Healthcare Solutions

What the EU Can Learn About Managed Care From the US

As the demand for low-cost, high-quality healthcare continues to rise, providers in the U.S. — where healthcare costs are the highest in the world but healthcare outcomes do not necessarily follow suit — are increasingly moving away from fee-for-service (FFS) models and toward managed care.

There are major differences between the U.S. healthcare system and that of the European Union. But much as it is in the rest of the world, per capita healthcare spending in Europe is soaring (see Figure 1). While it is still relatively early days when it comes to the development of managed care, L.E.K Consulting thinks EU providers can learn important lessons from the U.S. experience, and that those lessons can be modified and applied to suit their individual countries' healthcare markets. In light of our extensive experience in the healthcare sector — and more specifically, managed care — we help providers assess their current capabilities and provide them with organizational strategies to develop those capabilities in order to implement managed care services that meet their regions' unique needs.

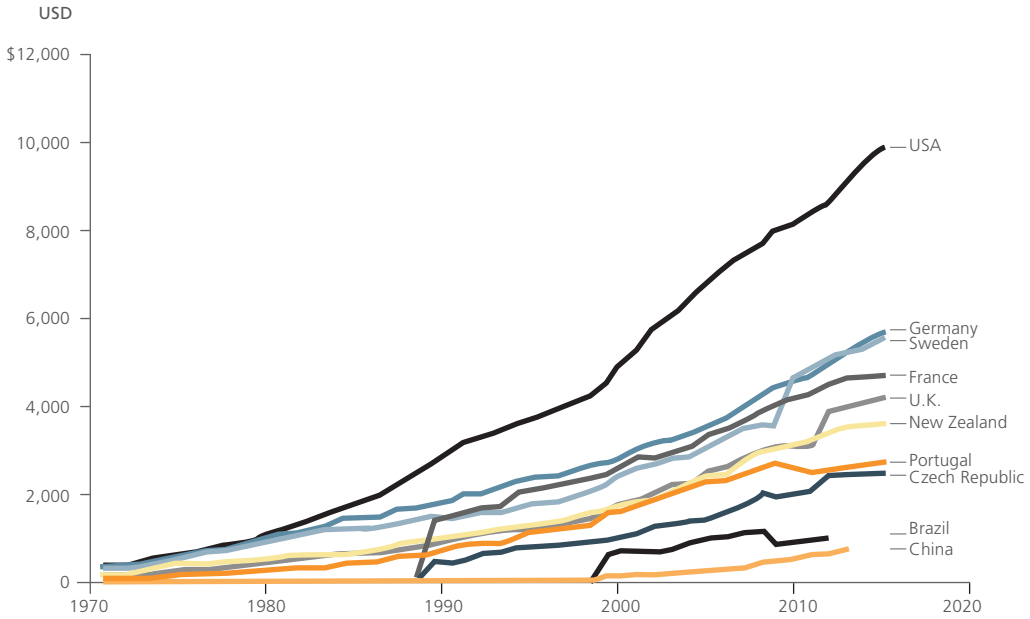
A broad spectrum of managed care models

Managed care comprises a wide range of care models that differ based on their level of population/risk covered and the breadth of coverage/integration (see Figure 2).

Using U.S. care models as a template, we have created three categories in our framework:

