

Business Model for Umbrella Hub Arrangements

This section includes:

- Introduction to the UHA business model, including definitions and unique aspects of the UHA business model
- Visual of the UHA business model
- Discussion of UHA financial strategies
- Learnings from the Demonstration

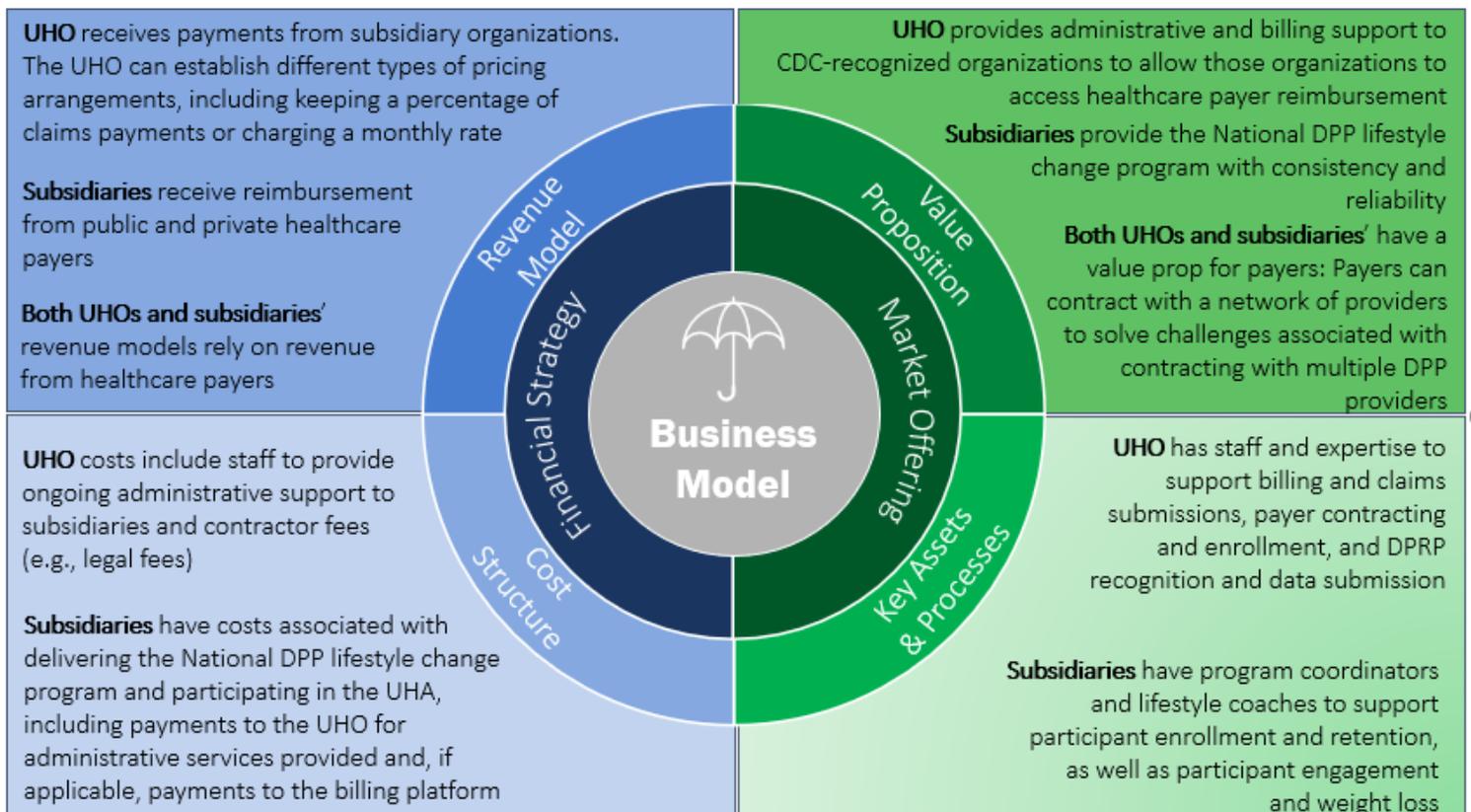
A business model refers to the design for the successful operation of a business. It includes how to appeal to customers, how to identify revenue sources, and how to understand costs. Considering the business model for the umbrella hub arrangement (UHA) can help the umbrella hub organization (UHO) create an arrangement that: (a) meets the needs of the partners it wants to serve (subsidiary organizations)

and the partners to which it wants to appeal (healthcare payers), and (b) is financially possible and sustainable for both the UHO and the subsidiary organizations.

