THE ACO AND EMPLOYER OPPORTUNITIES

ACO SERIES PART 3

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ACO OPPORTUNITIES FOR EMPLOYERS

Just as there is not a single type of healthcare program, there is no one way to position an ACO in the market place. There are many forms of the model in use today, and it’s important to review your health plan needs and choose the method that works best for your company. Here are a few examples:

- **Developed for Employer Participation**: Some provider organizations have created ACOs for their own employees and dependents much in the same way that they’ve created health plans or medical homes. This provides an opportunity for an employer to participate in their local provider organization’s ACO initiatives.

- **Direct Contracting for Total Healthcare Services**: Some employers may have the opportunity to contract directly with a forming or developed ACO. Under this model, the employer would not need to use a health plan as a liaison to offer the provider network or service. Instead, the ACO provides integrated care management directly through its own accountable delivery system.

- **Direct Contracting for Specific Healthcare Services**: There may be an opportunity for the employer to contract with an ACO for specific healthcare services or programs. Under this model, the employer could single out a high-risk segment of its employee/dependent population to the ACO for disease-specific management or variable, high-cost inpatient or outpatient cases. Some examples include:
  - High utilization patient management
    - Chronic illness, polypharmacy, obesity
    - Emergency room and readmissions
    - Other identified disease conditions
  - Bundled or global pricing initiatives
    - Specialty product lines:
      - Orthopedics
      - Cardiology
      - Neurosurgery
    - Service product lines:
      - Asthma
      - Gastroenterology
      - Otolaryngology
  - Total population management
    - Acute, inpatient
    - Acute, outpatient
    - Post-Acute

There’s a lot of discussion these days about Accountable Care Organizations (ACO), but employers still need help understanding what they are, how they work, and who is developing them. Today, more providers are engaging and communicating with employers directly as part of their business strategy. As employer engagement efforts expand, and certain programs and services grow, the focus must remain not on conceptual thoughts or business as usual, but on the real, tangible benefits to employers such as healthier employees, better management of chronic conditions or high risk/cost patients, fewer lost days of work, risk-assuming reimbursement, and lower healthcare costs. The ACO is the newest of these provider business strategies and is confirmed by the two surveys included in this white paper.
POTENTIAL ACO MODELS

When considering working with any ACO model, employers must decide whether they should create or sponsor an ACO, contract directly with one or access one through a health plan provider. They should also consult with their benefit consultant or local provider system to obtain additional information such as their delivery system, programs, and pricing alternatives such as capitation or bundled payments.

• **Employer-Created:** An employer may be interested in creating and supporting an ACO for its own employees/dependents or retiree population. Under this model, the employer-created ACO would contract directly with a specific provider organization (or many) in their local marketplace for total or specific healthcare services or programs. This is much like a business healthcare coalition model except that it is an employer specific approach to decreasing cost and improving health status for their employees/dependents.

• **Joint-Venture:** In this model, the employer would work jointly with a developing local ACO provider organization. Employers could help develop a new ACO by contributing financially in return for a percentage of the projected shared savings from managing its employees/dependents. The employer and its benefit consultant could play an important role in jointly forming an ACO. Together, they bring expertise to the table as to what could be effective in managing the employer’s population.

• **Payer-Directed:** In this model, the employer contracts with a payer-directed ACO but may or may not share directly in the ACO’s shared savings. The payer-directed ACO model is being formed as an alternative health plan option for self-funded employers—much like an HMO, EPO, or PPO. In some cases, their services may be less expensive but it is still important to analyze their quality, network, and cost targets.

POTENTIAL EMPLOYER RISKS

As with any new healthcare delivery system, there will be some risks in working with an ACO. For example, the National Committee for Quality Assurance (NCQA), the private non-profit accrediting organization for healthcare organizations, just recently finalized the criteria it intends to use to accredit ACOs. Additionally, several legal issues still need to be resolved, such as how an ACO can incentivize its providers for reducing costs and sharing in the savings without violating federal anti-kickback, antitrust, and other laws.