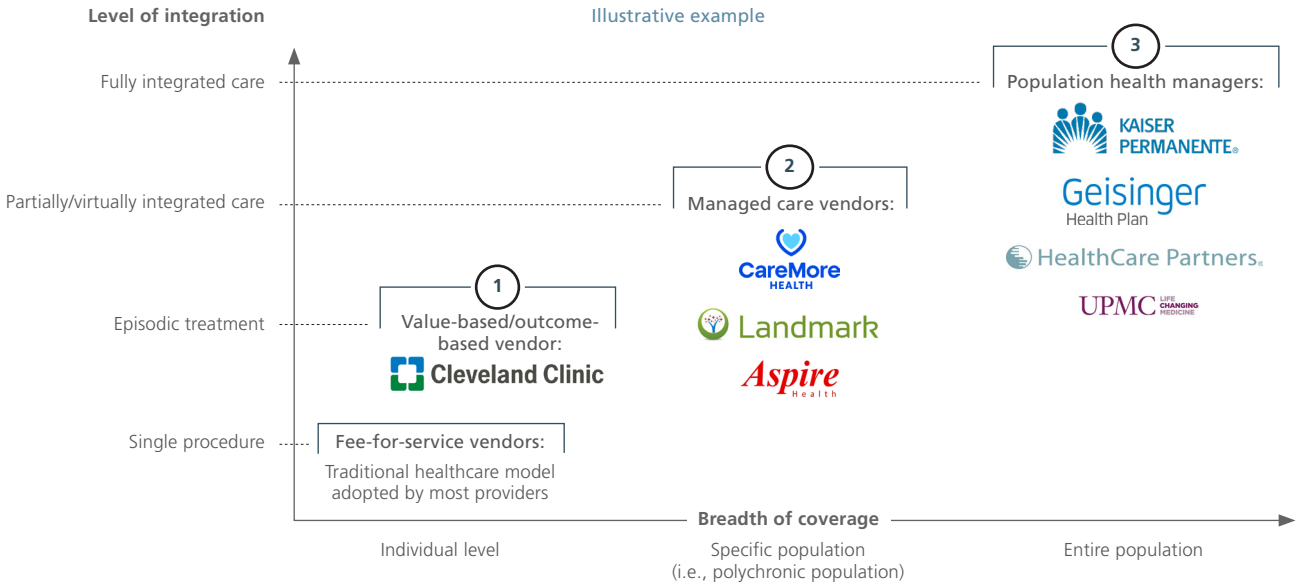
1. Value-based/outcome-based vendors
2. Managed care vendors
3. Population health managers

Figure 1
Healthcare spending per capita, per country (1971-2016)



Source: OECD; U.S. Census Bureau; World Economic Forum report 2017; L.E.K. research and analysis

Figure 2
Managed care framework based on U.S. care models



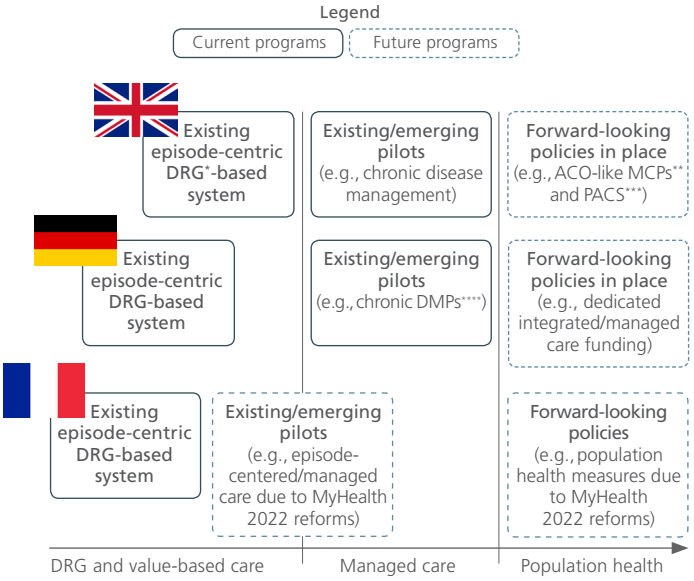
In the U.S., there is a strong trend already underway — distancing from FFS and moving toward a range of managed care models. Most notably, the share of value- and outcome-based models is increasing significantly. In Europe, however, while the trend toward managed care is slower than in the U.S., healthcare systems are starting to experiment with innovative managed care and value-based payment models to improve patient experience, care quality and cost (see Figure 3).