Figure 2 below shows a sample UHA business model and is intended to provide a framework for UHOs. UHOs are advised to adapt the business model to fit the needs and goals of their organization and the UHA or to develop a business model more appropriate to their needs. Given that the Demonstration UHOs are still in the process of operationalizing their UHAs, the UHA business model has yet to be fully tested.

The sample UHA business model below is divided into the market offering (which includes the key assets and processes and the value proposition of the UHA) and the financial strategy (which includes the cost structure and the revenue model of the UHA). The [Why Create an Umbrella Hub Arrangement?](#) section of this document discusses the key assets and processes offered by a UHA, and the value proposition of a UHA for the UHO, subsidiary organizations, and healthcare payers. A discussion of the UHO [cost structure](#) and [revenue model](#) is found below.

Figure 2: Sample UHA Business Model



Business Model Definitions

- **Financial Strategy:** The UHA’s revenue and costs
- **Costs:** The expenses for standing up and operationalizing the UHA
- **Revenue Sources:** How the UHA will receive money to operate and become sustainable
- **Market Offering:** What the UHA is providing to the partners it aims to serve (subsidiary organizations) and the partners to which it wants to appeal (healthcare payers)
- **Value Proposition:** What makes the UHA attractive to the UHO, potential subsidiary organizations, and healthcare payers
- **Key Assets and Processes:** The processes and assets the UHO will deliver on its value proposition to subsidiary organizations and healthcare payers

Financial Strategy

Many factors can influence a UHA’s financial strategy, including the UHO type and structure, the subsidiary organization makeup, and the local and regional payer landscape. The financial strategy for the UHA includes both considerations for the cost structure and the revenue model used.

Cost Structure

UHA costs include (but are not limited to): (1) costs associated with starting a UHA and (2) costs associated with ongoing operation of the UHA.



Potential Start-up Costs

- Staff time to identify and recruit subsidiary organizations
- Staff time to complete the Centers for Disease Control and Prevention (CDC) UHO application
- Staff time to identify and contract with a billing vendor (or ensure in-house billing capabilities will meet the needs of the UHA)
- Staff time to determine how the UHA will access payer reimbursement (e.g., complete the Medicare Diabetes Prevention Program (MDPP) enrollment application, if the UHO is not already MDPP-enrolled; enroll in Medicaid, if available in the UHA’s state; and/or contract with and submit claims to private healthcare payers)
- Legal fees (if the UHO engages outside legal counsel to support the development and execution of contracts with the subsidiary organizations and the billing vendor (see the [Contracts](#) section of this document for more information))



Potential Ongoing Costs

- Staff time to support claims and Diabetes Prevention Recognition Program (DPRP) submissions
- Staff time to respond to technical assistance requests from subsidiary organizations
- Staff time to meet with subsidiary organizations and the billing vendor
- Costs associated with increasing the sustainability of the UHA (for more information see the Sustaining Umbrella Hub Arrangements section)

Revenue Model

Revenue from Payers and Other Funders

Unless the UHO has enough capital to set up the UHA, the UHO will likely need to look for startup funds from external organizations. Potential funders—whether public or private—can help launch a successful and sustainable UHA by supplementing costs before payer reimbursement reaches sustainable levels.

UHAs may consider using a multi-year approach to achieve sustainability. For example, the UHA could use grant funding or other funding sources to operationalize the UHA and a combination of grant funding and payer reimbursement in subsequent years, eventually reaching the goal of the UHA operating primarily on payer reimbursement from a diverse payer mix.

