SOCIETY OF ACTUARIES

Article from

**Health Watch**

February 2018
Issue 85

# Value-Based Care: The Role of the Health Care Provider Actuary

## A Health Section Strategic Initiative

By Greg Fann

In 2015, the Health Section Council launched a new committee to identify areas worthy of focused research to supplement the education of health actuaries. The Strategic Planning Committee comprises a small group of council members charged with developing Strategic Initiatives, recruiting the best and the brightest volunteers and shepherding the initiatives through completion. Each initiative includes about 15 volunteers and is completed in roughly 18 months. Written reports are generally accompanied by presentations at Society of Actuaries (SOA) meetings and other forums.

The first two initiatives have been completed. The final documents can be found here:

- "Evolution of the Health Actuary: A Health Section Strategic Initiative": *http://healthwatch.soa.org/?issueID=4&pageID=1*

- ACA Exchange Initiatives Program: *http://www.theactuarymagazine.org/category/web-exclusives/aca-initiative/*

I have had the privilege of chairing the Strategic Planning Committee since October 2016, soon after the Value-Based Care Initiative, our third strategic initiative, was launched. I recently caught up with the initiative leaders, Jay Hazelrigs and Kelsey Stevens to talk about where they are and where they are going with the project. I hope this interview provides a good flavor of how initiatives are formed, committees are recruited and strategic directions are determined. More important, I hope it excites you to read the upcoming report. If you have an idea for a future initiative concept, I would love to hear about it—please drop me an email.

***Health Watch:* How did this initiative form?**

Kelsey Stevens: This particular initiative was started in the spring of 2016. With the passage of the ACA [Affordable Care Act], there has been a greater need for actuaries in the health care provider space as more and more financial risk is being shifted from payers to providers. Just as actuaries provide expertise to payers regarding financial risk, we believe these unique skills are transferable, and actually necessary, to support health care providers in their efforts for managing value-based care (VBC) arrangements and other new initiatives in their businesses. As such, this group was formed to dive deeper into the extremely broad topic of the role of the health care provider actuary.

***HW*: How did you become interested in getting involved?**

KS: I became interested because I am a health care consulting actuary and am getting more frequent requests to represent health care providers in a wide array of analyses including, but not limited to, contract analyses, predictive modeling and provider performance analyses. I wanted to learn more about the opportunities available to actuaries supporting provider groups/health systems. In addition, I wanted to volunteer for the SOA and meet new people with similar interests.

Jay Hazelrigs: I have similar reasons for wanting to be a part of this initiative. As a practicing provider actuary, I have seen the providers' growing need for actuaries. This need is expected to only increase with time, and although actuaries are well equipped to help with financial risk matters such as contracting, a provider actuary is typically asked to bridge the financial risk implications to other critical areas of a provider's VBC business, such as population health management and network management. Thus, this was one of my goals—to ensure that this initiative highlights the interactions and reliance among financial risk, population health management and network management within the context of providers and value-based care.

***HW:* Who is on the committee?**

JH: We have a fairly broad group of health care actuaries on the committee, including both payer- and provider-experienced actuaries and actuaries employed at health plans as well as consultants. Additionally, the group has some experience in the U.K.; thus, we do get to compare from time to time how the U.S. system compares to the U.K. system. If we think about maybe who we don't have on the committee, I would say our wish list would have probably consisted of actuaries who are employed at a provider or health system and perhaps an actuary intimately involved with alternative payment models with CMS [Centers for Medicare & Medicaid Services].

***HW:* How did you decide which direction to go?**

KS: In the beginning, we spent time trying to define value-based care and provider payment reform in an attempt to set direction for our group and to define/visualize an end product/outcome. We quickly learned that this was an extremely broad topic and it was nearly impossible to cover it all. We gathered ideas from all team members via brainstorming sessions and eventually came to the collective decision that our goal would be to define the role of a provider actuary. There was a lot of back-and-forth discussion about who the target audience should be for our final deliverable, and we eventually agreed that we would focus first on educating ourselves and fellow actuaries before aiming any efforts outside of the actuarial profession.