Some ACOs may not succeed due to effectiveness (such as not producing cost savings or improving employee/dependent health) or for financial reasons (such as lacking the capital for long-term sustainability). There are additional expenses in forming and managing an ACO, including the creation of an infrastructure to collect data, coordinate care, and measure performance, the provision of clinical integration to reduce inefficiencies, and installation and creation of a health information technology platform, which may prevent many ACOs from being successful.

There’s also a concern about the long-term viability of ACOs. In the first few years, they may successfully reduce costs by increasing efficiencies or improving the health status of the population or reducing expensive care. But they may not be able to produce the same results over the long term, thus reducing opportunities for additional shared savings.

On the whole, the risks are minimal for most employers. But you should keep these risks in mind when considering involving your company with an ACO.
ACO SURVEYS: PERCEPTIONS AND EXPECTATIONS

We found two important surveys and an interview that demonstrate what healthcare organizations are thinking about ACOs. Here is a discussion of each one and its findings.

1. 2011 Employer Driven Accountable Care Organizations Survey Report, “What They Are and What They Can Do for Your Organization”. Employers nationwide are beginning to explore the ACO model as a viable option to continue offering employer-sponsored benefits, while reducing cost and improving quality of care, according to a report issued by Aon Hewitt, the global human resource consulting and outsourcing business of Aon Corporation and Polakoff|Boland, a national health care management consulting firm. In June 2011, a survey was administered to gain insights on employer awareness of, and perspectives about, ACOs as a new way to deliver health care services to employees and dependents. The survey was completed by 674 U.S. employers. These organizations provide healthcare coverage to more than 5 million U.S. employees and dependents, representing a broad spectrum of industries and a significant force for change in the health care marketplace.

“ACOs are considered next-generation healthcare delivery models, consisting of teams of doctors, hospitals, and other healthcare providers and suppliers working together to coordinate and improve care for particular groups of patients,” said Michael Cryer, MD and national medical director with Aon Hewitt. “ACOs reduce cost by providing plan participants the right care at the right time. By improving access to primary care, plan participants can avoid emergency room visits, which results in a financial reward for the ACO and shared savings with the sponsoring organization or organizations.”

“It’s clear that ACO proponents need to educate the public about the trade-offs between networks,” said Phil Polakoff, MD, MPH, MEnvSc, and managing partner, Polakoff Boland. “ACO models help organizations reduce health care cost, waste and inefficiencies, as well as support the movement from volume to value-based approaches. This volume to value-based shift can be seen in various employer practices today, such as pay for performance, accountable quality contracts, incentive compensation, and bundled payments, which can serve as strong examples of similar successful models to employers and employees alike.”

SURVEY HIGHLIGHTS

• 6% of employers are very familiar with ACOs, while 35% are somewhat familiar; 36% have heard of, but not familiar with ACOs, and 24% have not heard of them before.
• 28% of employers are interested or very interested in exploring ACOs, while 37% are somewhat interested, 24% are unsure, and 11% are not at all interested.
• Quality of care is the top ranked factor in evaluating or assessing the use of ACOs at 82%, followed by ability to manage the total cost of care at 81%, patient outcomes at 66%, pricing transparency from health plans and providers at 47%, and patient satisfaction at 45%.
• When asked about cost sharing, there was relevantly even distribution between employers (18%), employees (15%), medical groups (23%), hospitals (22%), and health plans (21%).
• There was a clear preference given to insurance brokers/consultants (75%) to advise employers on the merits of ACOs followed by professional associations (57%), health plan (47%), and fellow HR professionals (34%). Government agencies were less favored (24%) to provide credible information as well as medical groups (18%), law firm (17%), and hospitals (11%).

1. 2011 Employer Driven ACOs Survey Report, Aon Hewitt and Polakoff|Boland, 2011
2. 2011 Employer Driven ACOs Survey Report, Aon Hewitt and Polakoff|Boland, 2011
3. 2011 Employer Driven ACOs Survey Report, Aon Hewitt and Polakoff|Boland, 2011
4. 2011 Employer Driven ACOs Survey Report, Aon Hewitt and Polakoff|Boland, 2011
2. Buck Consultants 2011 Health Care Organizations Health Care Reform Readiness Survey in which 235 respondents accessed the online survey and over 200 respondents completed most or the entire questionnaire. The survey questions were designed to explore the following areas: planning for healthcare reform, communicating with employees and other stakeholders about reform, impacts of reform on healthcare quality and cost, impacts of reform on employee health care benefit plans, and impacts of reform on the operations of health care organizations. The following are the types of organizations responding to the online survey: health care system (30.4%), hospitals (34.2%), long-term care facility (10.6%), acute care facility (1.9%), clinic (3.1%), physician practice (6.8%), and other (13.0%).