Managed care programs offer numerous benefits

Geisinger, a U.S.-based integrated payer and provider, is a good example of how managed care programs can lead to high-quality care at a low cost. The company reduced costs associated with unnecessary inpatient care by 7%-8% by offering home care services to support healthy behaviors, preventive measures and disease management; optimizing care for acute interventions and chronic diseases through value-based or disease management services; and ensuring care quality and efficiency when patients are moving between different care settings.

Meanwhile, initial results of innovative U.K. and German care models have also shown improvements in outcomes and costs, as have novel care models in Nordic countries such as Sweden and Denmark.

Figure 3
Managed care progression over the next 3-5 years



Notes: *Diagnosis-related group; **Multispecialty community providers; ***Primary and acute systems; ****Disease management programs
Source: NHS website; British Medical Association; The King's Fund report 2019; Health Systems and Policy Monitor; Bundesversicherungsamt; Nolte and Knai 2015; L.E.K. research and analysis

In the Region of Southern Denmark, the SAM:BO initiative — a joint care strategy for the management of chronic disease and patients with complex needs — was applied to four hospitals and 800 practitioners. The initiative focused on developing care pathways, integrating care service delivery and effectively transitioning between care settings. It has since been credited with increased patient satisfaction and shorter hospital stays in the Region of Southern Denmark as compared with the rest of the country.

In Sweden, the "Norrtaelje model" was developed to provide different care paths for older people. It required organizational changes within providers, including a focus on establishing care management teams, hiring care coordinators and ensuring effective transitions between care settings. After the model was fully implemented, the total cost of elderly care declined to a level lower than the country's overall average and those of other regions of a similar size.

These examples highlight why providers should invest in new care models regardless of location or their country's operating/existing healthcare system.

Consider local market dynamics

To help providers decide whether to invest in managed care services, we have developed a scoring tool that covers 14 yes-or-no questions related to internal capabilities, changes in the regulatory environment, and competitive dynamics around hospitals, providers and payers (see Figure 4).

Providers that answer yes to 10 or more of the questions should take the lead and invest in managed care capabilities, while those that answer yes to between six and nine questions should consider a slower adoption in the form of managed care pilots. For those providers that answer yes to five or fewer questions, partnership options with more experienced providers or payers are likely more suitable than investing directly in managed care capabilities, at least for now.

Figure 4
Managed care investment considerations

		Questions for providers	
Internal capabilities		1. Does your organization have the ability to manage upside and downside risks?	
		2. Can your organization effectively manage referral networks of your patient populations?	
		3. Does your organization have the appropriate infrastructure to monitor care quality and total cost of care?	
		4. Does your organization have relevant digitalized care protocols/processes in place and data available to effectively monitor and deliver care?	
		5. Does your organization have the capital structure to take on risk?	
Competitive dynamics from:	**Hospitals**	6. Are there highly integrated managed care players in your local market (e.g., Kaiser in the U.S. or pilot trials of integrated care organizations in the EU)?	
		7. Are other health systems taking on significant financial risk (bundled or capitation payments, ACOs, etc.)?	
	Providers	8. Are provider groups taking risk and playing a more active role in quarterbacking the health of the population?	
		9. Are provider groups participating in cost control and quality improvement initiatives?	
		10. Does your organization have influence and/or control over high-quality, low-cost post-acute care partners?	
	Payers	11. Are payers delegating substantial risk to providers or incentivizing managed care programs?	
		12. Do privately funded managed care programs (e.g., Managed Medicaid and Medicare Advantage in the U.S.) make up a significant portion of your business or growth strategy?	
		13. Are payers vertically integrating with (acquiring) local provider groups or forming joint ventures?	
Regulatory environment		14. Are there local regulatory initiatives (e.g., Medicaid FFS bundled payments or healthcare reforms and government funds in the U.S.) for which it would be advantageous to develop managed care capabilities?	

