

Payor/Provider Partnership: Making it Work

Lessons learned in finding and integrating leaders from different cultures

Healthcare reform and the shift toward a more value-based reimbursement system are blurring the traditional lines between payors and providers. Both groups are finding they will likely have to adapt their business models, adjust their risk profiles and change the way they've historically operated to remain viable in this new landscape. Many payors and providers are recognizing that it is not sustainable to "go it alone" in today's environment and are embarking upon various combinations of new relationships, partnerships and integrations. How can two groups that have historically underestimated each other's value collaborate? Insights from organizations ahead of the curve suggest success lies in finding a common purpose and incentive around improving outcomes and experiences for consumers.

Luminaries from both payor and provider organizations shared their firsthand perspectives into where the industry is headed, and how they have approached the inherent barriers and complexities to partnering with each other, and integrating leaders from different cultures that often have opposing goals. Many agreed that payors and providers will have to look beyond the typical sources of talent and skills needed to effectively manage risk, operate competitively and deliver better outcomes in a new, rapidly changing era of healthcare.

THIS PIECE FEATURES INSIGHTS FROM:

Barry Arbuckle, Ph.D.

President and CEO
MemorialCare Health System

David Feinberg, M.D., M.B.A.

President and CEO
Geisinger Health System

Mark Ganz

President and CEO
Cambia Health Solutions

Michael Guyette

President and CEO
Blue Cross and Blue Shield
of Minnesota

David Holmberg

President and CEO
Highmark Health

Paul Markovich

President and CEO
Blue Shield of California

Dennis Murphy

President and COO
Indiana University Health

Ronald Paulus, M.D.

President and CEO
Mission Health

Amir Dan Rubin,

President and CEO
Stanford Health Care

Joseph Swedish

President and CEO
Anthem

HOW BOTH SIDES ARE ADAPTING TO A SEISMIC PARADIGM SHIFT

With extraordinary access to information and an ever-growing number of products and services competing for their attention and business, individuals hold more power than ever before. The most successful consumer companies have recognized this phenomenon and have adapted by providing enhanced experiences and five-star service. As those in the healthcare industry are learning, transformation will happen and, for some, it is already underway as they realize the industry is not immune from this transition of power and heightened consumer expectations.

Empowered consumers want the Amazon and Nordstrom experience in healthcare, according to Mark Ganz, president and CEO of Cambia Health Solutions. “When I first started in this role, we talked about segmenting consumers and the insight that we’ve had in recent years is that we better pay attention to the fact that consumers have segmented us,” he said. “The providers and health plans that are going to survive are those that successfully reposition themselves to serve consumers with much less control than we’re used to having.”

Consumers also expect innovation in the form of easier access to care and data, greater choice and more transparency, and innovation will be an essential differentiator going forward. Already, the industry is experiencing a surge of innovation from startups and midcap companies. To compete, larger institutions may need to forge new alliances to develop novel solutions and approaches to serving consumers.

Most payors and providers recognize the limitations of their own processes and talent pool — and that they will need to partner or integrate to deliver innovative, seamless, user-centric experiences. Ronald Paulus, M.D., president and CEO of Mission Health, witnessed the power of partnership during his tenure at Geisinger Health System: “I saw what you could do with a very productive and mutually beneficial partnership that was just impossible if you were a provider or a plan alone.”

Consumer focus and innovation are not the only drivers of the growing integration and collaboration between payors and providers. The shift from a fee-for-service model to value-based care may require organizations to consider partnerships to help manage growing risk for the best value. “The real opportunity is to change the game,” said David Holmberg, president and CEO of Highmark Health. “How can you move the incentives to encourage a healthier lifestyle? How can you move care back into the communities or into more affordable settings?”

Others have proactively established processes to focus on outcomes. While a healthy portion of its business could still operate under the fee-for-service model, Barry Arbuckle, Ph.D., president and CEO of MemorialCare Health System, says the organization opted to treat each consumer as if it were reimbursed under a risk model. Despite decreasing revenues in the short term, this change has reduced length of stays and hospitalizations, positioning the organization for sustainable success. MemorialCare has also invested heavily in community physician groups, imaging centers and ambulatory businesses in order to “deliver care in the right location at the right price.”

