

# Leavitt Partners

## STRATEGIC ANALYSIS & STRATEGIC POSITIONING CASE STUDY

February 2022

**LEAVITT**  
PARTNERS  
*An HMA Company*

# Background

Leavitt Partners (LP) has used research, data, analytics and interviews on many projects to help clients better understand their customers. LPs' work on customer segmentation, strategic positioning and messaging has helped:

- Brand and product teams at pharmaceutical, medical device, med tech and software companies segment and prioritize their customers, which led to more targeted and more effective sales and marketing campaigns.
- Market Access teams at pharmaceutical companies better understand and segment payers, PBMs, hospitals and health systems, with an aim to improve contracting and account management.

LP has done this type of work with health IT, software, medtech, health plans, providers and life sciences. Within life sciences, LP has done this work in many therapeutic areas, including respiratory, cardiovascular, oncology and immunology. The following example is from a company (renamed Company X) with a respiratory product line.

Leavitt Partners was engaged by Company X (a respiratory device/drug maker) to assess emerging market segments associated with value-based care (VBC). More specifically, the organization was looking to better understand:

- How the transition to VBC would influence payment/pricing
- How the Hospital Readmissions Reduction Program (HRRP) with its associated penalties would affect their product
- How hospitals, prescribers and payers make decisions about respiratory treatments and what they think about Company X's product line
- How Company X should position their product line for growth, especially with hospitals and health systems that were expanding VBC

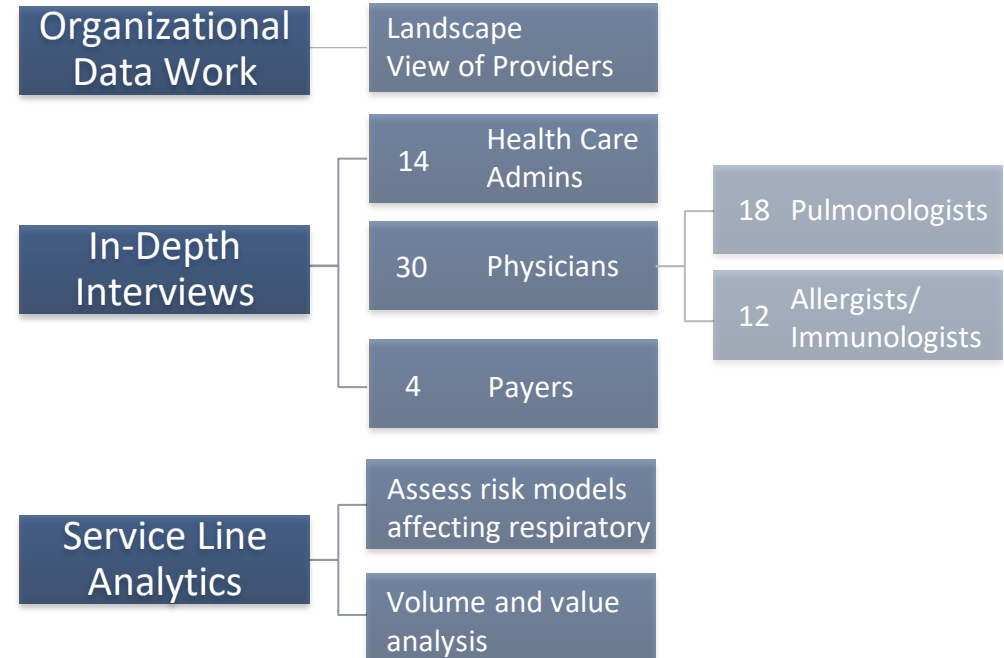
## Workstreams

- I. Analysis of Respiratory Care and Value-Based Payments
- II. Respiratory Practice Transformation & Prescriber Behavior
- III. Corporate Positioning & Strategic Response

