

EXECUTIVE SUMMARY

Sanford Health Plan (SHP) must ensure the long-term financial sustainability of its growing Medicare Advantage (MA) population. Currently, SHP is losing roughly \$60 PMPM due to a number of industry headwinds, and following a recent merger, membership rose to 78k (inheriting 70k members). With key national competitors exiting the market, MA membership is projected to exceed 90k, heightening the urgency to establish a clear path forward.

To address these challenges, SHP is pursuing a strategic transition to Value-Based Care (VBC). However, progress to-date has been slow. Many physicians maintain a **long-standing fee-for-service mindset**, prioritizing predictable, immediate income over performance-based rewards, and may perceive VBC initiatives as implicit critiques of the care they provide. In addition, physicians in rural areas often **lack the infrastructure, data capabilities, and care management resources** to confidently engage in risk-based contracts. Internally, **misaligned incentives and competing priorities between SHP's payer and provider arms** have further constrained collaboration.

To ensure long-term profitability, SHP should pursue a three-step strategy:

- 1. Ensure accurate risk coding through primary care assessments**, strengthening the foundation for VBC by capturing appropriate risk and securing revenue integrity. Best practices combine pre-visit checklists, team-based validation, immediate incentives, AI-assisted coding, dashboards, and operational safeguards to ensure accurate, ethical risk adjustment
- 2. Control overspending through a sustainable VBC strategy:** i) **Strengthen trust and alignment between the health plan and providers** by improving collaboration and data infrastructure (e.g., integrated dashboards, joint planning sessions, and shared care management resources), ii) **implement MLR-based models that tie performance to quality** (including upside-only pilots with monthly statements showing pay parity, referral retention incentives, referral-aware alerts, and transparent clinic-level shared savings), and iii) **gradually evolve toward bundled payments to align incentives**, manage financial risk, and ensure care outcomes. Rural-specific strategies include prioritizing high-margin feasible services, hospital-at-home programs, and expanded virtual care to reduce readmissions and maintain care locally
- 3. Redesign benefit strategy** to attract healthier members and rebalance the risk pool to support long-term growth

Through this strategy, **Sanford could potentially unlock ~ \$3.5M through MLR-based arrangements, and \$5-10M through bundled payments** every year, depending on the types of episodes this model is applied to.