

Preparing Health Care Systems and Providers for Value-Based Contracting

Introduction

How Health Care Systems and Providers Can Prepare for Value-Based Contracting

As the cost of medical services continues to climb, the health care industry is accelerating the move away from traditional fee-for-service payment models—where reimbursement is based on the quantity of services delivered—toward value-based payment systems. These systems tie payment to patient outcomes, quality measures, and cost efficiency.

This transition fundamentally changes how health care systems and provider organizations design care delivery, manage risk, utilize data, and align incentives across both clinical and operational services. The shift to value-based care requires more than simply signing new contracts; it demands an outcome-based mindset. By linking payment to performance, at-risk models create alignment, build trust, and encourage ongoing improvement to ensure that every dollar spent results in better health outcomes. At least, that is the goal.

The following strategies outline how health care providers and organizations can adapt in preparation for value-based care and explain why these approaches are critical.

1. Invest in Outcomes Tracking

Investing in outcomes tracking and automation is a foundational step toward value-based care, enabling providers to measure and report quality metrics—not just the volume of services. This data is essential for aligning incentives around patient outcomes, reducing waste, and ensuring the long-term sustainability of health care systems.

Tools and programs focused on outcomes-based data and measurement help bridge the gap between payers and providers.

Value-Based Contracting Readiness Checklist

Outcomes & Data Infrastructure

- Implement outcomes tracking beyond volume (quality, cost, utilization, patient experience)
- Integrate EHR, claims, lab, wearable, and consumer device data into a unified data platform
- Deploy real-time dashboards to track VBC performance metrics
- Enable predictive analytics capabilities to simulate contract scenarios
- Establish financial modeling capabilities to simulate contract scenarios

Data Governance & Actionability

- Ensure data is meaningful and accessible to clinical, operational, and leadership teams
- Link outcome drivers to cost drivers in near real time
- Embody insights into workflows rather than static reports
- Standardize metrics across teams to reduce variation in interpretation

Contract Evaluation & Negotiation Readiness

- Model shared savings, downside risk, stop-loss, and MLR scenarios
- Assess organizational readiness against contract requirements
- Identify gaps that cannot be operationalized quickly
- Use analytics to support payer negotiations with data-backed insights
- Avoid contracts that are aspirational but operationally misaligned

Care Model & Utilization Management

- Redesign care delivery around outcomes rather than visit volume
- Engage clinical teams early using transparent performance data
- Reduce unwarranted clinical variation through measurement-based care
- Align incentives across clinical and operational teams

Patient Engagement & Activation

- Translate clinical and claims data into patient specific insights
- Use predictive analytics to trigger proactive outreach
- Deploy remote monitoring for chronic condition management
- Reinforce behavior change by linking daily actions to outcomes

By sharing data and analysis that highlight mutually beneficial goals, organizations can make a purposeful strategic shift toward value-based care. This alignment of incentives makes health care more affordable and effective for all stakeholders.

Outcomes oriented data and analysis tools that providers need for value-based contracting (VBC) focus on integrating diverse health data (EHR, claims, social determinants of health - SDoH) to offer insights for risk prediction, cost optimization, performance tracking (quality, patient satisfaction, hospital readmissions) and proactive intervention design. Adding features like AI-driven modeling, real-time dashboards, and predictive analytics help providers maximize financial success and improve patient outcomes via improved ability to monitor performance against quality/cost targets, identify savings, and forecast financial outcomes associated with risk-sharing contracts.

Leading capabilities of outcome tracking tools:



Data Integration and Management:
Pulls data from EHRs, claims, labs, wearables, and SDoH sources for a holistic view.



Financial Modeling:
Models contract scenarios to optimize terms and forecast profitability.



Predictive Analytics:
Use AI to forecast health risks, preventing costly adverse events.



Intervention Design:
Identifies care gaps and areas for improvement to create targeted programs.



Performance Monitoring:
Tracks key VBC metrics (quality, cost, patient experience) via interactive dashboards.



Negotiation Support:
Provides data-backed insights to strengthen payer negotiations.

2. Ensure Data Is Meaningful and Actionable

A significant shift required for value-based care is making sure data is meaningful and actionable for everyone within the organization. The real differentiator lies in connecting data to reveal what drives outcomes, what drives costs, and how these elements are linked in real time. Armed with meaningful and actionable data drives improved contract negotiations and organizational design strategies aligned with contracting goals, as follows:

Contract Negotiation and Assessment

Healthcare systems are increasingly recognizing the importance of leveraging advanced analytic tools to optimize their contract negotiations with payers, as these contracts become more complex. By modeling different scenarios, these systems can project and evaluate the financial implications of various contract terms. By simulating a range of outcomes based on variables such as medical loss ratio (MLR) targets, shared savings, stop-loss thresholds, patient volume, quality and utilization-related incentive structure, and changes in health care regulations – health systems can better identify the most favorable contract terms and develop strategies to negotiate from a position of strength.

Being armed with the right data improves the ability to evaluate and discover what current capabilities will drive success as well as limitations. The contract must be the right fit, not just aspirational - Is there something built into the incentive model that is lacking and/or cannot be built or enabled quickly?

Organizational Design

Providers and health systems need to be ready to redesign care with a focus on outcomes rather than volume – yielding the shift toward a more patient-focused and sustainable operating model. This involves sharing data with and engaging clinical teams early, reducing variation, and concentrating on what matters most to both patients and improved health results.

The availability of real-time measurement through consumer technology brings patients into the process. Utilizing AI and connected remote diagnostic and therapeutic devices enables faster and more precise care delivery, minimizing unnecessary delays or disruptions.

