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CHEAT SHEET

# Population Health Management

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Improving patient outcomes while slowing health care spending

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## Key takeaways

- Population health management refers to the process of improving clinical outcomes and managing costs for a patient population.
- Every organization's population health management strategy is different. Each organization's approach depends on their value-based payment contracts, patient population, and distribution of resources.
- Most organizations use the well-established population health risk pyramid to scale finite resources by identifying patients who need increased access and services.

# What is it?

While there's no single definition of population health management, it refers to the process of improving clinical outcomes and managing costs for a patient population. Effective population health managers do this by assessing patients' relative complexity and providing the appropriate targeted support to transition them to self-management. These supports include a spectrum of biopsychosocial interventions<sup>1</sup>—not just clinical care—to address the main factors driving patient health. The goal is to intervene *before* acute care is needed.

Value-based payment models are the financing mechanism that incentivize population health management in care delivery. Under these models, provider organizations are held accountable to keep quality high and costs low, instead of increasing volumes.

However, achieving the goals of population health is very difficult. Four evergreen challenges include:

- **Significant up-front investment:** Transforming care delivery requires substantial investments in staff, new technology, and changes in workflow.
- **Reimbursement and vision don't align:** Ideally, financing and delivery models evolve in tandem. However, payment transformation often lags care model evolution. As a result, organizations may find it hard to transform care delivery without losing revenue.
- **Too many stakeholders:** Population health is often managed in silos. For example, physicians, health plan partners, primary care, IT, and the community itself all play crucial roles. Care transformation leaders must engage all of these stakeholders, many of whom have rapidly changing or even conflicting incentives.
- **Undefined end state and limited benchmarks:** Many organizations lack the ability to track progress against population health goals—and some don't even have a clear vision of what those goals are.

The truth of population health management is this: If you've seen one population health strategy, you've seen one population health strategy. Every organization starts from a different vantage point and moves at a different pace.

1. Biopsychosocial interventions address biological, psychological, and social risk factors. They encompass a wide array of services, such as in-home assessments, integrated behavioral health in primary care, and housing programs. Biopsychosocial risk factors underlie medical conditions and often drive readmissions risk, avoidable ED utilization, and excess health care spending.

# Why does it matter?

Population health management tackles two of the most pressing and interrelated challenges in health care: unsustainable health care spending and an increasingly complex patient population.

Currently, the United States spends nearly twice as much as the average Organization for Economic Co-operation and Development (OECD) country on health care—totaling 16.9% of U.S. GDP. Yet, the United States has the lowest life expectancy, highest suicide rates, and highest chronic disease burden among OECD countries. Additionally, much of this spending can be attributed to waste. Approximately 25% of spending comes from unnecessary treatments and readmissions, avoidable complications, administrative errors, and a lack of proper care coordination.

Shifting demographics have resulted in an increase of chronic conditions in the United States, with this trend only expected to continue in coming years. Today, almost half of all Americans have at least one chronic disease, and the burden of cost of care associated with these chronic conditions accounts for \$1 trillion in overall spending and 93% of Medicare spending across the country.

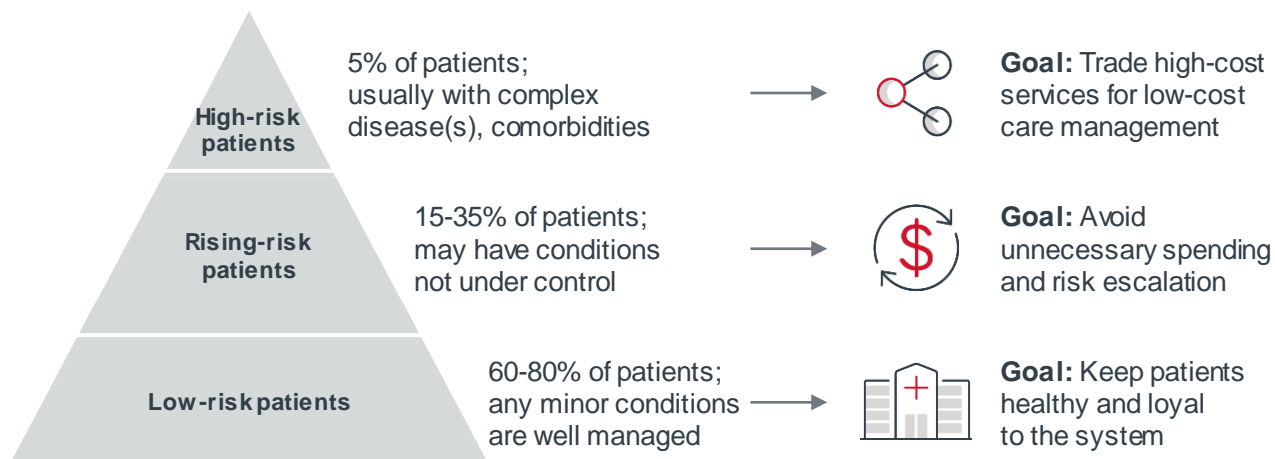
# How does it work?

Population health managers have finite resources and limited clinical capacity. To distribute these efficiently, most organizations stratify their patients according to the well-established population health risk pyramid.

This framework categorizes patients as low-, moderate-, or high-risk based on disease burden, psychosocial complexity, utilization, and cost.

Organizations, especially those taking on risk-based contracts, often target high-touch interventions at all high-risk patients, and sometimes rising-risk patients as well. At the same time, organizations focus on preventive services for low-risk patients. The population health risk pyramid helps organizations scale efforts and reduce avoidable utilization and the total cost of care.

## Population health risk pyramid



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# Conversations you should be having

## Providers

- Evaluate your analytics capabilities to determine if care teams are getting actionable, timely data based on patients' risk factors.
- Identify what support you need from payer and other industry partners in current and future value-based payment arrangements.
- Assess how engaged your physicians are in care transformation efforts. Be clear with physicians about what population health means for their day-to-day activities.


## Health plans

- Assess where in-network providers stand in engagement with population health efforts, as well as readiness to take on more risk.
- Evaluate current resources offered to providers in risk-based contracts. Find out if these are valuable in their population health management efforts, as well as opportunities for more support.

## Vendors

- Uncover how your customers are measuring success against their population health goals. Evaluate what metrics they track, how often, and which are the most central to their success.
- Understand the role your individual customers play in population health decision-making and how you can support their specific priorities.
- Evaluate your organization's products and services and how you can better support customers in their population health management efforts.

## For all

Many leaders tell us the shift to population health management feels like they are “building the plane as they fly it.” Reevaluate preconceptions standing in the way of transforming care. Achieving meaningful progress will require industry-wide collaboration and unification unlike before. 

## Related resources

 RESEARCH

How to navigate hybrid financial incentives

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 RESEARCH

How to scale chronic disease management programs

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 WEBINAR

Workshop: How health plans can support providers in risk

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 OUR TAKE

Refining your approach to risk stratification

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How to scale team-based primary care according to financial risk

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