What Is An Integrated Delivery Network?
Defining the IDN and Its Core Value Proposition

Executive Summary
An Integrated Delivery Network (IDN) is a formal system of providers and sites of care that provides both health care services and a health insurance plan to patients in a particular geographic area. The functionalities included in an IDN vary but can include acute care, long-term health, specialty clinics, primary care, and home care services—all supporting an owned health plan. To be a true IDN, a health system must offer a full set of complementary services; in contrast to other health systems which can serve as a collection of hospitals with similar capabilities. That said, no trade groups or governmental entities provide a definitive set of criteria for the term “IDN.” As such, select industry sources consider all heavily coordinated hospital systems to be IDNs.

Why It Matters
Although the idea of network integration is not new, providers are currently facing conditions requiring complex care management. Demographic and market forces—population aging, accountable payment models, and physician employment, among others—are extending provider organizations’ purview of performance accountability well beyond acute care episodes.

Growth amid such market expectations requires hospitals and health systems to deliver on three performance categories: 1) ensuring convenient access to services, 2) delivering high-value episodes of care through standardized, coordinated care, and 3) retaining patients in-network across sites and services. Through heavy provider alignment and the inclusion of a payer element, IDNs are positioned to pursue these three goals.

How It Works
By aligning communication and incentives between providers and payers, IDNs increase providers’ control over patient care. The IDN’s health plan option increases patient loyalty to the system, as the coverage provisions of the plan encourage patients to use services within the network. This allows for consistent communication with the patient, outcomes tracking, and joint provider/payer population management abilities.

In addition, owning a health plan allows providers to experience direct financial gain when reducing overutilization and cost growth—benefits generally only seen by payers or providers participating in pilot payment models.

What Are the Integrated Delivery Network’s Implications for the Health Care System?
Cross-Provider Collaboration Essential to Success

Given emerging interdependent objectives, providers can succeed only through collaborative effort across business units and sites of care. A single service can not minimize duplicative care for patients with multiple comorbidities; nor can a single piece of the continuum reduce readmissions. Achieving these objectives, then, requires collaborative effort across multiple dimensions—service lines, the care continuum, and sites of care. Given the structure of an IDN, leaders and staff must to work across all of these dimensions and types of initiatives. As such, IDNs are often considered to be better positioned for the shift towards population management.

Key Elements of an IDN
- Hospitals
- Physician Groups
- Ambulatory and Specialty Care
- Primary Care and Medical Home
- IDN’s Health Plan
- Post-Acute Providers
- Pharmacy

Strengthened Integration, Cross-Provider Partnerships
Successful integrated networks require high-quality, collaborative partners across the continuum. Network organizers should narrow networks to providers with proven quality outcomes to reduce risk, as well as develop care management protocols to ensure smooth transitions and patient information sharing.

Aligned Incentives and Physician, Staff Buy-In
Hospitals and health systems must actively build a shared identity and vision to expand sense of connection to the broader organization among physicians and staff. Furthermore, organizations must ensure that these leaders—and their staff—are evaluated and rewarded in a manner that supports collaborative effort.

Enhanced Patient Navigation and Communication
Providers should aim to refer patients in-network, to preferred high-quality providers. Additionally, providers should demonstrate a unified brand strategy that reinforces the strong linkages among sites and services, signified by coordinated communication—including between payer/provider arms.
What Role Can Post-Acute Care Providers Play in Integrated Delivery Networks?
Crucial Partners in Reducing Costs and Utilization

As a result of the health insurance plan component, performance accountability for IDNs extend well beyond acute care episodes—making post-acute providers essential to an IDNs’ success. Reducing costly inpatient utilization while delivering a high-quality lower-acuity alternative—a key capability of the post-acute sector—is a prerequisite to health plan savings. Successful IDNs therefore need access to post-acute offerings and may own various post-acute elements, dictating their approach to partnerships or acquisition.

Full-Continuum Accountability
Forces Pushing Hospitals and Health Systems to Expand Purview

Primary Care
Outpatient Specialty Care
Acute Care
Post-Acute Care
Chronic Care

Financial pressures of physician employment
Aging population
Value-based purchasing, readmissions penalties
Accountable payment models

Post-Acute Strategies to Reduce Costs, Utilization

✔ Support Lower-Cost Care Site Placement
The post-acute setting can, when clinically appropriate, offer a variety of lower-cost alternatives to expensive inpatient care from long-term acute care to the home setting.

✔ Reduce Readmissions
Given the expense of inpatient care (and 30-day readmissions penalties), high-quality post-acute partners who prevent unnecessary returns to the hospital are essential to reducing costs.

✔ Manage Complex, High-Utilization Patients
PAC providers have experience providing comprehensive care management to populations that historically have had high rates of utilization, such as geriatric and chronic disease patients.

What Are the Benefits for Post-Acute Care Providers?
Secure a Role in Developing Networks

Access to Payers, Pilot Payment Programs
Because IDNs offer a health plan, participating providers may receive all of the financial savings resulting from reduced utilization and lower overall costs, which would normally go to an external insurance provider. As such, PAC providers building relationships with IDNs can receive benefits (beyond direct referrals) such as the opportunity to test new payment models.

Consistent, Hardwired Referral Streams
Health plan savings incent IDNs to refer patients in-network—and to include post-acute providers in that network. High-quality PAC providers who secure a place in an IDN can therefore count on a steady supply of referrals from in-network providers. However, it is critical that post-acute providers keep patients within the IDN’s network following discharge.

Network Development Support
The interconnected nature of IDNs may lead health systems to more fully integrate PAC providers into the network, to ensure optimal quality and patient information exchange. In particular, administrative and data capabilities are areas essential to an IDN where PACs may lack the resources of acute care facilities and could receive development support.

Additional Advisory Board research and support is available
If you would like to learn more about IDNs, please contact your institution’s Dedicated Advisor to arrange a conversation with Advisory Board experts.

To see strategic imperatives for hospital integration, please view Unlocking the Value of Integrated Networks.