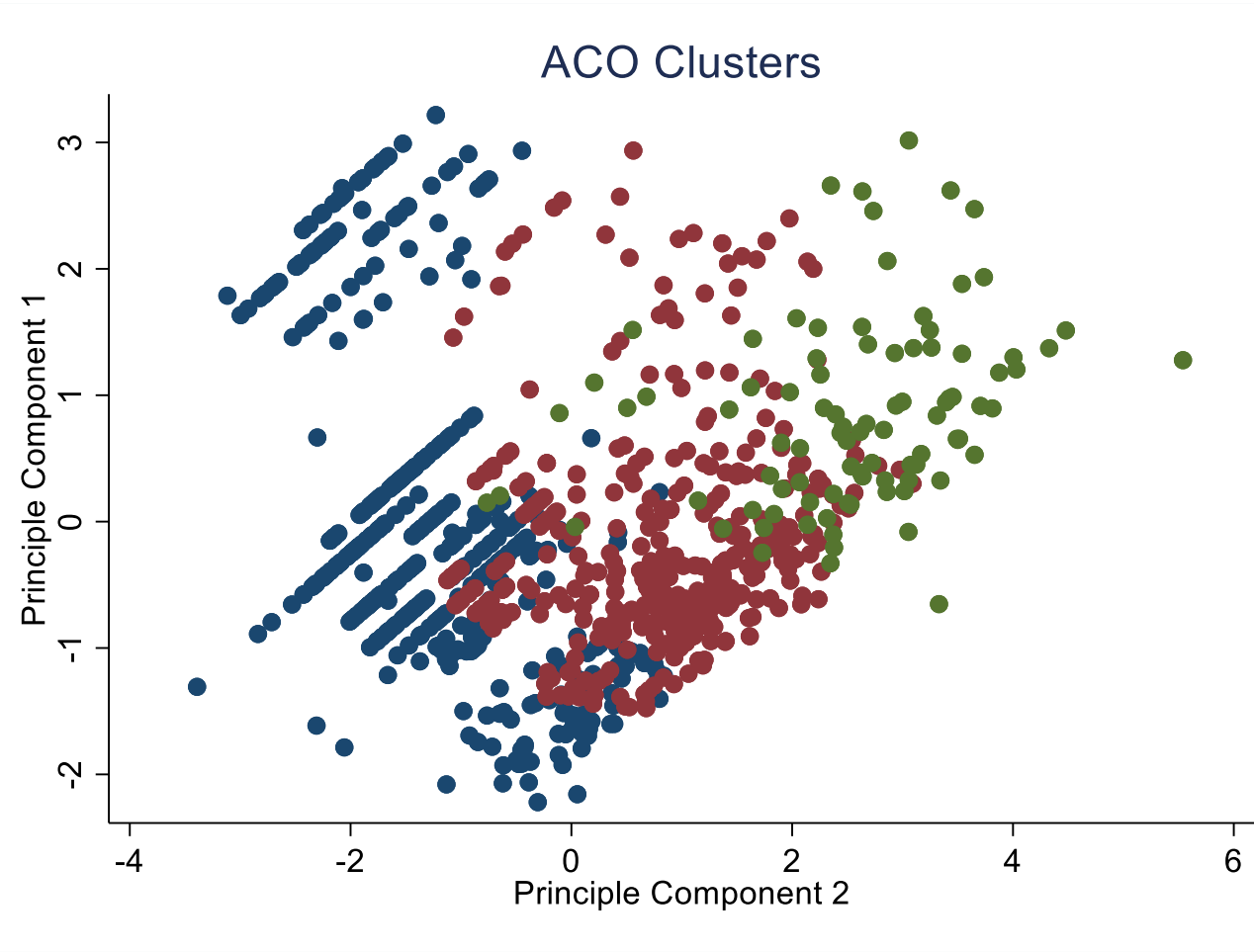
