Engaging Organized Customers in the Era of the Quadruple Aim

In the era of the Quadruple Aim, a new approach to engaging organized customers is required across industry stakeholders. The pharmaceutical and device manufacturing industry must develop a comprehensive B2B strategy. Read on to learn more about the shifting market dynamic and strategies organizations can use to adapt.¹
The Emerging Importance of the Organized Customer

Evolving market dynamics have created a tectonic shift in the healthcare segment, giving rise to the expanding prominence of the Organized Customer.

Organized Customers are increasingly involved in risk-based arrangements with payers. As a result, the line between payers and Organized Customers is becoming increasingly blurry.

This evolution has many implications. For starters, the Organized Customer segment is quickly becoming a key priority for pharmaceutical companies—which simply cannot afford to deprioritize it. Quite the contrary: Every aspect of strategic planning and operational deployment should consider the Organized Customer.

The Organized Customer segment includes an incredibly diverse group of customers. It is therefore critical to profile and segment them—particularly in the context of local healthcare dynamics. The segment is expected to evolve over time; organizations need to closely monitor this evolution to understand the potential implications and adjust accordingly.

The Era of the Quadruple Aim

Over the past decade, Organized Customer priorities centered on the pursuit of the Triple Aim.

Now, organized customers are expanding their focus to the Quadruple Aim, which prioritizes population health, per capita healthcare costs, the patient experience, and provider experiences.

This change means that Organized Customers will increasingly focus on managing drug utilization and spending. It is critical, then, for companies to target and engage organizational decision-makers involved in formulary management and protocol and pathway development.

It’s important to keep in mind that Organized Customers have different needs and perspectives than other segments. Companies should therefore customize their engagement strategies specifically for this segment.
EMERGING IMPORTANCE OF THE ORGANIZED CUSTOMER

THE KINETIX GROUP
Emerging Importance of the Organized Customer

Health systems and other Organized Customers have evolved into increasingly prominent stakeholders in the healthcare landscape due to shifting market dynamics. Small, independent physician practices are merging into larger health systems, which are further consolidating medical services and leadership structure to focus on improving communication, functional needs, and value (Figure 1). These health systems also frequently have their own health plans, often offered through an integrated delivery network (IDN), to achieve more innovative and efficient care.

An IDN is a connected group of healthcare providers who share common goals:
- Provide a comprehensive care experience to a patient population
- Improve management of care quality and cost

Adapted from Basta N. MDM’s growing role in running healthcare businesses. Pharm Commerce. 2017; September/October: 29-30.
Emerging Importance of the Organized Customer

“The emergence of the Organized Customer is one indication that the lines once dividing healthcare stakeholders are blurring. One impact of this shift is the changing risk dynamic. Appropriately approaching Organized Customers requires a more nuanced understanding of these dynamics.”

Anna Thomas, Vice President, TKG

These networks are characterized by:

- **Provider Alignment** – affiliated healthcare providers and facilities
- **Continuum of Care** – broad range of coordinated clinical services to meet a population’s health needs
- **Regional Presence** – inpatient and outpatient healthcare across a geographic region
- **Clinical Integration** – shared common guidelines and technology platforms such as electronic health records
- **Reimbursement** – ability to negotiate jointly with payers on contracts that may include financial risk for quality/patient outcomes
Emerging Importance of the Organized Customer

The IDN-dominated healthcare landscape is reflected by the more than 30% growth in networks during the past five years. This growth is expected to continue, with one estimate suggesting the top 50 IDNs will manage at least 50% of the healthcare market by 2021. Sutter Health and Kaiser Permanente in northern California reflect this growth. The two IDNs have 53,000 and 75,000 employees and 24 and 21 acute care hospitals respectively. The respective 3 million and 4.1 million active members of the two networks represent nearly one-half of the 15 million people living in the region.

Recent activities that have spurred IDN increase in scale/complexity include: acquisition of a hospital, health system, physician group practice, and/or ambulatory sites; mergers; partnerships with other providers; joint ventures; joint operating agreements; and/or medical group expansion.

The Organized Customer has also grown in scale and complexity, according to three of every four executives responding to a survey conducted among Chief Operating Officers, Chief Financial Officers, and Chief Strategy Officers at 21 leading health systems in April 2018. One-half of respondents to another survey conducted among 18 senior health system executives in March 2018 reported their organization had undergone significant restructuring over the past two years.

