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The value management paradox in healthcare

Why large healthcare transformations often fail to deliver and how healthcare payers can maximize their returns with a strategic approach to value management

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01

Overview

The healthcare landscape is undergoing a rapid transformation. Payers are prioritizing value-based care, population health, data-driven insights, and personalized patient experiences. These shifts demand significant investments in large-scale initiatives. However, the challenge lies in unlocking the full potential value of these transformations.

The good news? Organizations don't have to wait until initiatives stall to address value. By embracing proactive value management from the outset, healthcare payers can bridge the gap between investment and outcomes.



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Value management lifecycle

Value management, a systematic approach to maximizing the return on invested resources, has traditionally focused on cost optimization, efficiency, and achieving high-quality outcomes. However, with healthcare payers making significant long-term investments, particularly in complex technology transformations, concerns are rising about the actual value delivered compared to initial projections. Proactive integration of value management practices from the start of these transformations can mitigate risks, ensure

investments achieve maximum return, and guarantee successful realization of overall objectives. Effective value management begins with understanding the foundational principles.

Large-scale transformations often fall short of their initial value promises. This happens because organizations struggle to clearly define and track the value they're aiming to achieve. Here are some warning signs:



Initiative Overload: The transformation becomes cluttered with too many projects, making it difficult to focus on core value drivers.



Reactive Problem-Solving: Issues are addressed haphazardly without a clear understanding of how they impact overall value.



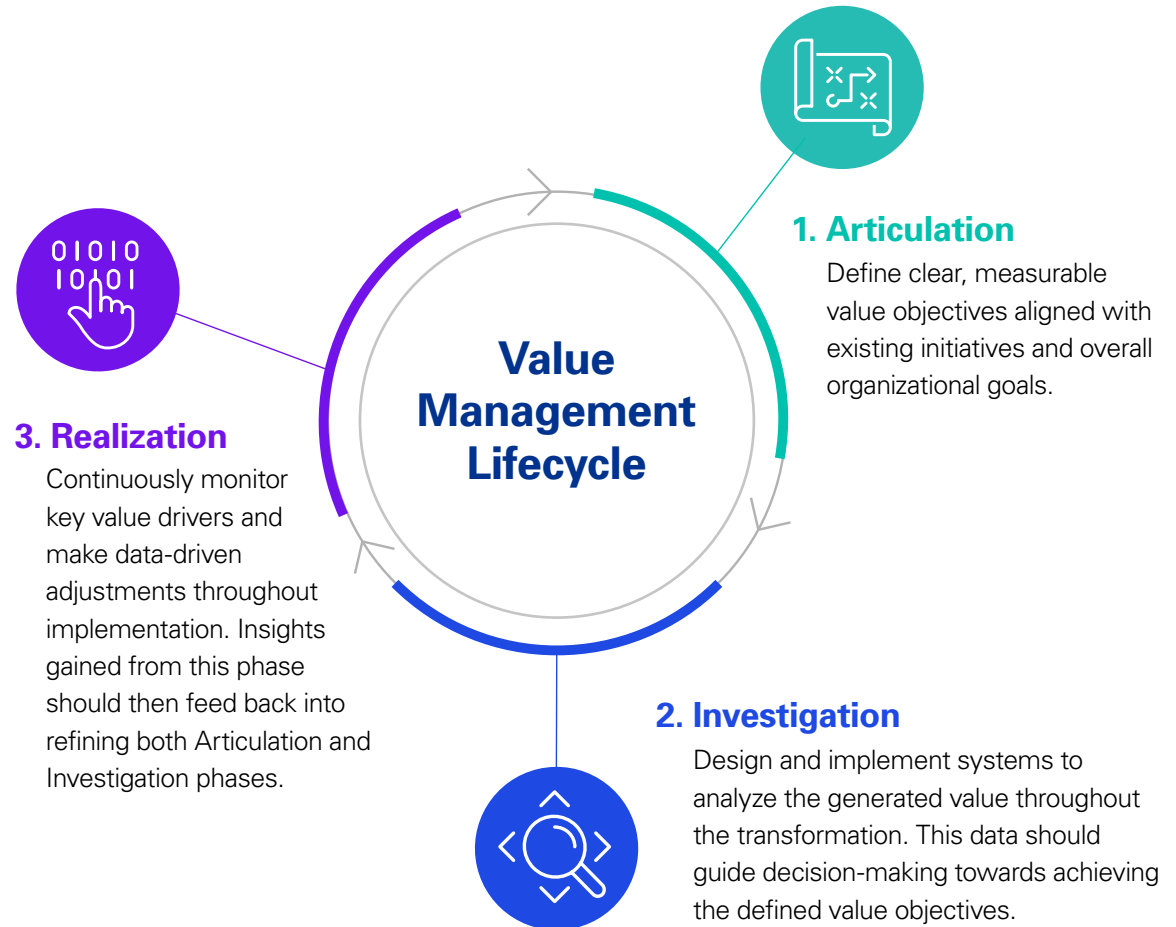
Accountability Vacuum: No one is clearly responsible for ensuring the transformation delivers the expected value.



