Greenberg Advisors

M&A ADVISORY IN HEALTHCARE IT & RCM

How is the transition to value-based care (VBC) going and what changes do you recommend to improve its adoption?

Rebecca Jacobson
President
Astrata

"The transition to VBC has definitely hit some roadblocks recently, including macroeconomic challenges, labor shortages, and financial impacts of COVID. At the same time, it seems clear that there is no return to a predominantly fee-for-service model. On the payer side, we are seeing realignments produced by changes in CMS methodology for Risk Adjustment and Medicare Advantage Star ratings. These changes pose significant risks to payer revenue and quality bonus payments, and they are reshaping payer programs quickly. At the same time, new requirements for HEDIS from NCQA will change how healthcare quality is measured, move the industry to adopt new technologies, and also give up older, more manual methods such as hybrid medical record review. By leaning into these changes and embracing new technologies such as NLP and AI, some risk-bearing entities will accelerate their value-based programs rapidly, while others fall behind. I expect it to get harder and harder to hold on to Stars and incentives without producing real, measurable value. And I think we will see that increased value driven by technology, payment, and program innovation."

"The journey to VBC is an evolving process, heavily influenced by geographic factors. However, a key issue we've consistently noticed is a profound lack of awareness about engaging in and succeeding with these types of contracts.

There's a significant educational opportunity here, particularly in creating transparency between payers and providers. This includes shifting from retrospective to prospective approaches in capturing HCC. The crux lies in leveraging technology to identify gaps and build effective, forward-looking programs that address these challenges from the outset."

Pat Leonard
CEO
CorroHealth

Lucy Zielinski
Managing Partner
Lumina Health Partners

"Over the past decade, the transition to VBC has not only continued, it has accelerated and will continue at an estimated CAGR of 7.5% from now until 2030.[1] Adoption varies greatly from one geographic area to another, and performance on value-based contractual arrangements varies greatly. Payers, specifically Medicare Advantage, aim to advance performance results by incenting providers who demonstrate improved quality and efficiency — and this is not an easy task for many.

Historically, providers have based their risk-based models on primary care services. To improve adoption and, more importantly, performance in these risk-based contracts, providers will need to further integrate and coordinate care with specialists (e.g. oncology, orthopedics, OBGYN, cardiovascular services, behavioral health, etc.). While this requires an upfront investment, it also offers the potential for a greater return with high performance. Technologies such as AI and virtual health, new access models, and health equity programs help providers advance clinical and financial performance. Then everyone wins – providers, payers, and above all, patients."

"We believe that the acceleration towards value-based care across federal and commercial payers will continue due to a number of market forces as well as the commitment from CMS to move all Medicare beneficiaries to accountable care models by the end of the decade. There may be some slow-down in the expectations / projections of growth as reimbursement models shift and become more mature; but the intent is certainly there for healthcare organizations to continue to move towards VBC. There is also increasing evidence that these programs are starting to have a meaningful effect on the total cost of care with Medicare spending significantly lower than the actuarial and CBO projections from a few years ago – a lot of it being driven by organizations having the resources, infrastructure, and incentives to drive whole-person care.

As with any meaningful and lasting change in healthcare – to accelerate the adoption of VBC, it has to start by focusing on the patient and what they really need. For payers (including federal programs), they need to recognize the importance of building the right reimbursement and incentive models and reduce the administrative burden of participating in VBC. For care delivery organizations, they need to invest in the resources needed by their clinicians to focus on the patient's needs and give them the attention and care they deserve. For policy makers, they need to make it easier and less complex for all participants to continue to drive more meaningful participation in VBC."

Sachin Gupta
Founder & CEO
IKS Health

Erik Miller
President
MedHQ and Avanza
Healthcare Strategies

"Changes in healthcare payment frameworks are historically slow, with low adoption rates in infancy. In the immediate years following the passage of the Affordable Care Act, the healthcare industry spent much time and money discussing VBC, but more action was needed. Post-2020, VBC is gaining momentum as the industry becomes more comfortable with large-scale adoption of data and analytics and accelerated adoption of outpatient healthcare settings like ambulatory surgery centers. For well-run programs, there are undoubtedly cost savings. However, hospitals, health systems, and physicians must develop core infrastructure strategies encompassing recruiting, human resources, accounting, contracting, and revenue cycle to operate a fundamentally different business model vs. traditional fee-for-service operating models. Moreover, in states where certificate-of-need (CON) regulations are being lifted, these market participants must answer these questions while facing historically high competition from new market entrants. Increased investor and provider interest will accelerate adoption and bring more participants to the market in the coming years."

[1] Grand View Research's U.S. Value-based Healthcare Service Market Size, Share & Trends Analysis. October 2022.

About Greenberg Advisors

Greenberg Advisors, LLC (GA) is one of the most active M&A advisors specializing in Revenue Cycle Management (RCM) and Healthcare IT (HCIT) transactions.

GA's perspective provides clients with unique value that comes from a comprehensive understanding of the healthcare ecosystem, having worked with buyers and sellers in a variety of transactions across the RCM and HCIT sectors. GA's unmatched depth and its proprietary data assets prove invaluable to clients in determining the optimal path forward and maximizing their exit or investment.

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