Payment from Subsidiary Organizations

UHOs are encouraged to consider the following about payments from subsidiary organizations:

- **How much will the UHO collect as payment from subsidiary organizations?** To support the cost of operating the UHA, UHOs will likely charge the subsidiary organizations a fee for the administrative services provided. However, UHOs have flexibility in how the fee is structured and how much they charge subsidiary organizations to offset the UHO’s administrative functions.
- **How will the UHO handle specific costs associated with the billing vendor?** The UHO can determine whether to build these costs into the payment subsidiaries make to the UHO, or to pass the costs through to subsidiaries per the vendor’s fee schedule.
- **When will the UHO collect payments from subsidiary organizations?** The UHO has flexibility in setting up the payment process. The UHO could carve out its required payment before distributing the healthcare payer claims reimbursements to subsidiary organizations or receive a payment from the subsidiaries after passing on full reimbursements to subsidiary organizations.

If the UHO decides to carve out its required payments from subsidiary organizations before distributing claims payments, the UHO could decide to take a percentage of the claims payments or apply a fixed dollar amount to each claim payment.

If the UHO decides to seek payments from subsidiary organizations separately from claims payment, the UHO could consider the three possible ways to structure the financial payments from subsidiary organizations depicted in Figure 3. These approaches are not inclusive of all options.

Figure 3: Approaches to Financial Payments from Subsidiary Organizations



Fixed Payment

The UHO is paid a predetermined, fixed amount that is divided evenly among the subsidiary organizations.



PMPM Payment

The UHO is paid a per member per month (PMPM) amount from the subsidiary organizations. The amount of money the UHO receives depends on the total number of participants spread across the subsidiary organizations.

