



Group Medicare Insights: Competitive landscape

How the value-based care model strengthens the payer-provider relationship



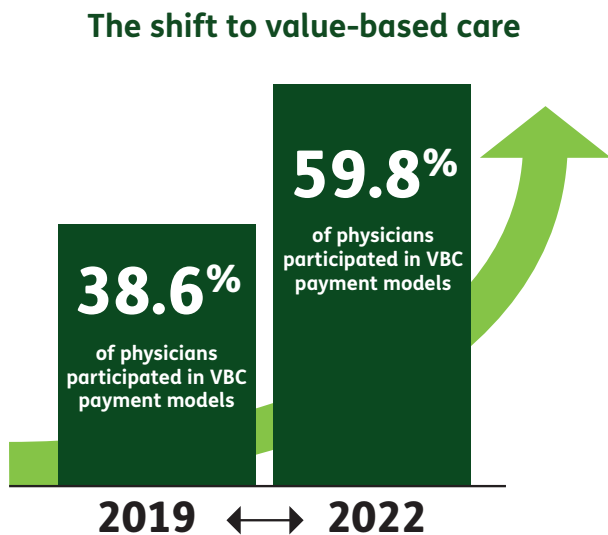
Healthcare delivery in the U.S. has undergone a major shift over the past several years with an increasing number of providers moving from a fee-for-service model—in which providers are reimbursed based on the number of services delivered—to a value-based care (VBC) model—in which reimbursement is based on quality of care and patient outcomes.

How the value-based care model strengthens the payer-provider relationship

Growing adoption of a VBC model not only impacts how physicians deliver care as well as the patient experience—it's also transforming the relationship between payers and providers.

The VBC model encourages both parties to collaborate closely through greater data sharing, helping achieve the shared goals of prioritizing preventive care and improving patient outcomes.

“In addition to aligning patients and providers, value-based care must also support providers and payers to improve the health of individual patients and populations—the ultimate outcome of medical care delivery,” says Dr. A. Mark Fendrick, Director of the Center for Value-Based Insurance Design and Professor of Internal Medicine at the University of Michigan.



The numbers reveal just how profound the shift to value-based care has been: According to one study, in 2019, 38.6% of physicians participated in VBC payment models. Only three years later, this number jumped to 59.8%.¹

When payers and providers collaborate, everyone is better off. Healthier individuals consume fewer healthcare resources, which reduces costs for physicians, payers, plan sponsors and the healthcare system as a whole.



Leveraging data to benefit payers and providers

Payers and providers operating within a VBC framework each have a role to play in order to benefit from the partnership. Payers have an abundance of data and resources, such as claims from various providers that give a more comprehensive view of the care each patient has received. The VBC model encourages payers to share clinical data with physicians, in turn helping them make more informed decisions at the point of care.

By providing analytical insights and actionable data in a timely manner, payers can help physicians assess and manage patient risk. Small practices can especially benefit from this close alignment.

“I’ve seen payers try to add value by doing predictive analytics and data analysis that small groups may not be able to do on their own, to help them understand who their high-risk patients are and when to intervene with them,” says Dr. Timothy Judson, an internal medicine physician and clinical informaticist serving as Interim Chief Population Health Officer at UCSF Health. Dr. Judson is also the Chief Clinical and Innovation Officer at UCSF-affiliated Canopy Health.

“That type of analysis is something that not all providers or provider groups can do. So that’s one way that payers can add a lot of benefit.”

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Greater data sharing also helps reduce the administrative burden on physicians, allowing them to spend more time with patients. Combined with better clinical decision-making, this translates into improved patient outcomes.

Meanwhile, payers can use data from providers about quality outcomes, which helps when calculating reimbursement rates and shared savings.



Incorporating V-BID into a VBC framework to improve patient care

Dr. Fendrick highlights the importance of carriers adopting value-based insurance design (V-BID) within a VBC framework, which helps further promote better patient outcomes. V-BID is based on lowering or removing financial barriers faced by patients that deter access to essential, high-value clinical services.

V-BID aims to improve clinical outcomes, increase healthcare quality and reduce healthcare costs by aligning patients' out-of-pocket costs with the clinical value—not the cost—of services.

“When financial incentives for patients, providers and payers are tied to the health of individuals and populations, everyone should be better off,” says Dr. Fendrick.

V-BID can be seamlessly incorporated into a VBC payment model because it incentivizes providers and patients to prioritize high-value services while discouraging low-value, and even potentially wasteful, services.

Dr. Fendrick notes there is currently underutilization of many high-value services: V-BID aims to change this. “From an insurer standpoint, we want to make it easy, not hard, for patients to access the medical services that their clinician begs them to use—that’s what V-BID is,” he says.

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Looking ahead

Demographic trends in the U.S. are shifting: A record number of Americans turned 65 in 2024, and this pattern is projected to continue through 2027². Along with a rapidly aging population comes higher rates of chronic disease.

More older adults with more chronic diseases will add strain to an already overburdened healthcare system. This makes the need for widespread adoption of a VBC framework, in which payers and providers collaborate closely and make healthcare delivery more efficient and effective while improving quality outcomes, even more pressing.

Underscoring this point is the fact that the Centers for Medicare & Medicaid Services has a stated goal of having 100% of Original Medicare beneficiaries (and the vast majority of Medicaid beneficiaries) in VBC arrangements (through accountable care relationships) by 2030³. “With more seniors

and more chronic disease, we will need scalable population health solutions to achieve good patient outcomes at a manageable cost. That is what value-based care is all about,” says Dr. Judson.

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— Dr. Timothy Judson,
Internal Medicine Physician
and Clinical Informaticist

1. Debra R. Winberg et al., “Who Participates in Value-Based Care Models? Physician Characteristics and Implications for Value-Based Care,” *Health Affairs Scholar* 2 (July 2024): 8, accessed April 22, 2025, doi: 10.1093/haschl/qxae087.
2. “Silver Tsunami: Record Number of Americans Set to Turn 65 This Year,” *Axios*, last accessed April 22, 2025, <https://www.axios.com/2024/02/19/us-baby-boomers-turn-65-2024>.
3. Liz Fowler et al., “The CMS Innovation Center’s Strategy to Support Person-Centered, Value-Based Specialty Care,” *CMS.gov*, last accessed April 29, 2025, https://www.cms.gov/blog/cms-innovation-centers-strategy-support-person-centered-value-based-specialty-care?utm_source=chatgpt.com.

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