“Organized Customer profiling and segmentation based on variables such as size, geographic dispersion, level of influence and prestige, decision structure, and willingness to partner are critical factors to prioritizing and allocating resources to customize engagement.”

Sarah McNulty, Co-Founder & President, TKG
Primary restructuring goals included more effective management in regard to:

- **Decision-making (79%)**
- **Speed of Innovation (71%)**
- **Consumer Concentricity (57%)**

Notably, only slightly more than one of every three respondents (36%) reported restructuring would better manage costs, and fewer (20%) indicated any impact of restructuring on quality.\(^7\)
Organized Customer-Payer Integration

Organized Customers are becoming more involved in risk-based contracting with payers. More than 80% of leading health systems and in excess of 50% of large independent physician groups participate in risk-based arrangements. On average, 5% to 10% of Organized Customer revenue is derived from value-based models, and some IDNs and accountable care organizations (ACOs) receive more than 25% of their revenue from value-based contracts.

Value-based contracting involves payment or reimbursement based on indicators of value, such as patient health outcomes, efficiency, and quality.
Emerging Importance of the Organized Customer

There is progressive blurring of roles between payers and Organized Customers as the latter internalize payer functions as one of the core competencies for value-based contracting. This might be most evident by the over 60% of IDNs that currently have a license to offer healthcare products.\(^8\) Further, in the United States, more than 100 provider-owned plans are collectively covering approximately 26 million lives.\(^11\) These plans may be closed, similar to Kaiser Permanente, providing care exclusively to members, or open, whereby some non-network physicians and/or hospitals are included.

Some commercial plans have become involved in clinical practice by opening their own clinics.\(^11\) Molina Healthcare, a managed care company that provides health insurance to individuals covered by government programs, such as Medicare and Medicaid, operates primary care practices in five states. In 2017, Oscar Health, a technology-focused health insurance company, announced that it would partner with Cleveland Clinic to sell plans in Ohio. Additionally, Oscar Health has filed with the Tennessee Department of Commerce and Insurance to offer insurance through the Memphis Affordable Care Act (ACA) marketplace in 2019.\(^12\)

The Organized Customer may have an on-site pharmacy or have a relationship with outside pharmacies and be involved with managing prescription drug use. Data from the National Survey of ACOs showed nearly one of every two ACOs has at least 1 contract mandating accountability for prescription drug spending.\(^13\) One-half of the ACOs in this study had a formal relationship with a pharmacy; 26% had a pharmacy within the ACO; and 19% had contracted pharmacy services. Importantly, ACOs that engage pharmacies, on average, provide a broader range of services and include more diversity of providers, contract with both public and commercial plans, and have more experience with payment reform.

More than three of every four ACOs with at least one commercial contract were accountable for pharmacy costs by the largest contract.\(^13\)
Emerging Importance of the Organized Customer

The Organized Customer segment is a priority for pharma. As the traditional business model changes with decreased sales rep access to prescribers and physicians, pharma must consider other more novel methods of marketing. Every aspect of strategic planning and operational deployment should consider the Organized Customer at its core, in addition to the customary payer considerations.

“Flexible account team structures, quality account planning, dedicated cross-functional resources, aligned incentives and performance management objectives are key.”

John Strapp, Co-Founder & Chairman, TKG

It is important to note that these health systems and IDNs represent a diverse group of customers thus underscoring the necessity of profiling and segmenting these entities, particularly in the context of local healthcare market dynamics. The Organized Customer segment is expected to continue to evolve and requires close monitoring of developments in order to best understand the potential implications and value propositions.

“Pharma must adapt the go-to-market model for Organized Customers. Comprehensive Key Account Management (KAM) strategy is needed to engage Organized Customers effectively.”

John Strapp, Co-Founder & Chairman, TKG
Emerging Importance of the Organized Customer

Strategic Insights & Implications

1. The Organized Customer segment is quickly becoming a key priority for pharma which cannot afford to de-prioritize.

2. Every aspect of strategic planning and operational deployment should consider the Organized Customer.

3. This is a diverse group of customers, and it is critical to profile and segment them, particularly in the context of local healthcare market dynamics.