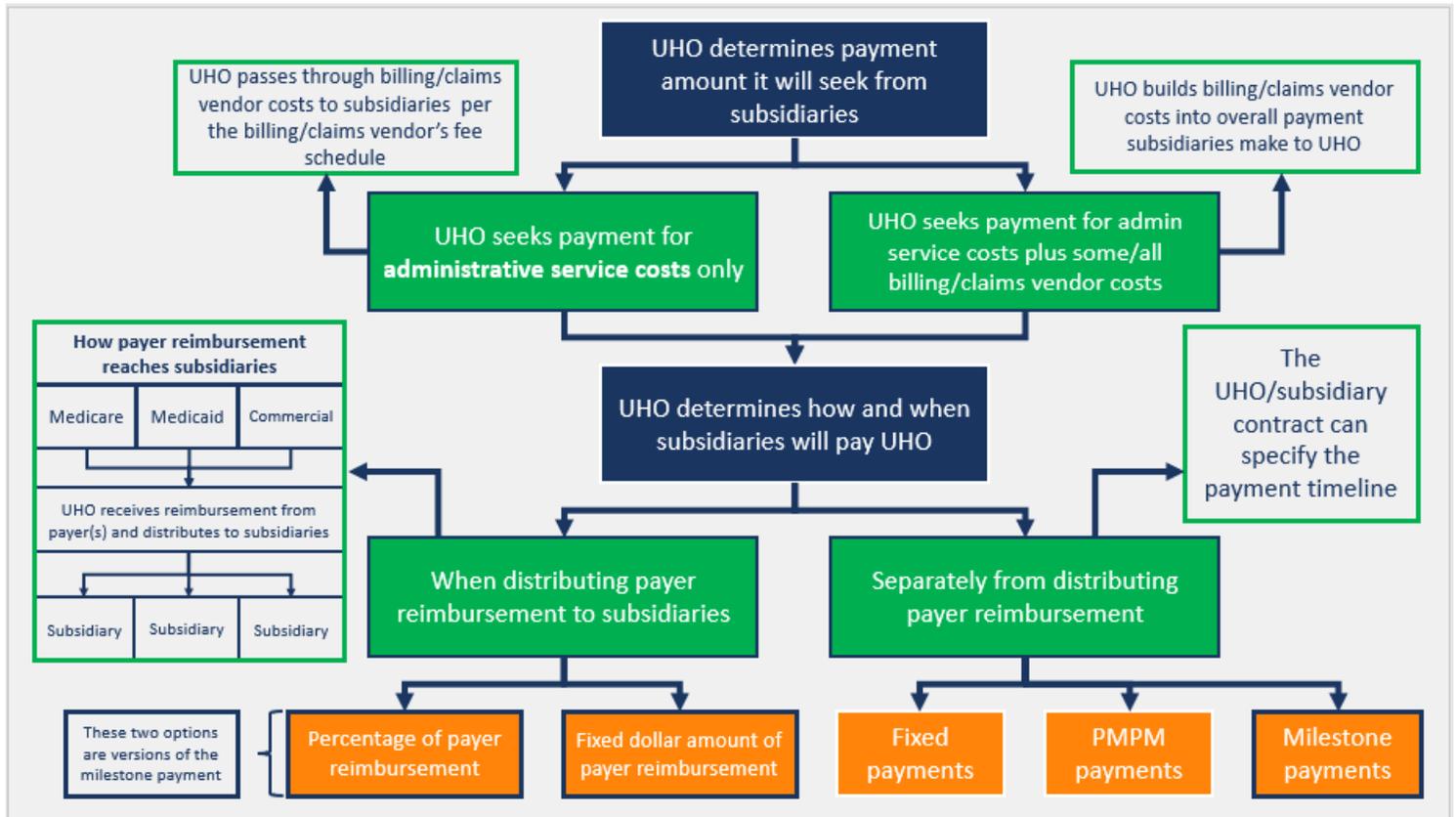


Milestone-Based Payment

The UHO is paid a percentage of the subsidiary organizations’ reimbursements if certain milestones are reached.

During the Demonstration, the National Association of Chronic Disease Directors (NACDD) and Leavitt Partners summarized the considerations for subsidiary payments to the UHOs as depicted in Figure 4, below.

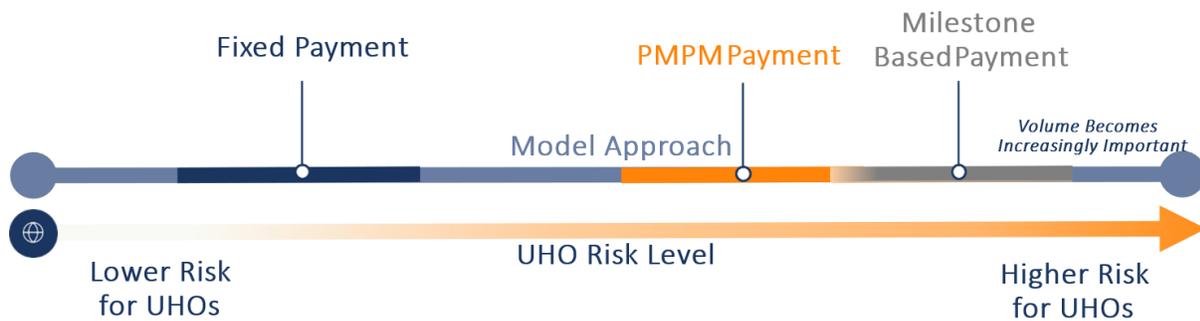
Figure 4: Structuring Subsidiary Payments



Risk Considerations

The different ways the UHO can collect payment from subsidiary organizations involve different levels of financial risk for the UHO and the subsidiary organizations (see Figure 5 on the following page). For example, if the UHO is using a fixed payment approach—meaning that the subsidiary organization will pay the UHO a predetermined and set amount regardless of the subsidiary program’s enrollment or reimbursement from healthcare payers—then the UHO is incurring lower financial risk because the UHO will be paid regardless. Conversely, in a milestone-based payment arrangement where the UHO receives payment from subsidiary organizations based on the subsidiary organization’s claims reimbursements from healthcare payers, the UHO is incurring more financial risk—and indeed sharing in the risk with the subsidiary organizations. Although it introduces more risk for the UHO, a shared risk model, such as milestone-based payment, could benefit the entire UHA by aligning the UHO’s and the subsidiary organizations’ incentives to access healthcare payer reimbursement.