THE LEADERSHIP NEEDED FOR A NEW ERA OF HEALTHCARE

A major impetus for partnerships and integrations is that they enable payors and providers to fill skill gaps and add capabilities they need to succeed in an increasingly competitive marketplace. Many of the leaders we spoke with identified the following competencies and attributes as vital going forward and shared how they are rethinking their standard sources of talent.

Technology expertise

Consumer experiences made possible by digital capabilities require an infusion of talent with technology expertise — from user experience to data security. Usually, organizations must go outside of healthcare to find leaders who can design and implement technology strategies that benefit the end user and deliver actionable data. Stanford Health Care was the first provider to offer tele-health visits in Epic software and has also developed its own unique customer-oriented app — supported by a dedicated team led by a senior executive previously from Jawbone — in response to consumer demand for more seamless experiences. Ganz hired a technology company CEO versus a sitting CIO for Cambia Health Solutions as its head of technology because he wanted a leader who knew how to deliver solutions to consumers.

This investment in technology not only advances the business, but serves as a powerful talent attractor. Ganz credits the organization's technology efforts for recently securing a "rock star" IT leader: "Because he sees the company we are becoming and knows what we've done already in the technology area, we can now attract that kind of person who probably would have never given us a second look six years ago."

Financial acumen and broad business perspective

Navigating a complex reimbursement and pricing system requires leaders with financial savvy who understand the strategic goals of the business. Indiana University Health's CFO has collaborated with multiple internal stakeholders to intentionally lower transfer pricing internally so that the health plan would be more competitive in the market. Without this holistic business perspective, financial, health plan and operating leaders will simply not last over the long term. "In the

future, all our leaders will need to have a broad set of business experiences," said Dennis Murphy, president and CEO of Indiana University Health. "It needs to be a strategic discussion founded in strong technical analytics."

"My job is to create the shared vision and the unifying purpose that enables everybody to understand why collaboration makes sense. The North Star is around patient care. Together we all believe this is about providing great care to our patients that's high quality, that's compassionate, that's safe, at a low cost. That allows us to keep innovating and doing great things."

DAVID FEINBERG, M.D., M.B.A.
PRESIDENT AND CEO
GEISINGER HEALTH SYSTEM

Consumer orientation

Senior leaders of both payors and providers recognize the industry deficit when it comes to consumer experience. Paulus wants to establish a “consumerism czar” and envisions that leader as a provocateur: “The consumer leader is somebody who says to the payor or provider, ‘How you think is ridiculous to most consumers. Everything is focused on where you’ve been and how you’re changing. All I want as the consumer/patient is to be able to access care anywhere and anytime I want; I want completely consumer-focused, convenient and virtual access to my data all the time.’”

To change the perception of the industry — which is often considered synonymous with long waits for appointments with rushed, overbooked physicians and labyrinthine billing and claims processes — some organizations are turning to consumer and financial services companies for consumer-focused leaders. Blue Cross and Blue Shield of Minnesota has brought on senior-level executives from major retailers, Blue Shield of California hired a senior vice president of customer experience from American Express and Anthem recruited a CHRO with P&L leadership experience in the consumer space as well as a private equity background.

Actuarial and data analysis

In a world of big data, the ability to comb through vast amounts of information and discern what is strategically relevant and actionable has become increasingly critical. For many providers, data analysis is a significant skill gap — one that must be filled to better identify problems and improve performance. With the ongoing shift to a population health orientation, the ability to mine and interpret data will be integral in managing care across the continuum.

“Health plans have a wealth of longitudinal data on a huge population and great actuarial skills that allow them to assess how they’re doing in risk and how to price at risk, and that’s something providers are behind on and working hard to develop,” said Arbuckle. “Some will never get there because they can’t. If you’re too small, you simply can’t do it on your own.” Amir Dan Rubin, president and CEO of Stanford Health Care, noted that this shortage will drive providers to collaborate more with payors or other players. “As providers take on more risk, they need to understand risk, and the population, whether that’s by bringing on those kinds of capabilities themselves and/or in partnership with plans, employers or other firms,” he said.

Adaptability and agility

Adaptability and agility are high on both payors' and providers' wish lists with good reason: Comfort with ambiguity and flexibility are musts in an industry in flux. Joseph Swedish, president and CEO of Anthem, looks for leaders who have demonstrated success in environments that have experienced disruption, even if they come from unrelated industries. "Look how difficult it was for the airline industry to pivot from what it was to what it is today," he said. "I'm a great fan of Southwest Airlines going back to the '90s. I would've been thrilled to have had a Southwest Airlines executive work on my team because they understand disruptive technologies. They know how to build disruptive models and they're not afraid of them."