4. This is a dynamic segment that is expected to evolve. There is a need to continue closely monitor the developments to understand potential implications.
The Era of the Quadruple Aim

The Triple Aim

During the past decade, Organized Customer priorities centered on the pursuit of the Triple Aim, which is focused on the simultaneous pursuit of and continuous improvement in three interdependent goals of high-value care: improving population health, improving patient experience, and reducing per capita cost of care for populations.\(^\text{14}\)

Achieving the Triple Aim requires an identified patient population or “population denominator,” a commitment to universality for its members, and the involvement of an organization that facilitates these three goals by partnering with individuals, redesigning primary care, managing population health and finances, and integrating the system as a whole.\(^\text{14}\) Components of healthcare reform have aligned with population health management goals of the Triple Aim.\(^\text{15}\)
The Era of the Quadruple Aim

Healthcare Reform Population Health Management Incentives

PROVIDE PAYMENT BASED ON QUALITY:
- Support and encourage patient engagement
- Incorporate mobile applications for patients and providers
- Integrate electronic home device monitoring systems and telemedicine

ESTABLISH AWARDS FOR CLINICALLY INTEGRATED CARE:
- Health information exchanges
- Disease registries
- Provider portals
- Patient centered medical homes
- Affordable care organizations
- Medicare shared savings programs

PROVIDE PUBLIC HEALTH INITIATIVES TO:
- Support and encourage patient engagement
- Incorporate mobile applications for patients and providers
- Integrate electronic home device monitoring systems and telemedicine
The Era of the Quadruple Aim

The focus on population health as a component of the Triple Aim marks a prioritization of the distribution of health outcomes among certain patient populations with the broader goal of improving the health of an entire human population. Subpopulations can be defined by income, race, ethnicity, disease burden, or those served by a specific health system. Primary outcome measurements for population health generally include mortality rates, health and functional status, and healthy life expectancy; disease burden; and behavioral and physiological factors (e.g., a composite health risk assessment score).

With a movement toward patient-centric and population-based care delivered by comprehensive teams, patient engagement and the patient experience become pressing challenges facing healthcare providers. Engaging patients and their families in treatment plans, health outcomes, and the overall patient journey, from admission to discharge, is no easy task. Only 12% of adults have proficient health literacy, exemplified as using a table to calculate an employees’ share of health insurance costs for a year.

Six of every 10 patients with chronic conditions are not health-confident, an effective proxy for engagement (gauged by asking such questions as, how confident are you that you can control and manage most of your health problems?). This lack of understanding of personal health makes patients less likely to actively seek care or to follow medication schedules as prescribed. The importance of patient engagement is underscored by 20% to 30% of prescriptions that are not filled, 50% of medications taken improperly, and 125,000 people who die each year due to medical nonadherence.

The final component of the Triple Aim centers on per capita cost of care. In 2016, healthcare costs accounted for 17.9% of the US gross domestic product (GDP). In fact, during the past 30 years, both public and private spending has increased. Despite the increasing money spent on healthcare, the United States fails to deliver quality care. Compared with 10 other high-income countries, the United States ranks fifth in care process, 10th in administrative efficiency, and last in access, equity, and healthcare outcomes.
Nearly 50% of U.S. citizens suffer from chronic diseases.\textsuperscript{23}

Chronic and mental health conditions account for 86% of the $2.7 trillion in annual healthcare costs in the U.S.\textsuperscript{24}

Heart disease and stroke account for $190 billion annually and cause $126 billion in lost productivity.\textsuperscript{25}

Diabetes costs the U.S. healthcare system and employers $245 billion annually.\textsuperscript{27}

The total cost of arthritis and related conditions approximated $304 billion in 2013.\textsuperscript{28}

The cost of cancer care continues to rise and is expected to reach almost $174 billion by 2020.\textsuperscript{26}
The Institute of Healthcare Improvement (IHI) described care delivery redesign some Organized Customers implemented to meet the goals of the Triple Aim initiative. As examples, some Organized Customers motivated their respective providers to engage in new ways of care delivery geared toward fulfillment of the Triple Aim through a variety of intrinsic and extrinsic incentives. They relied on creating an atmosphere of mutual accountability via increased transparency and a heavier emphasis on evidence-based standards for quality improvement, access to primary care, and enhanced care coordination. Change in patient and provider behavior was supported by incentives, patients were connected to community resources to assist them in addressing nonmedical needs, and techniques from other sectors were adapted to support and streamline process.