Figure 5: Financial Risk Levels



Demonstration Insights

- **Determine the appropriate payment model for your organization:** UHOs in the Demonstration are planning on retaining a percentage of healthcare payer claims reimbursement to cover administrative costs before distributing reimbursement to the subsidiary organizations. All agreements are decided on and included in contracts or charters between the subsidiary organizations and UHOs.
- **Model different payment scenarios:** UHOs are encouraged to sketch out different scenarios for how much they will charge subsidiary organizations that participate in the UHA and how those charges will be applied. In these efforts, Demonstration UHOs have considered variables such as: available reimbursement from healthcare payers (e.g., MDPP fee schedule), participant volume in subsidiary organizations' programs, participant retention and weight loss, billing vendor fees (annual, start-up, and other), the UHO's costs of operating the UHA, and amounts subsidiary organizations pay to the UHO for administrative fees.
- **Establish an accounting system that allows the UHO to distribute reimbursement to subsidiary organizations:** The UHO is responsible for reconciling and distributing payments to subsidiaries. Demonstration UHOs often had to establish new accounting processes that allowed them to accept payment from Medicare and other payers and distribute those payment to subsidiary organizations. For example, Demonstration UHOs obtained separate banking deposit accounts and UHO-specific identifiers to assist in keeping reimbursements separate and distinct from other lines of business. For more information on creating a business entity for the UHO, please see the UHO MDPP Supplier Enrollment Guide, available on the [Umbrella Hub Arrangements](#) page of the National Diabetes Prevention Program (National DPP) Coverage Toolkit.

Contractual Agreements for Umbrella Hub Arrangements

This section includes:

- Description of the various contracts that may be needed between UHOs, subsidiary organizations, and billing vendors
- Information on the benefit of executing UHA charters

When an umbrella hub arrangement (UHA) is formed, the subsidiary organizations and the umbrella hub organization (UHO) become a new business entity. The UHA is a contractual entity that is bound together by a series of agreements. The UHO is providing services for subsidiary

organizations, and this requires the subsidiary organizations to enter a contract with the UHO. Likewise, if the UHA is using a billing vendor, the UHO and each subsidiary organization will have a contract with the billing vendor. Finally, a charter between the UHO and each subsidiary can help align all participants in the UHA to a shared vision and purpose.

Contracts

Contracts detail the expectations, roles, and responsibilities for each entity in the UHA. Figure 6 illustrates the contracting arrangement in the Umbrella Hub Demonstration, though each UHA may be unique in its contracting arrangement.

