Plan Management Navigator

Analytics for Health Plan Administration

Healthcare Analysts

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P • U • L • S • E - Value Based Care

Before there was managed care, before there were HMOs, prepaid group practices were paid to provide comprehensive health care to a predetermined population at a predetermined price. Examples of prepaid group practices founded in the early 20th century included the Ross-Loos Medical Group, Group Health Association (Washington DC), the Health Insurance Plan of Greater New York and of course Kaiser Permanente.

The common factor among these organizations is vertical integration of the health care delivery system, especially at the primary care level, with the insurance-like property of bearing the risk of health care cost variances. From a corporate finance perspective, the monthly annual payments lowers providers' operating risks, allowing them to finance future growth.

Consumer demand in health care can reflect tradeoffs between economy and choice of provider at the time care is delivered. Consumer demand often led to their merger into national organizations with wide networks; Humana acquired GHA and CIGNA acquired Ross-Loos. In these two cases, plus that of HIP, the physician practices were divested.

Value Based Care organizations reintroduce this venerable, vertically integrated model of health care delivery. The five companies in this new universe receive a fixed per capita payment and are vertically integrated. They are distinguished from their prepaid group practice ancestors; their contractual relationships are with health plans rather than employers or individual members.

Often, they target population segments where cost concerns weigh especially heavily, such among Medicare Advantage members with higher expected health costs.

These higher expected health costs can be lessened by coordinating care between the provider, specialist and the insurer while delivering quality care. An emergency room visit is far more expensive than a routine visit to the primary care. The patient benefits by the consistent care. In the case of Cano Health, Oak Street Health and One Medical the firms own the clinics and employ the providers. Care coordination is also completed through telehealth appointments.

For the primary care provider, there are benefits by participating in these Value Based Care organizations. The provider can focus on the patient care and not be concerned with the administrative side of the business. These providers receive a capitation per patient from a health insurer and receive a consistent income stream as opposed to solely the Fee-For-Service (FFS) business. This is particularly beneficial, as the second quarter of 2020 showed, for providers. In the second quarter 2020 individuals stopped seeing their providers for fear of contracting COVID-19. This hurt the providers as they no longer received the FFS revenues.

The five companies covered in the *PULSE - Value Based Care* publication have different takes on coordination of care. This is reflected in the different programs that they participate in with CMS and the different revenue streams.

Cano Health, Oak Street Health and One Medical, through its acquisition of Iora Health, own clinics and receive a per member per month capitation from one or more payers. (Previously One Medical had solely a subscription fee-for-service business.) agilon partners with primary care providers and receives a capitation from a payer for each patient who selects an agilon provider as their primary care. Privia Health owns and has contracts with non-owned medical groups where Privia receives revenue through Value Based Care arrangements.

We are launching *PULSE – Value Based Care* newsletter to track this growing sector. The publication will track the financials, GAAP and non-GAAP measures. We will also provide insight on conference calls and extraordinary events for these firms. We anticipate covering additional companies as the sector grows. This is a weekly publication that will be published typically on Mondays. We expect it to evolve with time as the metrics and data provided by these firms changes.

This publication will be free for subscribers of *Navigator* until the end of 2021.

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