Questions Asked and Responses Received

• What efforts has your organization undertaken to date regarding ACOs?
  o 19% - None
  o 29% - Conducting a feasibility study at this time
  o 14% - Currently implementing a plan
  o 37% - Don’t know

• As it relates to healthcare reform or ACOs, have you done any of the following? (Respondents could respond to multiple options.)
  o 32% - Developed an IT integration plan related to physicians, etc.
  o 27% - Established a brand and communication plan for the market and employees
  o 20% - Extended any programs currently offered to employees, such as wellness
  o 18% - Created a healthcare reform compliance team
  o 17% - Completed an environmental/market survey about what competitors are doing
  o 16% - Developed total compensation plans for PCPs/ Specialists

• Do you see a role for HR in the development of ACOs?
  o 79% - Don’t know yet
  o 18% - Yes
  o 3% - No

• Do you expect your workforce to change over the next five years due to healthcare reform?
  o 65% - Don’t know yet
  o 22% - Yes
  o 13% - No

• How do you anticipate the employment relationship with physicians will change in the future under health care reform?
  o Primary Care Physicians
    • 63% - Move more towards physicians as hospital employees
    • 11% - Move more toward physicians affiliated with hospitals (non employees)
    • 26% - No change from current relationship
  o Specialist Physicians
    • 49% - Move more towards physicians as hospital employees
    • 25% - Move more toward physicians affiliated with hospitals (non employees)
    • 26% - No change from current relationship

3. Interview with Ardent Health: Shannon Fiser, Vice President of Financial Operations in which questions were asked (prepared ACO questionnaire) in regards to their perceptions of the ACO marketplace, how it will impact the employer community, and the future of the ACO.

Questions Asked and Responses Received

• How interested is Ardent Health Services in exploring the development of an ACO? We are not only keeping up with the efforts of Medicare but commercial and Medicaid as well through participation and education initiatives. The ACO is one of many healthcare initiatives that is attempting to address the issues of access to care, care coordination, value-based or risk-acceptance payment structure, information sharing, and health status measurements which we as a healthcare organization will continue to follow its continual development.

• What efforts has Arden Health Services undertaken to date regarding ACOs? We are currently participating in the Medicare ACE (Acute Care Episodes) demonstration project which began in May 2009 which involves creating bundled payments for treating patients with hip/knee replacement surgery to cardiovascular procedures. This opportunity has allowed us to improve quality metrics, efficiencies, and processes which has benefited us in reducing overall operating costs. We look forward to implementing such an initiative with our health plan in New Mexico as well as the employer community. As a follow up question, what is the most important factor influencing employer acceptance of ACOs? From a variety of choices, Mr. Fiser picked: bundled, global, capitation reimbursement arrangements which stresses the importance of cost predictability for the employer.

• What do you think is the future of ACOs and their impact on employers? I feel like the market place will dictate the future of the ACO for the employer. The benefits are as follows:
  o Management of “big ticket” procedures or surgeries
  o Development of “Quasi-Centers” of Excellence
  o Better Quality
  o Improved care coordination of chronic illness management
  o Savings

• Has Ardent Health Services been approached by an employer regarding the development of an ACO or partnering? We have not been approached by any employer in our markets of Albuquerque, New Mexico (4 Hospitals) and Tulsa, Oklahoma (4 Hospitals) regarding an ACO or partnering. As a follow up, what efforts have employers in your service areas taken regarding ACOs? We have really not seen much activity by the employers but we have seen ACO activity. For example, in our Albuquerque market place, Presbyterian Healthcare Services was recently selected by the CMS Innovation Center to participate in the Pioneer ACO Model Initiative. In regards to Tulsa market place, none.

