

Building Sustainable Value-Based Contracts

How a Commercial Health Plan Operationalized Its Value-Based Contract Strategy

! The Challenge

For one regional health plan, advancing its value-based care (VBC) strategy meant rethinking its contracts. Many of its first-generation agreements lacked the structure to be both mutually beneficial and sustainable, with benchmarks that allowed providers to achieve shared savings without delivering meaningful operational or quality improvements. This health plan's ultimate objective is to transition its provider groups towards shared-risk arrangements while navigating the regional complexities of each ACO and exploring new markets such as Medicare Advantage.

✓ The Solution

Building on lessons learned, the plan is using SpectraMedix as an enabling technology to design next-generation contracts and track key value-based care levers to better align incentives, address performance gaps, and prepare providers for greater accountability.

This approach, guided by three key strategies, establishes a strong foundation for shared success and balanced risk-sharing across its provider network.

1. Understanding Value-Based Performance and Root Causes of Performance Variability

Using the SpectraMedix Platform as a trusted source of truth, the plan started with a year-long evaluation period to analyze and model financial performance against key value levers such as utilization and risk for all existing contracts. By understanding the factors behind both achieved and unmet metrics, the plan can:

- **Pinpoint causes of underperformance** and missed opportunities to target interventions for struggling partners
- **Identify provider networks who consistently meet benchmarks** with minimal operational changes to ensure performance is rooted in genuine improvements rather than inflated risk scores or overly lenient contract terms
- **Assess provider suitability** for more advanced or limited risk-sharing arrangements

Beyond providing performance insights, SpectraMedix partnered with the health plan to analyze its data using the platform and pinpoint key areas impacting financial performance. During this analysis, SpectraMedix uncovered a systemic issue in risk normalization—contracted populations had higher-than-expected risk scores, distorting plan projections and incentives.

By identifying this issue before the health plan, SpectraMedix provided a critical insight worth eight figures annually in prospective contract design. Leveraging these findings, SpectraMedix helped the plan refine its approach to benchmarking risk adjustment, enabling more accurate forecasting and stronger value-based contract performance.



SpectraMedix uncovered a critical issue with risk normalization worth **over eight figures annually** in prospective contract design.



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2. Developing More Effective Contracts

The health plan's next priority is designing its second generation of contracts to ensure long-term sustainability for value-based arrangements across its network. **By leveraging the SpectraMedix Platform, the plan can model scenarios across contract types, lines of business, and performance levels to pave the way for shared success:**

- **Explore different risk-sharing and payout structures**, including shared savings, shared risk, capitation, and more
- **Test scenarios** based on factors such as business line, region (rural or urban), and performance levels while assessing projected outcomes
- **Adjust key value levers** like quality, risk, and utilization to visualize their impact on value-based contracts and construct incentives that drive meaningful results
- **Forecast provider performance** to ensure contracts align with both plan and provider goals and place each provider at the right level of risk-sharing



Using the SpectraMedix Platform, the health plan is designing **next-generation contracts** that pave the way for shared success.



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3. Operationalizing Value-Based Contracts: Bridging the Last Mile

Transitioning to more advanced VBC contracts poses a significant challenge, with some providers reluctant to take on more risk due to operational constraints, limited analytical resources, or capacity to manage downside exposure. Assessing provider readiness and analytical maturity is essential to contract success.

SpectraMedix plays a critical role in not only designing and evaluating contracts, but also operationalizing them to ensure success across the provider network. Key support elements include:

- **Value lever alignment** to reflect the unique priorities of different business lines and provider types, from large urban health systems to small rural practices
- **Tailored insights** that connect quality, risk, and utilization results to contract terms while highlighting earned and missed incentives and opportunities for improvement
- **Performance transparency** to provide a clear view of contract outcomes, enabling early identification of underperformance and strategic, proactive interventions for health plan and ACO leaders
- **Automated provider enablement reports** that deliver actionable insights and empower providers to achieve their value-based goals
- **Engagement feedback** that monitors provider interaction with data, fostering accountability and proactive collaboration to improve



SpectraMedix is enabling the plan to **operationalize advanced VBC contracts** and drive measurable provider performance.



Paving the Way for Greater Risk-Sharing

This regional health plan's journey illustrates the power of optimizing and operationalizing next-generation value-based contracts. With SpectraMedix technology, the plan can now identify root causes of performance gaps, assess provider readiness for downside risk, and develop tailored contracts that align incentives with meaningful outcomes, foster accountability, and build trust.

The result is a scalable framework for sustainable value-based contracts that improve quality and financial outcomes, setting the stage for success across the health plan and its provider network.

Ready to Delve Deeper?

Contact us today to find out how we can help you achieve your value-based payment goals.

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