

Six Ways Competition Must Shape Your APM Strategy

written by Theresa Hush | June 9, 2022



Now that you've made the decision to start your path to Alternative Payment Models (APMs), what's the first thing you need to consider? Hint: APM revenue calculation does not top the list.

Obviously, APM revenue generation vis-à-vis traditional Fee-for-Service is critical. But those calculations assume constancy of two essential "assets"—clinicians and patients. Your competition is working hard to grow these same resources for their own operations. The easiest place to get them from is your organization. If you are following the growth of practice acquisitions from investor-backed health care companies and MSOs, payer practice acquisitions and retail giant investments in primary care, the [numbers should stagger you](#).

You must support the pillars of your organization if your APM is to be successful. If you can't retain your providers and patients, you can't generate revenues under any revenue model. So, your first task is to assess your competitive environment and determine how your APM strategy can reinforce and grow at the expense of the competition's.

Let's face it: In 2022, you are already running to catch up to the competition. It's time to get to know who they are and what they're bringing.

Traditional Competition Is Under Attack, and New Competition is Here

In past years, most health systems and groups usually carved up the market by community geography. The competition was "friendly" if distant, as long as everyone stayed in their confined neighborhoods. Consolidation broke many of these boundaries, as health systems encroached or directly competed in closer proximity. The target of everyone's maneuverings was payer contract advantage, with higher rates rewarded to "must have" groups and health systems in insurance negotiations. Higher contracted rates were the perfect fuel for the FFS volume-based revenue engine.

At the expense of consumers.

Numerous studies have shown that the effect of consolidations have [raised costs](#). Additionally, consolidation has fragmented service delivery, especially for diagnostics, imaging, and ancillary services provided outside of consolidated network providers, resulting in [higher out-of-pocket costs](#) and surprising billing for patients. Across the board, consolidations have come under fire for [increasing costs to patients](#) as well as governmental and private payers of health care.

The mounting pressure for traditional providers to adopt value-based models such as APMs—which frequently incorporate population-based payments—is happening during a financially stressful period for providers recovering from the pandemic. While consolidation is still occurring on a very large scale among regional systems to expand nationally, there is also new competition duking it out in communities where traditional health systems and groups deliver services.

The new competition may be locally situated, but its backing is big. Amazon, Walmart, Google, investor-financed large-scale MSO/ACO organizations, retail pharmacy operations like CVS/Aetna and Walgreens, and payers like United Healthcare's offspring Optum are setting up or purchasing provider operations to play in Value-Based Care, many currently in APMs.

What's Different and Advantageous About the New Competition?

The new competitors have business models that target Value-Based Care. Unlike traditional competitors, in general, they

Have money backing, and thus local competitors are less confined by current financials.
Have business models focused on making money through Value-Based Care APMs.
Tend to be primary-care focused, which is less expensive.
Maintain a singular approach on providing services; don't support teaching and research.
Have common systems, analytics, and population health.
Don't have facilities like hospitals that are resource-intensive and costly.
Can create population health programs for patients to avoid downstream specialty-driven costs.
Can offer attractive practice acquisition or exit deals to physicians discouraged by traditional health systems.

The new competition is aggressively leveraging resources to expand its market and compete for consumers. Retail pharmacies are springing from vaccine programs to [outreach for primary care](#), using neighborhood locations to compete with harder-to-navigate health system settings for basic services.

How Clinician Changes Affect APM Strategies

Physicians, individually and in their practices, have struggled with the shifting health care market. The FFS revenue engine has not been kind, forcing them to heel to patient volume targets, increased documentation requirements of EHRs, and consolidation that has often created a hierarchy where clinicians are part of the operations but not the strategic team. If they are in private practices, the delayed services of the pandemic often damaged their financial standing.

As a result, [physicians are selling practices](#) or individually migrating to employment scenarios in record numbers. They are moving to organizations, especially investor-owned environments, where the future is spelled A-P-M. In these environments, staff and infrastructure support their clinical roles, but don't demand that they manage it all.

