

# Is Merging a Requirement for Success at Population Health Management?

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Some healthcare experts say it is impossible for an independent hospital or small health system to develop the capabilities needed for population health management (PHM). They think large, merged organizations are the only kind that can take on financial risk for the all-around care of a population, and that PHM requires “big data” capabilities.

The accuracy of this sentiment depends, in part, on the definition of PHM. For some providers, PHM refers to efforts to keep populations healthy. For others, it means starting their own insurance company. From our perspective, moving

to PHM encompasses a shift from taking care of sick people on a fee-for-service basis to more effectively caring for a defined population. PHM payment models may include incentives, shared savings, risk contracting, or full insurance models.

## IS MERGING NECESSARY?

So do you need to “go big or go home” to succeed at PHM? If your goals include assuming full insurance risk for a population, the answer is probably yes. Such a model requires the ability to spread risk over a large and varied population, as well as a top-tier PHM data management system. A large entity can diffuse these costs.

However, if your goal is to deliver value as hospitals and physicians in tandem by efficiently and effectively providing care to your community “in sickness and in health,” then you have more options. If your hospital services cost less than those of your competitors, you are in an even stronger position—assuming you can find a health plan that appreciates the value you bring and is willing to recognize that value through payment arrangements.

You can manage population health without top-level data tools, given that there is usually plenty of room for improvement before sophisticated tools are required. For example, a well-organized list of patients who have been hospitalized with chronic conditions in the



past year, noting condition and severity as well as the patient's primary care physician, is an excellent place to start.

In fact, some aspects of population health management may be easier for smaller organizations. A health system with 2,000 affiliated physicians may require an advanced data system to monitor care management, while a tighter, more cohesive group of professionals probably can stay on top of what's happening with patients using less formal mechanisms.

**Having the ability to engage in PHM will make you more attractive to potential partners.**

### **ROADBLOCKS FOR SMALLER ORGANIZATIONS**

There are unquestionably challenges and risks for smaller organizations in PHM:

- Success in care management requires an inspiring, action-oriented physician leader, and recruitment of such an individual may be difficult for an independent hospital.
- Fewer physicians are available to cover the volunteer tasks required to lead PHM initiatives, such as developing care management programs and overseeing quality reporting.
- Smaller systems and independent hospitals are at a disadvantage in negotiating and administering contracts. Even when running high-value care management programs, they may be squeezed out of health plan products by larger systems that can selectively underprice or bring health plans a comprehensive narrow network.

Crafting a strategy to surmount these obstacles and achieve PHM capabilities will serve you well moving forward regardless of the circumstances. Even if a merger is on the horizon for your organization, for example, having the ability to engage in PHM will make you more attractive to potential partners. ●

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