Figure 6: Contracting Arrangement in the Umbrella Hub Demonstration

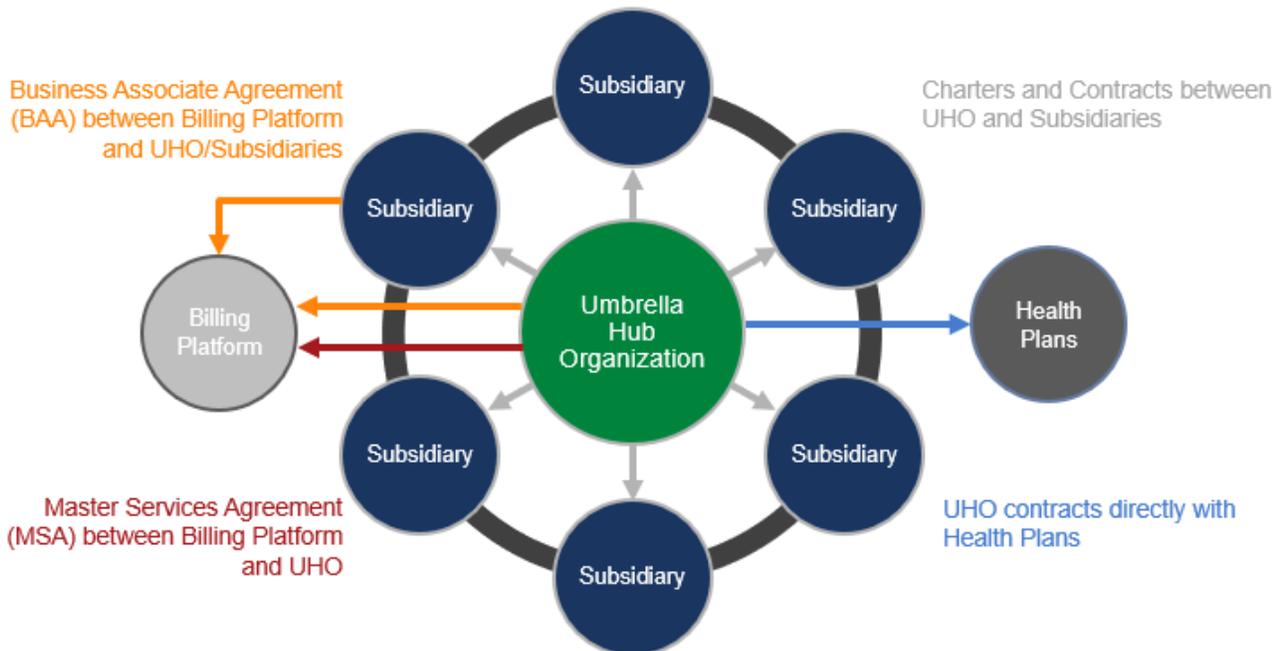


Figure 7 below describes example content in the various UHA contracts. For sample business associate agreements (BAAs), see the [Umbrella Hub Arrangement](#) page of the National Diabetes Prevention Program (National DPP) Coverage Toolkit.

Figure 7: Examples of Potential Content in UHA Contracts



Contracts Between UHOs and Billing Vendors

- Expectations for both parties on claims submission and other types of data submission, including timelines and responsibility for data accuracy and completeness
- Expectations for the payment amount and timing of payment the UHO will make to the billing vendor
- Expectations for how the subsidiary organizations' data can be used



Contract Between UHO and Subsidiary Organizations

- Expectations for subsidiary organization payment to the UHO for administrative services and/or vendor fees
- Expectations on subsidiary performance related to CDC-recognition parameters



BAA Contract Between Subsidiary Organizations and Billing Vendor

- Expectations for use of private health information and compliance to Health Insurance Portability and Accountability Act (HIPAA) standards
- Expectations for payment amount and timing of payment the UHO and/or the subsidiary organizations will make to the vendor

Charters

Although a charter is not required, having a shared agreement on the structure and operating principles of the UHA can establish a shared vision for the UHA. Additionally, the charter can state the UHA's goals and outline the roles and responsibilities of the UHO, the subsidiary organizations, and the billing vendor. For sample charters from the Demonstration, see the [Umbrella Hub Arrangements](#) page of the National DPP Coverage Toolkit.



Demonstration Insights

- **Provide enough time and resources for contracting efforts:** Demonstration UHOs found that the contracting process took more time than originally anticipated. In general, it took around a year to operationalize a UHA including contracting between entities.
- **Hire a lawyer or use in-house legal counsel to assist in contract development and review:** Demonstration UHOs noted legal teams were a valuable resource for resolving language concerns and other concerns in their contracts.
- **Collaborate with subsidiary organizations to develop a charter:** Demonstration UHOs worked closely with their subsidiary organizations to develop a charter. Collaborating on the charter builds trust between the UHO and subsidiary organizations and helps establish agreement on the mission of the UHA.
- **Develop HIPAA-compliant processes:** At least one Demonstration UHO provided HIPAA training to their subsidiary organizations and found secure ways to store and share data.

The National Association of Chronic Disease Directors

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The “Building the Delivery Infrastructure for the National DPP Through Strategic Partner Convenings” project is supported by the Centers for Disease Control and Prevention of the U.S. Department of Health and Human Services (HHS) as part of a financial assistance award totaling \$900,000 with 100 percent funded by CDC/HHS. The contents are those of the author(s) and do not necessarily represent the official views of, nor an endorsement, by CDC/HHS, or the U.S. Government.