"The recidivism rate of organizations to go back to how they performed in the past or how they communicated is amazingly high. It's like the analogy that a smoker can never quite become a nonsmoker. I'm constantly vigilant because we cannot let old habits take over."

JOSEPH SWEDISH
PRESIDENT AND CEO
ANTHEM

General leadership skills

The importance of strong general leadership skills cannot be underscored enough, especially when combining contrary viewpoints. To maximize the partnership's effectiveness, Michael Guyette, president and CEO of Blue Cross and Blue Shield of Minnesota, recommends that different perspectives come from solid leaders.

"I brought in two very senior-level provider individuals into my organization," he said. "They have very credible and loud voices with my leadership team. It comes down to the basics of leadership, which means attracting good talent, listening, being strategic in their thinking and having a voice at the table. This applies no matter what kind of leader you're bringing into the organization, but it's heightened when you're bringing in people who may have had opposing goals. You're trying to find a way to bring that perspective in so that you can find better alignment with your provider partner or your payor partner." Executives who can instill trust are more likely to effectively engage with "the other side."

LESSONS LEARNED FROM PARTNERSHIPS AND INTEGRATIONS

Partnerships and integrations provide benefits beyond introducing much-needed capabilities into the organization, but they are not a panacea. Additionally, there is not a one-size-fits-all solution, but a spectrum of options: full integration, partial integration, investments in new businesses, joint ventures, formal and informal partnerships, and relationships with vendors. However, these endeavors can be fraught with challenges if either side clings to long-held misconceptions and stereotypes, i.e., payors are only concerned with the bottom line and providers will recommend any service to generate profits regardless of waste. Leaders of payors and providers shared ways to ensure that these endeavors are rooted in strategy, the right skills are brought to the table and the organizational culture fosters integration of new ideas and true collaboration.

Understand the value proposition and objectively evaluate the opportunity

“Integration happens when people get in the room together and ask, ‘Does it make sense for the individual/consumer and does it work for both of our business models?’” said David Feinberg, M.D., M.B.A., president and CEO of Geisinger Health System. Even if the answer to both questions is “yes,” payors and providers should thoroughly evaluate the opportunity and be realistic about resources, from the hours and capital it takes to set up a plan to the operational intricacies of both parties.

“I have gotten to the edge of collaboration opportunities, and when we finally start looking over the edge, what both sides underestimated was the complexity that we both deal with and the amount of change needed for the two to come together,” said Guyette. “In some of these cases, organizations must be willing to walk away if they aren’t open to the behavior change required to truly align goals and work together.”

Combat institutional bravado with a focus on the greater purpose

“Organizational egos” are among the biggest barriers to integration and establishing a culture of collaboration, noted Paul Markovich, president and CEO of Blue Shield of California. “Almost every organization is thinking, ‘The way to make this successful is that we should be in control.’ If everyone feels that way, then everyone needs to change in some way and come to the table with humility.” There must also be an appreciation of the value that each side brings.

Rather than debating which side is “right,” Holmberg believes that putting the consumer at the center gives both sides something to agree and build upon. The objectives should be to deliver a better patient experience with the highest quality, better coordinate care longitudinally and better manage the cost of a population with financial risk shifting, advised Rubin.

“My job is to create the shared vision and the unifying purpose that enables everybody to understand why collaboration makes sense,” said Feinberg. “The North Star is around patient care. Together we all believe this is about providing great care to our patients that’s high quality, that’s compassionate, that’s safe, at a low cost. That allows us to keep innovating and doing great things.”

Encourage fresh thinking

Many payors and providers are turning to the other as well as unconventional sources for talent with new viewpoints. Ganz has brought on talent from top consumer companies for the express purpose of challenging the status quo, and has empowered them to not submit to prevailing thinking. Some deliberately seek talent without any industry expertise for truly fresh perspectives, an approach that can be met with resistance if the risks of staying on the current path are not appreciated.