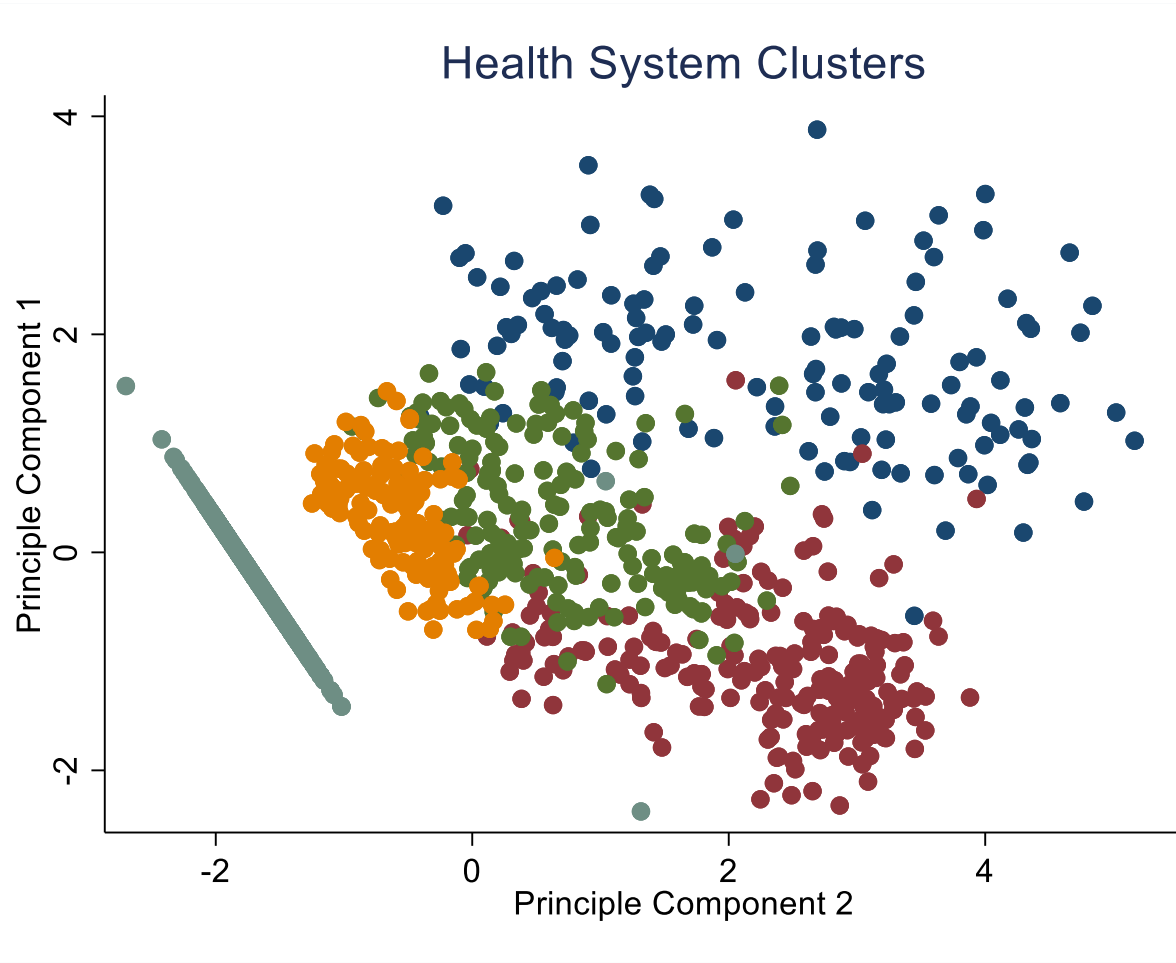
## Key Questions