Arbitrary Decisions: Decisions are made without considering their impact on achieving value goals.

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Value Management offers a structured approach to bridge this gap. It is an iterative, three-phase process that requires continuous and proactive management:



These phases are not linear steps, but rather a continuous loop. Insights gained from value realization (phase 3) are fed back into defining objectives (articulation) and refining value analysis methods (investigation). This cyclical approach ensures continuous improvement and adaptation throughout the transformation journey, leading to a more successful outcome.



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Closing the gap with value management

Benefits of Effective Value Management:

- **Clearer direction:** Defined value objectives guide decision-making and resource allocation.
- **Improved accountability:** Stakeholders are responsible for delivering specific value outcomes
- **Data-driven decisions:** Analysis provides insights for optimization and course correction.
- **Increased success rates:** Transformations are more likely to achieve their intended value.

By implementing a robust value management approach, organizations can turn large-scale transformations into engines for creating sustainable value.



Client Quote | Top Healthcare Organization:

As a Senior Vice President at a health services organization, I recognize the critical importance of value management in our industry. It empowers us to optimize resources & teams, enhance operational efficiency, and maximize the value we deliver to our members and stakeholders. By strategically assessing and aligning our initiatives with the triple aim of improving healthcare outcomes, reducing costs, and enhancing patient experiences, we can lead transformative change in an increasingly complex healthcare ecosystem."



Case study

How a healthcare payer unlocked the value of a large-scale transformation

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Healthcare payer achieves \$61M in value through proactive transformation across three years, exceeding their initial expectations of value and ensuring sustainability in meeting their expected future return.



CHALLENGE

A healthcare payer aimed to become a comprehensive care delivery organization. This ambitious digital transformation required careful management to ensure a successful outcome.



SOLUTION

KPMG partnered with the client to implement a robust value management approach. This involved:

- **Strong Stakeholder Engagement:** Collaboration with key leaders from the start ensured alignment and buy-in for the value model.
- **Comprehensive Value Framework:** Identification of 12 value levers (e.g., cost efficiency, revenue generation) provided a holistic view of potential benefits.
- **Prioritization Framework:** Levers were prioritized based on impact and immediacy, guiding resource allocation.
- **Decision-Making Tools:** Framework was developed to align transformation efforts with strategic goals and optimize spending decisions.
- **Measurement and Monitoring:** Specific KPIs tracked progress in areas like operational efficiency and customer satisfaction.

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04

Case study

Unlocking the full value of large-scale transformation *continued*



RESULTS

- **\$61M in Potential Value Over 3 Years Identified:** The value management approach helped uncover significant potential savings.
- **Improved Collaboration:** A common method for articulating value facilitated teamwork across project teams.
- **Sustainable Practices Established:** The client built structures to actively manage value throughout the project lifecycle.
- **Real-Time Insights:** KPIs provided ongoing measurement of transformation progress.



KEY TAKEAWAYS

This case study serves as a compelling and illuminating example, effectively showcasing the impact of proactive value management within the healthcare industry. By implementing and adhering to leading practices, healthcare payers can successfully navigate through complex and multifaceted transformations with greater confidence, precision, and effectiveness. In embracing the value management discipline, healthcare payers can enhance not only their financial outcomes but also positively impact their operational efficiency, quality of care, and overall organizational performance.

From Insights to Action: Putting the Case Study to Work

There's no single approach to value management – organizations need tailored models to achieve their specific transformation goals. Each initiative or project likely has unique ways to define and measure its benefits realization. As we continue to assess how we help organizations unlock the full value of their large-scale transformations, it's clear that these unique approaches need to be reflected in the tools (value management levers) used for estimating and monitoring value.

