Integrated Delivery Networks: Market Landscape and Strategic Imperatives

The integrated delivery network (IDN) market has undergone another dynamic year of growth and M&A activity. HIRC’s report, *Integrated Delivery Networks: Market Landscape and Strategic Imperatives*, provides a market overview of IDNs, including recent and notable market activity, reviews the status of value-based reimbursement, and examines IDNs’ most urgent strategic imperatives and operational objectives for 2019. The report addresses the following questions:

- What is the size of the IDN market? How is hospital and physician group/practice affiliation with integrated delivery networks evolving?
- How are IDNs enhancing the continuity of care across inpatient, outpatient, pharmacy, and post-acute care? Which trends are impacting IDNs across each care setting?
- How is IDNs’ involvement in pharmacy management and distribution evolving? What is the prevalence of IDN-owned specialty pharmacies?
- What is the level of IDN participation in Medicare and commercial insurer value-based reimbursement programs? What is the landscape of health system-led health plans and ACOs?
- What are IDN decision-makers’ most urgent strategic imperatives and operational objectives to address as they adjust to an evolving market landscape?

**Key Finding:** Integrated delivery networks continue to build upon business models that will position them for success as the shift from volume to value accelerates and new market disruptors emerge.

### Value-based Reimbursement and Increasing Costs Identified as Top Market Trends Impacting IDNs

The shift towards value-based care is most often identified as the top market trend impacting IDNs as government and commercial payers continue to grow alternative payment programs, and in some cases are accelerating the pace to downside risk (e.g., glide path to risk in the Medicare Shared Savings Program).

<table>
<thead>
<tr>
<th>Rank</th>
<th>Market Trend</th>
<th>% of Panel Identifying as Impactful Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Shift Towards Value-based Reimbursement</td>
<td>57%</td>
</tr>
<tr>
<td>2</td>
<td>Increasing Pharmaceutical and Supply Costs</td>
<td>35%</td>
</tr>
<tr>
<td>3</td>
<td>Industry Consolidation</td>
<td>33%</td>
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<tr>
<td>4</td>
<td>Regulatory Changes and/or Uncertainty</td>
<td>30%</td>
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<tr>
<td>5</td>
<td>Competition from OnDemand Providers/New Entrants to Health Care</td>
<td>23%</td>
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<tr>
<td>10+</td>
<td>Additional Market Trends</td>
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TOP MARKET TRENDS IMPACTING IDNs

Increasing pharmaceutical and supply costs, industry consolidation, regulatory changes and/or uncertainty, and competition from ondemand providers/new entrants to health care round out the top five market trends. The full report provides the complete listing of top of mind market trends for IDN decision-makers and examines the top trends in detail.
The Prevalence of Health System-owned Specialty Pharmacies Continues to Increase

Integrated delivery networks are expanding offerings across the continuum of care, including pharmacy services. There has been notable growth in health system-owned specialty pharmacies in the last four years, with 70% of IDNs reporting having a specialty pharmacy in 2019, up from 39% in 2016. HIRC estimates that up to 85% of IDNs could have their own specialty pharmacy by 2022. Growth drivers include value-based reimbursement, 340B program opportunities, and health system specialty pharmacy consortiums that can enhance access to payer networks and limited distribution drugs.

The full report reviews IDNs’ top strategic imperatives and operational objectives guiding senior leader decision-making and the following resources to support account planning:

- **IDN Profiles**: Detailed profiles for 15+ select industry-leading integrated delivery networks.
- **Market Access & Partnership Landscape**: Manufacturer ratings of top IDNs’ ability to limit brand access and willingness to partner with pharmaceutical firms.

The Organized Providers Service examines the environmental trends impacting health care delivery, focusing on how increased provider accountability and value-based reimbursement will impact pharmaceutical market access. HIRC’s research with integrated delivery networks (IDNs) and accountable care organizations (ACOs) provides market insights and metrics to assist pharmaceutical firms in developing access strategies and quality value-added programs. For subscription information please contact:

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Research Methodology and Report Availability

In December and January, HIRC surveyed 60 IDN senior leaders and pharmacy and medical directors. In-depth secondary research, online surveys, and follow-up telephone interviews were used to gather information. The full report, *Integrated Delivery Networks: Market Landscape and Strategic Imperatives* is part of the Organized Providers Service, and is now available to subscribers at www.hirc.com.