- How does/will the movement to VBP models affect company?
- How has the volume of respiratory services shifted with the movement to risk-based contracts?
- How would the current account executive conversations shift?
- To what extent should the company shift relevant prescriber engagement strategies?

## Leavitt Partners Approach

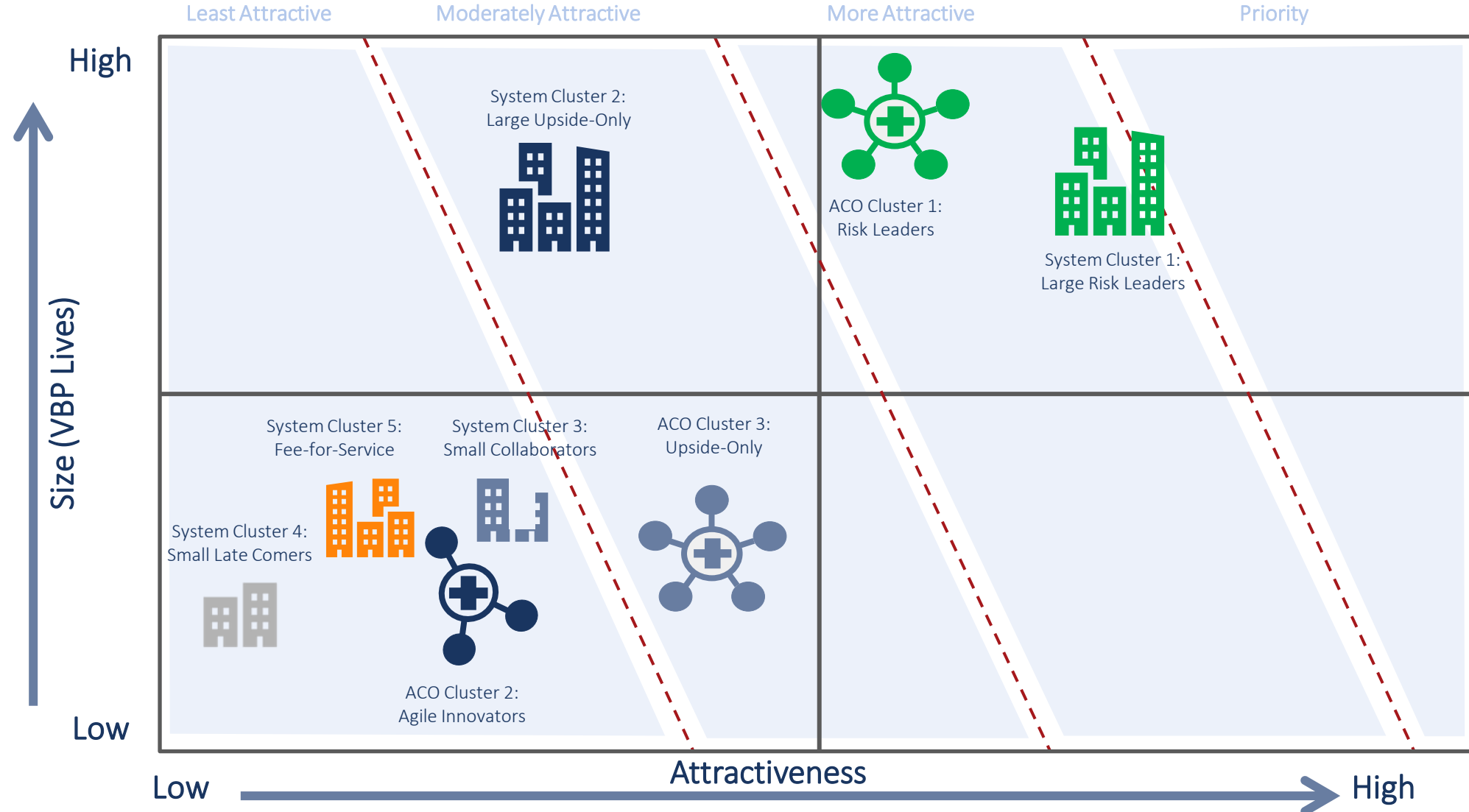


# Quantitative Research Findings



# Clusters Ranked: Health Systems and ACOs

Health system cluster one and ACO cluster one are the primary recommended targets.



## Factors Considered in Attractiveness Rating:

- Size
- Sum of Target
- Contracts
- Lives
- Commercial
- Shared Savings
- Shared Risk
- Capitated Risk
- Maturity
- Time in ACO
- Physician-led
- Health system-led
- Co-leadership

# Segmentation Clustering Process: Health Systems

The k-means clustering model analysis identified five unique health system clusters

Cluster	Number of Systems in Cluster	VBP Exposure	System Net Patient Rev	VBP Lives	Commercial Lives	Capitated Risk	Shared Savings	Shared Risk	company TRx Per Million (\$) NPR	Market TRx Per Million (\$) NPR	Ratio of company to Market TRx	Cluster Priority Rank	Favorability
1	122	21.2%	1,855 M	94 K	47 K	6.3%	12.2%	33.6%	3.1	0.8	6.1	1	High
2	248	12.7%	1,426 M	66 K	63 K	0.0%	25.7%	0.0%	2.2	0.4	7.4	2	Medium
3	177	10.3%	337 M	14 K	1.5 K	0.0%	66.1%	0.0%	1.6	0.6	5.7	3	Low
4	162	0.7%	151 M	0.5 K	0.8 K	0.0%	31.4%	0.0%	2.5	1.1	4.8	5	Low
5	499	0.0%	236 M	1.1 K	1.8 K	0.0%	0.0%	14.5%	1.5	0.3	7.7	4	Low

## Large Risk Leaders Cluster 1

Largest systems; high commercial lives; high downside risk; significant company Rx



Health System A  
Health System B  
Health System C  
(names redacted)

## Large Upside-Only Cluster 2

Large systems; focused on shared savings (i.e., upside); ACOs are more concentrated (i.e., more exclusive control over lives)



Health System D  
Health System E  
Health System F  
(names redacted)

## Small Collaborators Cluster 3

Small systems; collaborate with other systems in ACO arrangements (i.e., less exclusive control over lives)



Health System H  
Health System I  
Health System J  
(names redacted)

## Small Late Comers Cluster 4

Smallest systems; beginners in accountable care and risk sharing



Health System K  
Health System L  
(names redacted)

## Fee-for-Service Cluster 5

Not involved in ACOs; almost exclusively FFS; high company Rx



Health System M  
Health System N  
Health System O  
(names redacted)

# Health System Cluster Key Takeaways

## Commercial Lives

Over 95% of commercial lives under value-based payment arrangements are in Clusters 1 and 2.

## Medicare Dollars

Clusters 3 and 4 have a significantly higher Medicare-to-commercial dollars ratio than Clusters 1 and 2. On average, health systems in Cluster 3 have over 10x more dollars through Medicare contracts than commercial contracts.

