Key statistics

270

Number of PSHPs as of 2016

>5%

PSHP growth over the past 6 years

~70

Number of stable PSHPs, covering 90% of lives

Should you implement a PSHP?

Industry trends affecting insurers, providers and patients often make PSHPs an attractive venture for health care systems, but they may not work well for every organization. Before implementing, hospital leaders should address these key questions to determine whether implementing a PSHP is a positive, feasible and sustainable approach for their system.

Three key questions



Do you have a strategic rationale?

Providers should have a compelling strategic rationale for making the decision to build a health plan. This could be related to a transition to value-based care, a response to competitive threats or financial in nature.



Does your system have the necessary capital to invest?

It is also critical to consider whether there are sufficient system funds to acquire a plan, partner with another organization or build a health plan from scratch. All options are viable, but each comes with a significant up-front and ongoing financial investment.



Is the system ready to change?

Finally, the organization should assess whether there is internal readiness and capacity to lead the health plan build. PSHPs require a different set of competencies (e.g., claims processing, network management, marketing), as well as a leadership team and providers that have bought in to the transition.

How do you build a PSHP?

If a system determines that building a PSHP is the right decision, the options include building, partnering or acquiring health plan capabilities and operations. Regardless of your entry strategy, the following five steps are essential to the process. Keep in mind that with a blueprint and internal readiness in place, the plan build itself is likely an 18- to 24-month process.

Five step process

- 1 Create health plan infrastructure**
The organization should develop interim leadership; ensure expertise in claims, compliance, call center and enrollment are in place and identify key gaps.
- 2 Establish strong core functions**
As early as possible, provider training should begin whereby providers are trained on the value-based care transition and population health approaches.
- 3 Develop competitive plan design**
Shortly after aligning on the decision to create a plan, plan design should be pursued with a deep understanding of the local market and competition.
- 4 Enroll members and market to employers**
A targeted marketing plan should focus on key brokers and employers in the market.
- 5 Construct appropriate governance structure**
Leadership committees with organized reporting structures should be established to oversee both initial implementation and ongoing operations.

| | | Initiatives | Rationale | Key success factors |
|--|-----------------|-----------------------------------|--|---|
| Timeline of key health plan building milestones (illustrative) | First 90 days | 1 Create infrastructure | <ul style="list-style-type: none"> Establish policies and resources for enrollment, claims and customer service | <ul style="list-style-type: none"> Operations need to be in place so that resources and policies meet plan needs Experience in claims, compliance, call center and enrollment |
| | 6 months | 2 Establish strong core | <ul style="list-style-type: none"> Build provider network Train clinicians on value-based care transaction Create medical management and population health programs | <ul style="list-style-type: none"> Provider network takes time to build successfully to cover member base Invest time engaging physicians and developing care management programs Health care provider training on transaction to value-based care Specialized and integrated population health platforms |
| | 1 year | 3 Craft plan design | <ul style="list-style-type: none"> Develop plan types and establish marketing approach | <ul style="list-style-type: none"> Once operations and network are set up, plan specifics can be fully developed Experienced actuaries and team with local market experience |
| | 2 years ongoing | 4 Enroll members | <ul style="list-style-type: none"> Build contracts with employers under commercial network and >65 patients in Medicare network | <ul style="list-style-type: none"> With network, operations and plan design in place, system can begin promoting to employers and members Well-deployed and locally connected sales and account leadership team |
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