Considering a provider-backed health plan?  
Strategic considerations for executives & boards

How Valley Baptist Health leverages its health plan to drive care delivery improvements, collaborate with other insurers

A vital strategy for surviving in a value-based health care environment is a formula that encourages rather than undermines alignment of provider and health plan incentives for delivering effective and efficient care, and getting paid to achieve it. Provider organizations increasingly seek to sponsor their own health plans to round out and pursue that formula from a position of strength.

“If the landscape of health care is changing, and the reimbursement model is no longer about filling hospital beds, how then do you, as a system, participate in where that revenue comes from?” asks Devin Zakrzewski, CEO of Allegian Health Plans, a Texas-based provider-sponsored health plan. Starting such a health plan gets a health system out in front of the reimbursement model, sharing the premium revenue instead of just being paid by those charging the premiums, he says.

Today, 13 percent of all U.S. health systems offer health plans in one or more markets, and an estimated 50 percent of health systems have applied or intend to apply for an insurance license, according to the 2016 American Hospital Association Environmental Scan.

But it’s not as routine as gearing up for a new product line or expanding outpatient services. The move into health plan operations sends providers into complex and unfamiliar areas well outside their care delivery expertise, requiring a base of knowledge that’s difficult to acquire on their own, says Zakrzewski. “You used to be on the receiving end of everything. Now you have to get in front of it. That’s a different set of activities than providers historically are accustomed to.”

It’s important to have an understanding of a health plan infrastructure and realize the multimillion-dollar investment involved, he says. It encompasses regulatory and reporting requirements, financial issues unique to running a health plan, the systems necessary to deal with paying claims, the marketing and distribution of insurance products, and care network management. Given the steep learning curve, “You’ve got to start asking yourself the build-or-buy question.”

Allegian Health Plans was formed in the 1990s by Valley Baptist Medical Center, Brownsville and Harlingen, Texas, and since has expanded to the San Antonio and El Paso markets.

For any organization starting up a provider-sponsored health plan, senior executives and board members have to consider both the strategic impact of the plan on health care delivery on one hand and the ability to run the daily operations on the other hand — claims payment, eligibility issues, actuarial acumen in calculating premiums and so on.

The health system and health plan have to be partners and look at financial implications beyond the capital expense of starting up a plan, says Pam Magouirk, Allegian’s chief operating officer. “There’s also an entire learning pattern with regard to working with your own sister organization,” adds Magouirk, who served as a finance executive at Valley Baptist before leading Allegian’s operations.

The health plan can’t be regarded mainly as a vehicle for bringing premium dollars to the health system, because it has to succeed in its own business if it’s to help the health system succeed, says Magouirk. If the plan is trying to contain claims volume and preserve premium revenue while the health system concentrates on billing for services, the plan costs could eat up the revenue it’s supposed to be supplying, she says.

With two operations sharing the same population — as members of the health plan and as patients of the hospital and physicians — they have to find ways not only to bring volume to the care delivery side, but also to ensure access to care for plan members “so they can become healthy individuals,” Magouirk says. Healthier plan members translate into gaining and retaining employer business.

Yet, the complexity of the health plan side is more than many health systems can take on without outside expertise, Zakrzewski cautions. “Understanding how that insurance infrastructure has to be delivered, and scaling it to make it profitable and functional, is one of the great challenges.”

Allegian partners with Conifer Health Solutions for health plan management services, taking that hefty operational load from health plan managers and giving them the opportunity to concentrate on the strategic direction in each distinct market, he says. Conifer provides the infrastructure — both technical and personnel.

Zakrzewski says Valley Baptist’s health plan business not only has allowed it to share in the premium dollar, but also helped the health system to work more collaboratively with its market’s dominant insurers.

“It gives us an environment that I liken to a laboratory: to experiment with payment methodologies and programs as a cooperative entity,” Zakrzewski explains. The health system can prepare, learn and understand how to deal with bigger insurers, especially with their recent consolidation. *