How Consumer Changes Affect APM Strategies

While paternalism in health care still lives in traditional health care settings, your patients are joining the [groundswell of health care consumerism](#). They are shopping for providers, with more than half of consumers using the internet to find and read reviews of clinicians. Are your appeals to consumers based on your specialized expertise drawing them in? Probably not. According to recent Press Ganey surveys, only 16 percent searched for providers based on symptoms or condition and were twice as likely to search on their own for a primary care provider, instead of accepting a physician's referral.

Survey respondents are looking for doctors in their networks with availability and good reviews from other consumers. You need to stack that up against the traditional health systems' [slow development of consumer-focused strategies](#).

In addition, consumers are more willing to [use retail pharmacies for primary care](#) because they are quick, provide online appointment scheduling, and appear able to handle most routine medical needs.

Six Ways to Support Your APM Strategy While Outdoing the Competition

The news is not all bad. Traditional medical practices and health systems have advantages that could work to effectively outdo the competition, even while playing catch-up. Your hospital-based or independent multi-specialty group has likely made substantial investments in data and infrastructure, has practices with a natural internal referral system, and possesses the depth of administration that can support cost-effective “clinically heavyweight” APMs. To do so, however, you must take the lessons of competition seriously.

These six strategies envelop the major actions that should be front and center in your APM development:

Clinician-Directed Strategies

1. Align your compensation packages for clinicians to put the value on APM outcomes and growth. Your providers need to see that your priorities are shifting to reward value over volume. Link your shift to value-based reimbursement to progressive adjustments in compensation, with levels based on key performance indicators recognized by payers—and don't forget building in incentives for feedback from patients.
2. Support new roles that clinicians must take on to work with consumers as patients, such as educating patients in [medical decision-making](#), cost expectations and [cost transparency](#), and use of additional sources of data (e.g. [device data](#)). The health system or group must do the heavy lifting of providing the data and messaging to consumers, so that the clinician can properly counsel the patient.
3. Implement practice transformation to integrate and streamline care delivery, so that integrated care teams facilitate service continuity, especially for complex patients and their support people. Use the advantages of a health “system” to navigate patients through the complex process of diagnostics, treatment (including self-management curriculums and

population health), and recovery. [Behavioral health](#) integration models will also be essential to evaluate and adopt as part of practice transformation.

Consumer-Directed Strategies

4. Create a consumer-friendly entry point to your organization, while avoiding closing doors to urgent communications between providers and patients. If you have a call center to create appointments, that's fine. If your patients or new consumers can schedule appointments online, even better. But—if your patient must use the call center for an urgent illness that requires their physician, that's a big hurdle, because they have no way to respond when they don't get the return call—except to return to the call center. Now that is a mark against you. You must make it easy to get critical, immediate services—this is what is driving patients to retail pharmacies for care.

Consumer-friendly entry points also include navigating new patients into your system without overwhelming them, easing the process of choosing a doctor, making appointments seamlessly, simplifying e-registration, and facilitating where or how to complete their next step in diagnostics or treatment. They don't need 100 choices, but they do need an easy, guided system to get an available, acceptable clinician.

Finally, reevaluate your brand messaging from the consumer perspective. Make your marketing and messaging about them, rather than about you, because the research clearly shows that almost all of the time, they aren't deciding on you because of your self-promotion.

5. Make it easy to get consumer feedback, not just surveys you send out. Remember that people are reviewing others' reviews online. Consider how you might bring your own reviews online, so that you can build transparency and trust. Why not have ownership over your own reviews, so that you can respond to negative reviews and build solutions with consumers who are happy or unhappy with an experience? Remember that you can also use positive feedback to report back to your clinicians on what is going right.

6. Respond to consumers with the information, processes, and communications they need in a partner. Tying to practice transformation (#3, above), it's essential to work out the patient part of the process as well. What do they need and at what point in the care process? Navigating the patient flow is not the same as the clinician flow, but just as important if you want to keep them with you.

Your APM strategy is a business model change, but it is also a segue toward redefining your future in a different health care market. With business, pharmacies, and giant retailers all

trying their best to offer health care solutions that are targeted to specific service segments or populations, your strategies can encompass the full breadth of health care expertise and services, by engaging both clinicians and patients.

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