3. Identify Long-Term Consumer Value

The transactional nature of the fee-for-service system leads to wasted time, services, and payments. Value-based care presents both an opportunity and a mandate to determine where long-term value benefits consumers most, and to empower providers to structure services and payments accordingly. To support providers and health care organizations, using data and insights to facilitate greater care collaboration can help to strengthen provider buy-in and trust, where they can rely on proven analytics to optimize and streamline processes toward improved access to care and a focus on patient communication and engagement.

Ensure Reliable Access to Care

Health care systems must recognize that positive outcomes begin with reliable and timely patient access. Value-based care cannot succeed without access; missed appointments result in unmanaged chronic conditions, poorer outcomes, and higher costs. Improving outcomes requires attention to when and how patients can receive services at the right time and place.

Organizations can enhance access by establishing clear care paths, risk tiers, and social needs screening with warm handoffs. Tracking and measuring metrics such as avoidable emergency visits and readmissions—and linking those events to earlier intervention opportunities—supports prevention, whole-person care, and lower costs. These shifts can be initiated by training clinicians in measurement-based care and using straightforward electronic dashboards designed to prompt timely action.

Center Care on Patient Relationships

Value-based models are most effective when providers focus on relationships, not just transactions. When patients feel heard and supported, improved outcomes naturally follow. This approach shifts the focus from merely treating illness to building trust, creating genuine value within health care.

While this transition presents challenges, success depends on both providers and patients being prepared to adapt. Providers must leverage data and insights to drive change, while patients must be more actively engaged. Value-based care outcomes are strongest when preventive care and healthy behaviors are supported by informed, motivated participation from all stakeholders.

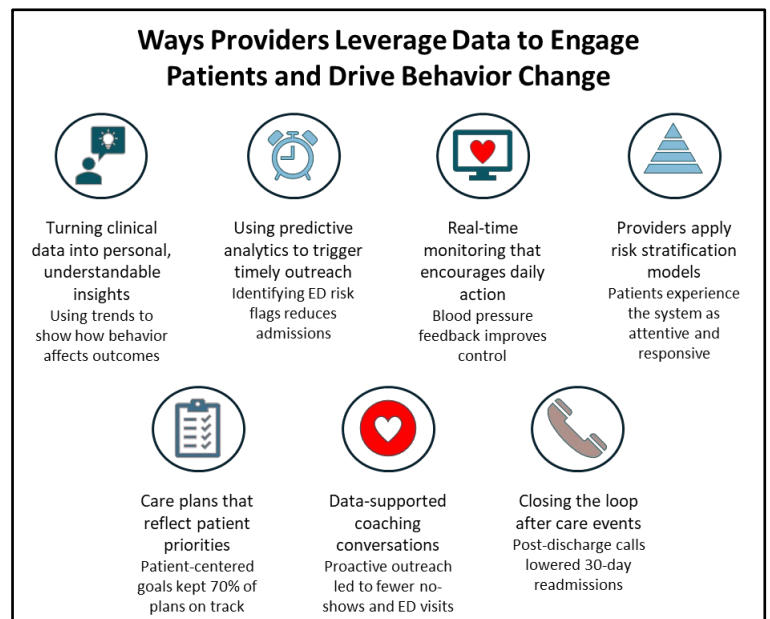
Examples:

Turning Clinical Data into personalized, understandable insights:

Provider(s) use electronic health records (EHR) and claim data to translate abstract clinical measures into patient-specific stories.

A primary care team uses trends in A1C, BMI, and pharmacy fill data to show a patient how small changes in diet and medication adherence directly improved their glucose control over the past three months—reinforcing progress and motivating continued engagement.

Why it works: *Patients are more likely to act when they understand how their behaviors affect their own outcomes, not just population benchmarks.*



Using Predictive Analytics to Trigger Timely Outreach

Providers apply risk stratification models to identify patients who are likely to deteriorate without intervention.

A health system flags patients with rising ED utilization and missed appointments, then proactively schedules outreach from a care manager to address transportation barriers, medication issues, or social needs before a hospitalization occurs.

Why it works: Outreach feels supportive rather than reactive, and patients experience the system as attentive and responsive.

Real-Time Monitoring That Encourages Daily Action

Remote monitoring and connected devices allow patients to participate more actively in managing chronic conditions.






Patients with hypertension receive automated feedback through a patient portal when home blood pressure readings trend upward, along with simple guidance (e.g., medication reminders, dietary tips) and early nurse follow-up.

Why it works: Immediate feedback links daily choices to outcomes, reinforcing habits before conditions worsen.

Essential Takeaway: Value-Based Care Delivers

Although the transition to value-based care is complex, the evidence clearly demonstrates that organizations that move decisively achieve superior clinical and financial results.

Providers that effectively leverage data and actively engage patients—particularly around prevention and chronic disease management—are better positioned to improve outcomes, reduce avoidable utilization, and achieve sustainable financial performance under value-based contracts.

 <p>In Medicare's Shared Savings Program, accountable care organizations generated \$2.5 billion in net savings for Medicare in 2024.</p>	 <p>75% of ACOs earning shared savings while simultaneously improving quality metrics such as blood pressure and diabetes control.</p>
 <p>Medicare Advantage patients cared for under value-based arrangements experienced 32% fewer inpatient admissions and nearly 12% fewer emergency department visits compared to non-value-based populations, driven by stronger primary care engagement and preventive services.</p>	 <p>32% ↓</p>  <p>12% ↓</p>