IHI-Recommended Five Guiding Principles for a New Model of Care

• Involve individuals and family in design of the model
• Redesign primary care services and structures
• Improve disease prevention and health promotion
• Build a cost-control platform
• Support system integration and execution
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The approach the Organized Customers took—shifting focus from individual providers and patients and outcomes to population health—was the critical factor in developing a cohesive partnership between the organization and the providers to improve care. The actions of these and other Organized Customers point to the potential benefits of designing core care around the Triple Aim goals.30A

“Ultimately, pharma must move toward developing a direct contracting strategy, which will require willingness to work with and share accountability with these unique Organized Customers. Most direct contracts are based on volume and market share discounts, but value-based contracting arrangements are expected to grow due to the demand for direct contracts. It is important to continue to refine the contracting strategy that pharma takes and to prepare for individual Organized Customer market needs.”

Merissa Oliver, Senior Vice President, TKG


The Era of the Quadruple Aim

Provider Burnout Hinders Achievement of Triple Aim Goals

Physician burnout has jeopardized the potential success of the Triple Aim and forced health-care stakeholders to reexamine societal expectations vis-à-vis professional realities. Across all specialties, more than one of every two physicians may suffer from burnout.\textsuperscript{31,32}

A 2014 survey revealed greater than two of every three of family physicians and nearly three of every four general internists would not choose the same specialty if they could start their careers over again.\textsuperscript{33} Burnout also affects more than one-third of hospital and nursing home nurses.\textsuperscript{34} Physicians with symptoms of burnout are more likely to receive lower patient satisfaction scores and report having made a major medical error in the past three months.\textsuperscript{35}

Burnout, characterized by a loss of enthusiasm for work, feelings of cynicism, and a diminishing sense of personal accomplishment, is associated with a negative impact on care quality, productivity, and turnover—all of which may have economic consequences.\textsuperscript{31}

The ability to provide high-quality care to patients in an efficient manner is the primary driving force behind physician satisfaction.\textsuperscript{36} Any one or a combination of several factors can impede the delivery of patient care and lead to physician dissatisfaction and/or burnout: administrative (including excessive documentation/clerical work) and regulatory burdens that take away from patient care; limitations of current technology; an inefficient practice environment; and conflicting payer requirements.\textsuperscript{31,36}

For every one hour of face time with a patient, physicians spend up to two hours on administrative and clerical tasks and documentation, little of which is reimbursable.\textsuperscript{37}
The Era of the Quadruple Aim

A Department of Family Medicine at the University of Colorado Health System initiative—a team-based model Ambulatory Process Excellence (APEX)—demonstrates the importance of a positive physician experience. This model allows medical assistants to gather data, reconcile medications, set the agenda for patient visits, and identify opportunities to increase preventive care. This information is shared with the physician, and the medical assistant remains in the examining room to document the visit. The goal of this initiative was to streamline workflow to ensure that physicians and mid-level clinicians could focus on practicing medicine without the burden of administrative duties.

“It is crucial for pharma to have a flexible value platform that allows for greater customization of the value story based on specific Organized Customer needs and dynamics. In the era of the Quadruple Aim, it is essential to position value with all stakeholders within an Organized Customer group, from C-suite executives to formulary decision-makers to individual clinicians.”

Liz Lucas, Vice President, TKG

Six months following implementation of the initiative, the burnout rate among clinicians declined dramatically—from 53% to 13%. Delivery of care appeared to improve, as reflected by increased pneumococcal vaccination rates and referrals for mammographies and colonoscopies. Increased office efficiency translated into reduced new patient waiting time and the addition of 3 more patients per physician per day. These outcomes came with no additional cost to the health system.

“Pharma must also evolve the value messaging platform and data generation approaches. Value messaging platform developments and data generation plans must consider the unique need of Organized Customers. The value story developed for payers may not resonate well with Organized Customers. These Organized Customers, after all, have unique perspectives on what constitutes value and real-world data.”