***HW:* What are the different domains? What is their unique focus?**

KS: Our team met face-to-face in June of 2016 to flesh out a game plan and came up with three overarching domains under the broad umbrella of defining the role of a provider actuary: Enterprise & Financial Risk Management, Population Health & Quality Management, and High-Performance Network Management.

Enterprise & Financial Risk Management refers to the business and financial matters related to the payment for the delivery of health care. This involves a dynamic risk assessment of both revenues and costs. Relative to the traditional fee-for-service framework, the financial ramifications of value-based care are complicated and challenging to a provider, and actuaries can help these organizations prepare, implement and manage the technical details of these new models.

Population Health examines the need for the provider actuary to understand the composition and health status of the patients included in a VBC relationship and how population health interventions improve outcomes. Population health encompasses more than just the diagnosis and demographic information about the individual that may be quantifiable, but also socioeconomic factors, community norms and resources, and external forces that may be influencing the health status of a given group of people. An important part of the process is to identify members who need management before their disease progresses or they have an expensive acute event.

High-Performance Network Management, also known as network design or provider selection to form a network, has wide-reaching implications and has multiple goals, such as reduction and management of medical expenses—"smarter spending," according to CMS—and improvement of quality by selecting providers to participate in the network that have been shown to have better quality outcomes. Network design can be constrained by regulatory and adequacy requirements. These boundaries may vary by state and one should ensure that the network [has been] designed within these constraints to meet the goals stated.

Value-based care is not a "nice to have"; it's a must-have in today's health care environment.

***HW:* These ideas have been tried before with limited historical success. Are prospects really different now?**

JH: The idea of integrated delivery systems and providers taking on risk is not new, but there has been a renewed focus on these value-based arrangements lately. Additionally, providers and payers are better equipped today to understand the nuances and management of the covered populations—that is, risk stratification, population health management programs, and so on. Patient engagement, provider engagement and technology have improved tremendously since the 1990s and will continue to play a part in providers' ability to be successful in VBC arrangements.

***HW:* Political forces changed during your initiative timeline. Has value-based care been impacted by policy implications or other relevant environmental changes over the past 18 months?**

JH: I think the Triple Aim objective continues, as does providers' commitment to VBC, regardless of the political landscape.

Moreover, the unfortunate fact is that VBC is not a "nice to have"; it's a must-have in today's health care environment.

***HW*: What did you learn through this process?**

KS: Not only did I learn about our subject matter, I also learned some unique perspectives about how providers think. For payer actuaries this experience has been eye opening. For example, it is challenging to start thinking about health care costs as revenue items rather than claims.

JH: Probably goes back to the old saying, the more I learn the less I know; however, we are hopeful that this Strategic Initiative will give actuaries a good foundation for understanding the role of a provider actuary.

***HW*: Who should read this paper? What should they expect to learn?**

KS: As mentioned earlier, our deliverable is being prepared assuming health actuaries are our primary audience. The goal of this paper is to build the necessary foundation for health care actuaries to support health care providers in managing their value-based care arrangements and initiatives of their businesses. After reviewing the paper, readers should have a better understanding of the current provider environment and how their business is changing as a result of external influences like ACA/Triple Aim, MACRA, and so on. They should walk away with a clear understanding of the skill sets (high level) that are needed for providers to be successful in the new VBC world, particularly, which of these skills are currently being fulfilled by actuaries and which are expected to increase in demand in the future.

***HW*: When will the paper be available?**

JH: It will be available in early 2018, and it is our hope that others will take the baton and run with it to help build upon the paper's ideas and messages, especially those that we were not able to dive further into at this time.

***HW*: What sessions at the Health Meeting will cover this?**

JH: We will have one session at the Health Meeting in Austin that will summarize and formally conclude the work of this Strategic Initiative. We hope to see you there. ■

Greg Fann, FSA, FCA, MAAA, is a senior consulting actuary with Axene Health Partners LLC in Temecula, California. He can be reached at *greg.fann@axenehp.com*.

Jay Hazelrigs, ASA, MAAA, is a vice president with Optum in Englewood, Colorado. He can be reached at *jay.hazelrigs@optum.com*.

Kelsey Stevens, FSA, MAAA, is a senior consulting actuary with Wakely Consulting Group in Tampa, Florida. She can be reached at *kelsey.stevens@wakely.com*.