A Holistic View of Value Creation

A comprehensive value management approach goes beyond just cost savings. It encompasses the full spectrum of potential benefits, for example (see Figures 1 and 2):

- **Operational efficiency** - Streamlining processes for greater productivity.
- **Total cost of care** - Optimizing healthcare delivery to reduce costs.
- **Increased revenue** - Identifying opportunities to generate new income streams.
- **Improved patient experience** - Enhancing the quality of care for better outcomes.

Illustrative client example: Transforming Prior-Authorization

Initiative	Impact Levers	Associated Metrics	Potential Value*
Transform Prior Authorization Operations Once optimization is achieved, these will lead to reduction cost per service	Operational Efficiency Improved profitability through reduction in operating expenses	Case Resolution Time	\$XM
		Onboarding and training Time	
		Case efficiency	
		Portal adoption	
		Member notifications	
	Total Cost of Care Efficiency Improved member quality of care	Reduced PMPM costs	\$XM

Figure 1 – Example overview of operational savings organized through initiative, impact levers, associated metrics, and potential value. These initiative, impact levers, associated metrics are specific to the client referenced in the case study above. Initiatives and associated metrics can be modified based on the organization and specific challenges experienced.



04

Continuous Improvement Through Learning

Value management is an ongoing journey. By analyzing past successes and failures (lessons learned), organizations can adapt their strategies for even better results in the future. Our case study provides a great example: by identifying potential areas for revenue and improved patient experience, the organization positions itself for long-term value creation.

Illustrative client example: Transforming Prior-Authorization



Figure 2 – Example overview of potential revenue projections, organized through initiative, impact levers, associated metrics and potential value. These initiative, impact levers, associated metrics are specific to the client referenced in the case study above. Initiatives and associated metrics can be modified based on the organization and specific challenges experienced.



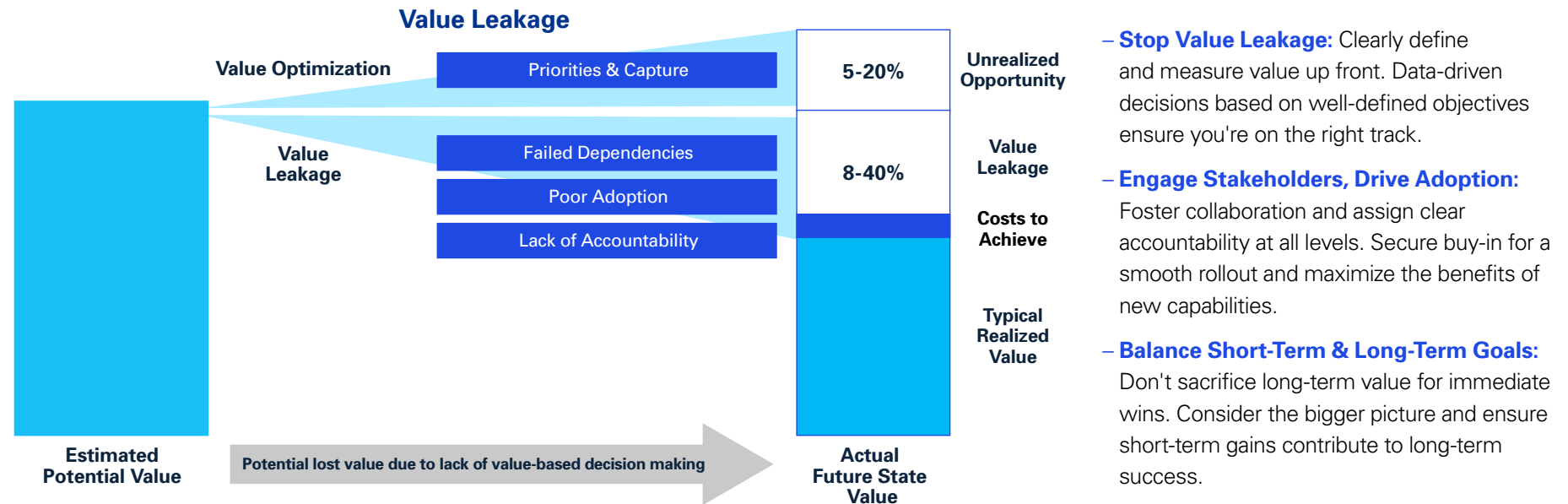
The hidden costs of poor value management

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Imagine losing nearly 40% of your expected value due to a gap between planned and realized benefits. That's the reality for organizations without a strong value management strategy. Additionally, ineffective practices can lead to missing 5-20% of potential opportunities altogether.

KPMG's Value Management Approach provides a strong launchpad.