Score	

Count	**Recommendation**
10+	Consider investment
5-8	Slowly adapt
0-4	Wait and see

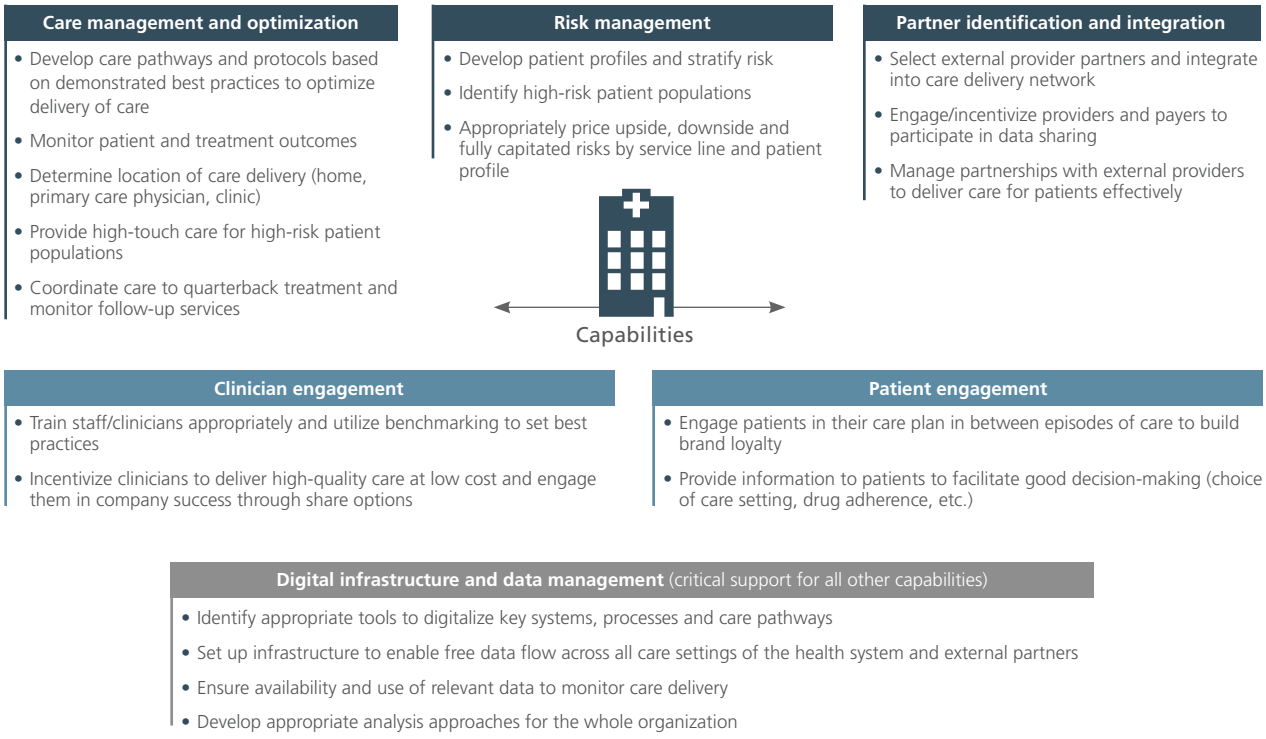
Note: This is a generalized tool, whereas individual dynamics may carry more weight based on the customized nature of the organization.
Source: L.E.K. interviews, research and analysis

Certain key capabilities are required

Once a provider has evaluated its national healthcare system and decided to invest in managed care, it must develop a number of key capabilities in order to implement managed care service lines (see Figure 5):

- Care management optimization
- Risk management
- Partner identification and integration
- Clinician engagement
- Patient engagement
- Digital infrastructure and data management

Figure 5
Key capabilities required to implement managed care service lines



We have significant experience helping healthcare providers across countries and settings optimize their operating models along these dimensions. Our work with payers and providers in the U.S. market means we also understand the benefits — and risks — of moving toward managed care models. Through our understanding of European healthcare systems, we are able to translate key learnings and adjust them as needed.

Now is the time for European providers to consider managed care. We can help your organization ask the right questions, identify key capability gaps and build the infrastructure required to support an effective managed care model in your country.

Contact

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