• Please rank the most important factors that you think that an employer should evaluate or assess in the use of an ACO (Rank the top factors: 1 through 5).
  1. Ability to manage the total cost of care
  2. IT enablement
  3. Quality of care delivered
  4. Patient outcomes

• Premium predictability and stability
LOOKING AHEAD TO THE FUTURE

As employers head down the road toward ACO participation, it will be important for them to consider the following factors:

• **ACO Vision, Mission, and Purpose**: Determine which ACO best meets the employer’s healthcare vision, mission, and purpose for their employees. For example, some employers may allow their employees to go out of network for care; others may be more restrictive. Some employers may assign employers to a particular ACO, while others will let employees choose their ACO. Examine the leadership, providers, delivery of cost-effective care, and quality standards.

• **Employee Utilization Patterns**: Make sure the ACO meets employee utilization patterns. For example, it needs to have an accountable delivery system that is adequate for the employer’s employee/dependent population and articulated quality goals. Analyze what providers (hospital, physician, ancillary, and post-acute) both in the acute and post-acute are in the ACO, and if your employees have established relationships with them, especially if a high percentage of your employees/dependents are already using the ACO’s providers.

• **ACO Shared Savings**: Ask if employers will be involved with the shared savings of the ACO. If the employer is not creating its own ACO, it can still receive some of the shared savings and should ask how savings will be shared as the ACO becomes operational. If the employer or its benefit consultant doesn’t ask who benefits from the generated savings, the insurer or ACO will benefit. At the very least, employers should ask how premiums might be affected if the employees/dependents use the ACO.

• **Measuring Improved Quality and Reduced Costs**: Success will require sophisticated information management systems for quality improvement and much better information about the health and economic value of the ACO’s healthcare services. It is very important for the employer to know which ACO is delivering better care and outcomes while reducing costs so that it can improve employees/dependents’ health.

ACOs have the potential to improve quality and reduce costs for the employee/dependent and employer alike by providing more patient-centered, coordinated, and integrated care. The PPACA only provides a broad outline of the ACO initiative. But with the appropriate vision, design, and strategic provider partnerships, employers could benefit tremendously from an accountable care delivery system.

HEALTHSTREAM PRODUCTS

Employee Insights survey approach provides the best method of gaining insights about their workforce and measure their satisfaction with the most critical success factors in the hospital environment. This type of survey could provide valuable information about what type of staff will be required or what type of educational programs will be needed if they develop an ACO.

Community Insights-Community and Consumer Market Research allows the hospital to learn its image in the eyes of the community. This survey can help identify potential opportunities for the hospital to develop an ACO or other healthcare services within in their community.
ABOUT THE AUTHOR

Michael T. Sandwith has more than 25 years of healthcare experience in high-risk population management, long-term care, product development, geriatric care, medical/pharmacy adherence programs, marketing, provider solutions, physician management, managed care, sales, provider contracting, insurance plan development/management, and strategic planning.

Mr. Sandwith has supported and created solutions for the following healthcare areas of GHS (Government Healthcare Solutions):

- Health Insurance Exchange
- Accountable Care Organization
- Medical Home, Health Home, and Transitional Care Models
- Post Acute Care Utilization Management Tool
- Functional Assessment Technology and Risk Stratification
- Readmission Predictability Tool and Post-Discharge Patient Management
- Total Population Management
- Geriatric Care Management
- Provider Solutions
- Long-Term Care: Dual Eligibles
- Long-Term Care Product Line

Previously, he was Vice President of Business Development and Sales for SeniorMetrix, a company that provided evidence-based modeling technologies to health plans for the optimal care management of post-acute care, responsible for positioning the company's core product to regional and national health plans. Mr. Sandwith has worked in various leadership and sales positions with an emphasis on start-up companies, care compliance, chronic illness, medical cost utilization management, delivery systems, physician services, pharmacy, network development, insurance, analytics and predictive-modeling.

Mr. Sandwith has lectured, consulted, and published articles on managed care trends, post-acute care strategies, high-risk population management, care compliance, medication adherence, market analysis, healthcare solutions, and new product development.
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HealthStream – ACO White Paper Series
This is the third of a series of eight white papers sponsored by HealthStream that reviews the ACO final ruling by CMS.