## Health System Control

Clusters 1 and 2 average NPR of more than \$1.5 billion per system and tend to have contracts with fewer ACOs than the other clusters; therefore, they have more control over ACO lives.

## Clear Favorite



Large Risk Leaders  
(Cluster 1)

## Greatest Need



Small Collaborators  
(Cluster 3)

## Low Priority



Small Late Comers, Fee-  
for-Service  
(Clusters 4 & 5)



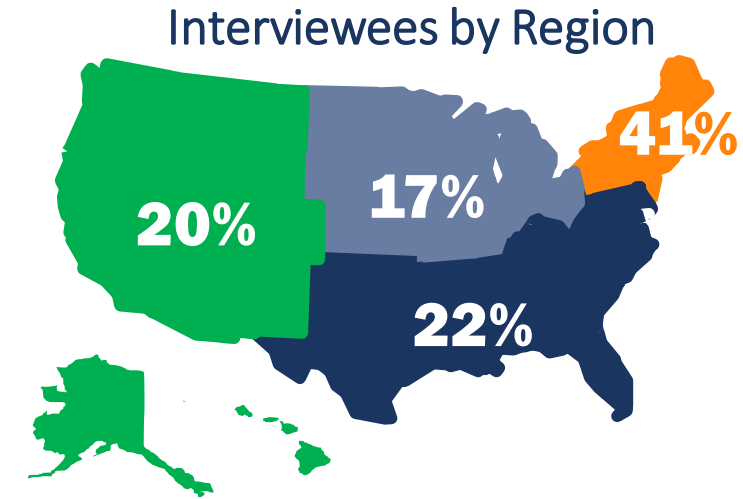
# Next Steps

The Health Systems clustering and segmentation analysis and the key take-aways on the previous two pages were followed by a prioritized list of customers, by segment, which Company X used to hone their sales and marketing approach.

After the Health Systems analysis, the results from a similar analysis for ACOs, accompanied by key take-aways and a prioritized list of ACO customers, by segment, was included.

The Leavitt Partners team also interviewed 48 key customers from across the nation. The high-level approach and some results of the interviews are on the next two pages.

# Qualitative Research Findings



## Interviewee Sample Titles

### Payers

**Director of Value-Based Contracting**  
 Director of Clinical Program Management  
**Medical Director**

### Administrators

**Chief Executive Officer**  
 Director of Respiratory Services  
**Chief Operating Officer**  
 Chief Enterprise Medical Officer

### Physicians\*

**Pulmonologist**  
**Immunologist**  
**Allergist**

## Allergic Asthma Value-Based Care Key Takeaways

- Success in treating asthma under value-based payment contracts will be realized through indirect, rather than direct, measures.
- Risk-sharing models become more attractive to administrators after they have proven to be an effective tool to improve financial performance.
- While allergic asthma value-based care initiatives may have total cost of care implications, many organizations focus their value-based care initiatives on other higher priority disease states, like COPD, heart failure, and diabetes.

## Conditions that contribute to hospital readmission rate

- Acute Myocardial Infarction (AMI)
- **Chronic Obstructive Pulmonary Disease (COPD)**
- Coronary Artery Bypass Graft (CABG) Surgery
- Elective Primary Total Hip Arthroplasty (THA)
- Heart Failure (HF)
- **Pneumonia**
- Total Knee Arthroplasty (TKA)

***Bolded Items** = Allergic asthma has limited impact; all other CMS measurements allergic asthma has no direct impact.*

“We aren’t receiving any structured guidance surrounding allergic asthma at this time. Diabetes and COPD are higher up on the list.”

*-Physician response when asked about allergic asthma & value-based care*

# Summary of Interview Findings

A summary of interview findings followed on this and the following two pages. This summary included insights into hospitals, health systems, ACOs, physicians, payers, product positioning and messaging.

The interview findings addressed several key questions, including:

- How does/will the movement to value-based payments affect company and the company's products?
- How could the company deliver more value to its clients?
- How are risk-bearing providers and payers thinking about allergic asthma?
- How should the current account executive conversations shift?

# Results

Company X better understood how hospitals, payers and physicians made decisions around costs and re-admissions, and how their product could have an impact on both.

Based on these insights, **Company X made informed decisions with marketing, positioning and promoting their product.** More specifically, they were able to create **a compelling, targeted value proposition** for each market segment.

This helped **Company X prioritize their sales, marketing and services efforts.** Understanding where the larger market was shifting also helped Company X **identify opportunities to both protect and increase market share.**





Smart on Value

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