Sarah McNulty, Co-Founder & President, TKG
Addressing the more upstream social determinants will improve health outcomes, reduce inequities, and lower costs.
The Era of the Quadruple Aim

Comprehensive team-based care requires coordination across all settings of care, effective care management, and multilevel teams led by primary care providers, along with data analytics. Other components include identifying and incorporating, when possible, all factors—social, economic, cultural, and others—that affect an individual’s or a population’s health. To address the multiplicity and diversity of needs, all resources should be integrated into care plans and protocols. Health information technology, focused on population health management, is also an important aspect of comprehensive care.

“Achieving the Quadruple Aim is the strategic foundation for success in the new healthcare environment. Targeting the Quad Aim helps practices and providers satisfy the needs of traditional and alternative payment models.”

Rachna Pawar, Vice President, TKG

The Era of the Quadruple Aim

Organized Customers will increasingly focus on managing drug utilization and spending. It is critical to target and engage organizational decision-makers involved in formulary management and protocol or pathway development. Likewise, Organized Customers have different needs and perspectives than payers do. They have a more fixed population, focus on patient and provider experiences, and have a unique definition of value. Additionally, Organized Customers have increasingly more influence over healthcare provider decision-making than do payers. It is therefore important to customize engagement strategies specifically for this segment due to the uniqueness of these entities compared with other customers.

“Pharma must realize that partnerships, collaboratives, and shared priorities and solutions are just as important as is value-based contracting. There will need to be a focus on collaboration and value-added programs. Organized customers are interested in integrated solutions, so it is critical to offer programs, tools, and services that generate value beyond the pill. Whether engagement is through turnkey programs focusing on patient engagement, treatment adherence, disease awareness, or care team resources, pharma companies must be prepared to pilot programs and learn with their partners.”

Kristen Shea, Vice President, TKG
The Era of the Quadruple Aim

Strategic Insights & Implications

1. Organized Customers will increasingly focus on managing drug utilization and spending. It’s critical to target and engage organizational decision-makers involved in pathway development and formulary management and protocol.

2. Organized Customers have different needs and perspectives than other segments. It’s important to customize engagement strategies specifically for this segment.
Conclusion

To better adapt to the changing healthcare customer landscape, pharmaceutical companies need to refine a go-to-market approach to increase customer engagement.

Here are four strategies to accomplish that objective.

1. Adapt the go-to-market for Organized Customers

To effectively engage Organized Customers, a comprehensive key account management (KAM) strategy is needed. Remember, this isn’t just about contracting. Focus on partnerships and collaboration. Create shared priorities and build shared solutions. Add value whenever you can.

In order to prioritize resources and customize engagement, make sure to profile Organized Customers. Segment based on size, geographic dispersion, level of influence, decision structure, and a willingness to partner, among other things.

For the best results, create a flexible account team structure and dedicate cross-functional resources to the cause. Aligning incentives and performance management objectives are crucial for success.

2. Evolve the value messaging platform and data generation approaches

Consider the unique needs of Organized Customers—particularly during value messaging platform development and data generation plans. The value story for payers may not resonate well with Organized Customers, who tend to have a unique perspective on what constitutes value. Here, real-world data will be essential for persuasion.

It’s also important to have a flexible value platform that allows a customizable value story based on each Organized Customer’s unique needs. In the era of the Quadruple Aim, it’s essential to sell to everyone in an Organized Customer group—from the C-level executives to the formulary decision-makers to individual clinicians.
Conclusion

3. Develop a direct contracting strategy

Each company’s willingness to contract directly with Organized Customers can make it easier to develop collaborative engagement.

Most direct contracts are now based on volume and market share discounts. However, as the demand for direct contracts grows, so too does the interest in value-based contracting arrangements. It’s important to continue to refine a contracting strategy to prepare for varying Organized Customer market needs.

4. Focus on collaboration and value-added programs

It’s all about collaboration.

Organized Customers are interested in integrated solutions. It is therefore critical to offer programs, tools, and services that create value “beyond the pill.”

Consider turnkey programs that focus on patient engagement, treatment adherence, disease awareness, and care team resources. Be flexible—ready to pilot programs and learn together.

If this sounds hard, the good news is that you don’t have to go it on your own. Work with The Kinetix Group to refine a B2B customer approach. To learn more about our award-winning services, visit our website.
References