

Healthcare Systems and Services

The rapid evolution of the payer Chief Medical Officer

The payer CMO has moved from a physician executive to strategic business partner. Organizations that embrace this expanded and diversified role for the CMO can create sustained competitive advantage and unlock significant value for the enterprise and its stakeholders.

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Over the past decade, many payers in the United States have pivoted their organizational philosophy and business model to take on an expanded role in the healthcare ecosystem—evolving from *health insurance* companies primarily focused on managing risk to *healthcare partners* responsible for the coordination and provision of high-quality care for members and customers. In our view, this evolution was in part driven by the increased focus on value-based payment (VBP) models as part of the Affordable Care Act: payers and providers sought new ways to work closely together in organizing new models of care to take on risk. This translates into current demand-side pressure on payers to focus on quality (for example, through quality metrics such as HEDIS¹ scores and Centers for Medicare & Medicaid Services Star ratings), affordability and customer experience as equally important and mutually beneficial objectives. While every payer is different, many have a common need for sound clinical insight, judgement, and leadership across a range of business priorities critical to future success of the organization.

In this context, the **role of payer Chief Medical Officers (CMOs) is evolving rapidly to 'catch up' with the growing and diversified needs of their organizations**. Whereas traditionally the CMO was first and foremost seen as a '*physician executive*' focused on core functional areas such as medical policy and provider relations, the payer CMO is increasingly viewed as a *strategic business partner*, responsible for designing, leading, and supporting important clinically oriented initiatives across the organization. Recent public health and regulatory disruptions are further accelerating this trend. COVID-19 has thrust the payer CMO to the forefront of C-suite business decisions across a range of high stakes, time sensitive priorities (for example, employee well-being, COVID-19 public health guidelines, virtual care medical policies, vaccine access strategy). Recent changes² to direct contracting and healthcare data transparency rules, along with any additional future regulatory changes, are likely to increase the need for CMO collabora-

tion on important strategic and operational decisions. Furthermore, a deft CMO will need to proactively address barriers to receiving care in efforts to promote health equity, both physical and mental. Payer CMOs may focus on being attuned to member concerns and frustrations, such as price transparency. Prior work has established that access to information personalized to a member's situation can empower members to make decisions based on factors important to them, such as cost.³ Each topic further highlights the evolving nature of this role.

We see a common set of payer priorities where the CMO can add value as a strategic business partner over the next three-to-five years (Exhibit 1). While the specific strategy and market context of each payer will dictate relative prioritization across these items, all remain important for the CMO to consider on behalf of the organization. Taken collectively, these strategic priorities impact the majority of payer value creation levers (for example, medical cost reduction through VBP and policy, revenue yield from clinical acquisitions, growth/retention from virtual first products) and all have one thing in common: **clinical leadership is a differentiating factor for success**. As such, payers who are quick to embrace the expanded priorities of the CMO as a strategic thought partner will achieve tangible bottom-line impact in the near term and build competitive differentiation in the long term.

While the strategic areas of focus where the CMO can add value should be clear to C-suite executives, determining *how* the CMO can add value is equally important. This is particularly true if an organization is accustomed to the CMO playing a more traditional, narrowly defined role; in this context, the ability of the CMO (and his or her team) to build connections with the business and identify ways to add value in the current operating model is paramount. In order to be an effective CMO, we see five common 'CMO roles,' which will be required (not mutually exclusive), in addition to a set of critical underlying capabilities (Exhibit 2).

The most effective and strategic CMOs will be comfortable playing each of these various roles (leveraging their extended team where needed) and adept at recognizing which role will be most impactful to achieve the business objectives at hand. To that end, when assessing each payer's strategic priority, it is clear that specific CMO roles can add more value than others (Exhibit 3). If, for example, a payer is most interested in partnering with new, innovative players to reshape member care journeys in their market, then a CMO playing a care model innovator role will add the most value. However, if a payer is focused on expanding VBP and population health programs that require strong local physician partnership and engagement to succeed, then a provider

liaison role is critical. It is worth pausing to consider which dominant CMO role(s) exist(s) within an organization and how these roles align with current strategic priorities. Over the long term, a mismatch between the role the CMO is playing and the strategic priorities of the organization will underleverage the clinical expertise in the organization and erode value.

Moving forward, several 'no regrets' actions can support and enable the CMO as a strategic business partner and leverage his or her expertise to maximize value across the organization. These include:

- Launch a cross-functional team of business leaders to assess and update current strategic priorities based on the organiza-

Exhibit 1

Payer priorities where the Chief Medical Officer can add value as a strategic business partner.

Increasing importance recently because of COVID-19 and related pressures

Priorities	Direct CMO action items
1. Direct customer engagement	Promote payer-led clinical care, including developing NP ¹ or nurse navigator-led clinic programs for high-risk patient journeys, digital/remote clinical monitoring for chronic conditions (eg, diabetes, hypertension) and answering member questions to promote wellness
2. Payer-led clinical pathways and tracking outcomes	Promote use and adoption of novel clinical care pathways that afford members increased access to their providers (eg, virtual first, in-home, specialist CoE ¹ model) and leverage the payer's scale and unique access to members across the care journey
3. Holistic health and health equity	Build new, expanded population health programs to holistically address clinical and nonclinical (eg, SDoH ¹) member needs and improve health equity, particularly in underserved local communities; lead payer philanthropic efforts to broaden access to care where applicable
4. Health system COVID-19/pandemic preparedness	Partner with government agencies (regional and national) to set health guidelines, monitor outbreaks, organize vaccine deployment, and communicate in near-real time with employees and members to ensure appropriate information shared and actions taken in the broader community
5. Physician collaboration on value-based care	Partner more closely with physicians through new, innovative VBP ¹ arrangements that align incentives for quality of care, outcomes, and affordability; particularly relevant for independent providers during times of financial hardship due to COVID-19
6. Clinical thought leadership and external network	Cultivate and leverage an external network of clinical thought leaders to stay abreast of latest clinical and policy developments and proactively shape payer implications and responses (could include joint publishing with external colleagues)
7. Care quality assurance throughout the network	Monitor and assess care quality within vendor network to ensure best-in-class offerings available for members with necessary clinical oversight; obtaining/maintaining health plan accreditation (eg, National Committee for Quality Assurance)
8. Medical policy management	Manage medical policy for appropriate use and ensure alignment with broader organizational goals to improve member outcomes and experience