Our framework provides a solid foundation, but true success lies in effective implementation. Here's how to avoid common pitfalls and maximize value:





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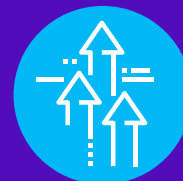
The hidden costs of poor value management *continued*



The ripple effect of ineffective value management

The consequences of poor value management go beyond financial losses:

- **Missed Opportunities for Growth:** Stifle innovation and competitive advantage by failing to identify and capitalize on potential benefits.
- **Wasted Resources and Lack of Accountability:** Improper allocation leads to suboptimal outcomes, wasted resources, and a lack of ownership for results.
- **Diminished Stakeholder Satisfaction:** Unfulfilled value expectations erode trust and engagement, hindering future initiatives.



Invest in value management, reap the rewards

By proactively addressing these challenges and implementing a robust value management strategy, organizations can unlock significant benefits:

- **Minimize Value Leakage**
- **Maximize ROI**
- **Drive Innovation and Growth**
- **Boost Stakeholder Satisfaction**
- **Optimize Resource Allocation**



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Unlocking the full potential: The power of value management

By implementing a strategic value management approach, healthcare payers can ensure their investments deliver real results.

Here's what this entails:

- Clearly Defined Vision: Establish a clear and measurable understanding of value for your organization.
- Long-Term Focus: Prioritize long-term strategic goals over short-term fixes.
- Stakeholder Engagement: Actively involve all stakeholders throughout the process to foster ownership and accountability.



07

Value management

Client success stories

In today's complex healthcare landscape, a robust value management strategy is no longer optional – it's essential. It's the key to unlocking the full potential of your investments and achieving sustainable success.



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Client success stories

Healthcare Organization

A healthcare organization with three major lines of business, including health insurance, retail, and pharmacy benefits management, engaged KPMG to help promote standardization and collaboration across their call centers. Through this engagement, the client gained had a focus on improving their center of excellence, KPMG supported the measurement of potential value and the establishment of measurement and monitoring systems to monitor progress. As a result, the client not only gained an objective understanding of value potential, but they gained the infrastructure needed to support their value management journey.

Key outcomes

- **Comprehensive Business Unit Analysis:** Successfully developed and implemented a detailed, interactive business unit profile inventory across lines of business/, enabling enhanced visibility and deeper insights into operational efficiencies and areas for improvement.
- **Automation in Metrics Reporting:** Established an automated metric collection and reporting system, streamlining the process of capturing critical data points and ensuring timely, accurate reporting to stakeholders, thus facilitating informed decision-making.
- **Adaptive Value Tracking System:** Created and rolled out a scalable value tracking framework and methodology, designed to adapt to evolving business needs and objectives, thereby providing a robust mechanism for continuously measuring and optimizing the value delivered through strategic initiatives.



07

Client success stories

Healthcare Payer

A healthcare payer aimed to address challenges in their contact center through improved employee and customer experience initiatives. They aimed to improve employee retention, decrease sourcing and onboarding costs, and improve employee productivity. KPMG supported the identification of strategic initiatives to address these objectives. Further, KPMG developed cost and value estimate methodologies and tools to support the client's ability to actively manage value through initiative implementation.

Key outcomes

- **Developed a value framework:** to guide the measurement and monitoring of value across multiple dimensions. This framework helped define initiative value more comprehensively, while offering flexibility in measurement and monitoring of future enhancements.
- **Dynamic Value Modeling:** Developed a scalable and adaptable value case model, enabling the organization to refine and update cost savings and efficiency estimates in real-time as new initiatives are implemented, ensuring stakeholders have access to the most current financial projections.
- **Projected Savings Realization:** Successfully outlined a strategy to achieve an anticipated \$5 million in cost savings over the next three years, through meticulous planning and execution of key initiatives, coupled with continuous monitoring of KPIs and adjustment to maximize financial outcomes.



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How KPMG can help

Value management practices are essential in aiding organizations as they invest in large-scale and costly implementations. These practices enable healthcare payers to realize the full value of their investments, and continually identify, measure, and track future value.

KPMG has extensive experience in helping healthcare payers optimize their value management practices, and in turn, allowing them to provide high-quality, cost-effective care to their members. We work with healthcare payers across all areas of value management including: developing and implementing value frameworks, tracking and reporting on value management processes and enabling organizations to make informed decisions about current and future investments. KPMG is committed to helping healthcare payers achieve their transformation objectives.



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