“You don’t know what you don’t know and without different talent in the organization providing other interpretations, you can’t take your organization to the next level,” Swedish said. “In my last life, I brought in somebody from Accenture and somebody from Compaq who never worked in healthcare before. I enjoy that kind of talent who are inquisitive, risk-taking and willing to change the game. But it’s a very difficult proposition to sell to mainline leadership who are comfortably situated in an organization that doesn’t believe there’s a platform on fire.”

At times, organizations need to bring on change agents who understand when and how to shift the culture while still upholding its core principles. Guyette noted that while a strength of Blue plans is their stability, they can no longer afford lengthy decision-making processes — spurring him to bring in new executives from the provider side. Holmberg sought out leaders who are able to influence others around concepts that may buck the norm but who can also bring them along on the transformative journey.

Lay the groundwork for culture fit from the beginning

Success relies upon both an organizational culture of collaboration and leaders who align with that culture. “It’s all about culture and talent that helps an organization pivot to meet the moment,” said Swedish. In order to create a culture that fosters teamwork, Murphy cautions against treating now-integrated parties as disparate entities. “In one of my previous experiences, the health plan in its first iteration was a separate business from the hospital,” he said. “They were physically someplace else and only came in very episodically. There was a tremendous amount of friction between the plan and the clinical operations elements of the system. At IU Health, our health plan team is in the same space as the other corporate functions. They’re visible and participate in all of our regular management decision-making activities.”

The industry executives we spoke with universally consider a candidate’s cultural fit as essential. Holmberg dedicates ample time interviewing senior leaders, not to assess their ability to perform, but to determine whether their aspirations align with the organization’s. For Ganz, culture fit is tantamount to “passion for others.” Thus, he brings on leaders and board members from companies whose consumer-centric cultures he admires, such as Nike, Nordstrom and Starbucks.

The CEO must be the champion of the culture

Most industry leaders agree that the CEO plays an integral role in establishing and maintaining an open and collaborative organizational culture, a role that is even more important when bringing executives with potentially opposing viewpoints into the fold. The CEO must champion necessary cultural changes across the organization — or risk undermining the objectives of the partnership. “The recidivism rate of organizations to go back to how they performed in the past or how they communicated is amazingly high,” Swedish said. “It’s like the analogy that a smoker can never quite become a nonsmoker. I’m constantly vigilant because we cannot let old habits take over.”

Why culture change is necessary (e.g., it’s beneficial to consumers) must be communicated from the top, along with an explanation of key metrics for success, advised Murphy. The chief executive also has the opportunity to incite passion and commitment for delivering the best consumer experiences, which can be a much more powerful driver of behavior than presenting facts alone.

“I have to be relentless and relentlessly creative in how I speak to the vision and this sounds soft — but it isn’t — you’ve got to ignite people’s hearts,” said Ganz. “You can get them to personally feel what it’s like to be a consumer who’s not well-served. My mantra is: Don’t ever forget that you’re a consumer of healthcare and your wife, daughter or parents are as well. Keep them in mind in every decision you’re making.”

When Ganz’s wife was in a serious car accident, his vantage point abruptly shifted from C-suite to hospital bedside, and he decided to share the experience in one of his weekly organization-wide emails. “The kind of response that I got from that email was tremendous,” he recalled. “Because I was willing to share from my heart and drive at theirs, that’s the kind of thing that really reinforces the cultural norms and sometimes that moves the ball further.”

CONCLUSION

The forces at play in the U.S. healthcare system are redefining how payors and providers will work together in the future. Boundaries between the two are fading, giving way to a range of collaboration avenues that can be combined in various permutations, including full-scale integrations and new partnerships, in order to adapt and succeed in a changing landscape. Whichever approach payors and providers take, they must first shed previous misconceptions in order to benefit from the value the other side brings. Leadership and organizational culture also need to be open to fresh perspectives that challenge the status quo — or risk being left behind.

ABOUT THE AUTHORS

Dieter Freer (Chicago), **Jennifer Heenan** (Los Angeles), **Suzy Cobin** (Chicago) and **Amanda Fox** (Chicago) are all members of the firm’s Healthcare Practice.

ABOUT SPENCER STUART

At Spencer Stuart, we know how much leadership matters. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning 56 offices, 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment and many other facets of organizational effectiveness.

For more information on Spencer Stuart, please visit www.spencerstuart.com.

Social Media @ Spencer Stuart

Stay up to date on the trends and topics that are relevant to your business and career.