¹ CoE, Center of Excellence; NP, nurse practitioner; SDoH, social determinants of health; VBP, value-based payment.

The roles and underlying capabilities of an effective Chief Medical Officer.

CMO¹ role (not mutually exclusive)



Operational leader

Ability to inspire others across a common vision while understanding unique needs of regional markets. Ensures consistent application of medical policies and consistently high quality across enterprise.



Provider liaison

Track record of clinical expertise and excellence in patient care, as well as close relationships with the provider community (locally and nationally). Works closely with the provider community on medical policy, UM¹ review, and value-based care programs to ensure alignment.



Policy maven

Extensive knowledge of regulatory trends and guidelines as well as their business implications. Works closely with legislators to shape policy and advocate for those actions that are in the best interest of the payer's members—an enhanced role during COVID-19.



DnA¹ translator

Deep technical knowledge of clinical data and analytics capabilities and techniques (eg, advanced analytics, machine learning on claims data), combined with ability to effectively translate clinical insights into business implications and actions.



Care model innovator

Ability to help build new clinical models (eg, virtual-first care, home-based care, end-to-end management of specific diseases) in the market (as payer or provider), combined with strong network of clinical and business innovators in this space.

Critical underlying capabilities for an effective CMO

- **Business acumen:** understands the broader payer landscape and business model, including competitive dynamics and value drivers, and how to add value as the CMO in this context
- **Strong communicator:** communicates effectively with a wide range of internal and external stakeholders of all backgrounds and seniority, in particular translating business objectives and actions into commonly understood clinical implications for those involved

¹ CMO, chief medical officer; DnA, digital and advanced analytics; UM, utilization management.

tion's broader clinical goals and objectives (as defined by CMO and supporting team). This initiative could be part of the annual strategic planning process.

- Align on a set of clinical metrics with direct linkage to enterprise value creation and member health, in order to create a clear mandate and accountability for the CMO that prioritizes high-value areas.
- For each enterprise strategic priority where the CMO is involved, be explicit on the role expectations for the CMO (and the team) to add value in this specific context.
- Proactively create a structured and robust operating model (for example, cadence of interaction, decision rights on clinical topics, cross-functional team composition) between the CMO and other parts of the

business to allow each component to 'run the business' activities swiftly and with clinical intelligence that ensures the whole is greater than the sum of its parts.

- Build a team around the CMO that combines deep clinical expertise with clinical 'translators' who can work closely with business partners to infuse that expertise in a value-added way, similar to advanced analytics systems.
- Create a culture of embracing innovation, allowing the CMO to usher in new models of member engagement that directly impact member wellness (for example, omnichannel methods of member outreach such as mobile apps or text, earlier member intervention such as preventive education about chronic conditions).

Exhibit 3

The ideal Chief Medical Officer role is based on the strategic priorities of the organization.

Value add/relevance of specific CMO¹ role ■ High ■ Medium ■ Low

Strategic priorities where the CMO can add value	Specific CMO roles (not mutually exclusive)				
	Operational leader	Provider liaison	Policy maven	DnA ¹ translator	Care model innovator
1. Direct customer engagement	Low	Low	Low	High	High
2. Payer-led clinical pathways and tracking outcomes	Low	Medium	Low	High	High
3. Holistic health and health equity	Medium	High	Medium	High	Medium
4. Health system COVID-19/pandemic preparedness	High	Low	High	Low	Low
5. Physician collaboration on value-based care	Medium	Emphasis on provider communication	Medium	Emphasis on program design	Low
6. Clinical thought leadership and external network	High	Medium	High	Low	Low
7. Care quality assurance throughout the network	High	Low	Low	Medium	High
8. Medical policy management	High	High	High	High	High

¹ CMO, chief medical officer; DnA, digital and advanced analytics; MLR, medical loss ratio.

All CMO roles could add value in managing MLR¹ but may take different approaches in terms of levers emphasized

The role of the payer CMO has never been more important. This executive is uniquely positioned to positively influence decisions and outcomes for a broad and diverse group of healthcare stakeholders, includ-

ing members, customers, and providers. Organizations and CMOs that recognize this value at stake and embrace the evolution of this role stand to benefit greatly, as do their beneficiaries.

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¹ HEDIS, Healthcare Effectiveness Data and Information Set.

² Eric Weatherford, Varsha Gadani, and Spencer Smith, "The price transparency rule goes into effect January 1, 2021—Is your hospital ready?" Husch Blackwell, November 9, 2020, [healthcarelawinsights.com](https://www.healthcarelawinsights.com).

³ Jenny Cordina and Sarah Greenberg, "Consumer decision making in healthcare: The role of information transparency," July 13, 2020, McKinsey.com.