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ACOs and Shared Savings: Making a New Health Care Model Work

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Health care reform has always been complicated, but the complexity is escalating at an accelerated pace.

One of the reasons for this growing intricacy is the Patient Protection and Affordable Care Act (PPACA), enacted in March 2010, which requires the Department of Health and Human Services to establish a Medicare Shared Savings Program by the start of 2012.

The Shared Savings Program is designed to encourage physicians, hospitals, and certain other types of providers and suppliers to form accountable care organizations (ACOs) that deliver cost-effective, coordinated care to Medicare beneficiaries. (For more on ACOs, read our **article** in the August 2010 issue of *California Healthcare News*)

The PPACA established the administrative framework for this new health care architecture, but the proposed rules were only recently released by the Centers for Medicare & Medicaid Services (CMS). These proposed rules lay out the specifics when it comes to formation of an ACO, Medicare beneficiary assignment, establishment of quality standards, incentive payments, and the monitoring of ACOs, among other issues.

For those providers who want to take part in the Medicare Shared Savings Program, CMS has set a high bar. The proposed government rules say that ACOs must demonstrate a commitment to evidence-based medicine, work hard to stimulate beneficiary engagement, rigorously report on quality and cost metrics, and show a definite willingness to coordinate care.

The biggest hurdle for ACOs, however, may well be the CMS requirement that calls for a serious embrace of patient-centric care. According to CMS, an ACO is patient-centered if it:

- Has a beneficiary care survey
- Allows patient involvement in its governance
- Shows an ability to evaluate and address the health needs of an assigned population group
- Provides the tools to identify high-risk patients
- Offers a cogent process for communicating and sharing decisions with patients
- Uses electronic health records in a meaningful way
- Has established written standards and a method of measuring physician performance

Not surprisingly, CMS predicts that only 75 to 150 Medicare ACOs will ultimately be formed. So, with 230,000 medical practices and 5,800 hospitals in the United States, most providers won't be part of a qualifying Medicare ACO. But you may be putting your organization's future in jeopardy if you assume this permits you to ignore what could ultimately prove to be one of the most significant health care transformations in the history of the United States.

Indeed, ACOs and the Shared Sav-

ings Program are here to stay—regardless of any revisions that may eventually be made to the PPACA. This model for reimbursement and health care delivery is already being embraced by a number of visionary providers, including some commercial insurance carriers. Additionally, certain states, such as Oregon, are already busy developing similar vehicles for the Medicaid population.

A deep understanding of the changing health care environment will be critical to proactively controlling the future of your organization. It may be the difference between sitting at the table, aggressively participating in the process, or lying on the table, waiting to be carved up and hollowed out by stronger competitors who are able to harness the latest dynamics of a changing health care world.

These dynamics revolve around two key risk areas: performance and utilization. Successful ACOs will be built around an acute care enterprise that provides exceptional service as effectively and efficiently as possible. Successful ACOs will also require establishing comprehensive ambulatory medical networks that consist of robust primary care platforms geared toward population health management. ACOs must decrease the cost of care per patient while attempting to increase appropriate utilization by accessing a larger panel of patients.

Here's a strategic checklist designed to help early-stage ACOs cope—and thrive—in the new health care environment that's clearly taking hold:

- Assess your ACO "assets" as well as "liabilities" and proactively determine where you fit in the emerging landscape.
- Remember that primary care and the connection to patients is still the key driver.
- Change your mind-set to view traditional profit centers as cost centers.
- Focus on the fact that high-quality medical care should result in lower cost.
- Understand that the majority of health care outlays are spent treating what are essentially preventable diseases, such as obesity, smoking, high blood pressure, high blood sugar, and high cholesterol. To have a meaningful impact on these conditions, you must help patients participate in their own health care process.
- Center physician alignment structures around premium partners who share a common vision.
- Organize around proceduralists, who will comprise an efficient acute care surgical enterprise, and primary care physicians, who will operate an effective ambulatory care management network.
- Engage stakeholders from multiple levels and sites of care.
- Choose early strategies that maximize profitability to provide funding for longer-term strategies.
- Synchronize clinical transformations that reduce demand with reimbursement changes that reward efficient utilization and quality.
- Design payer contracting strategies that create and share value rather than relying on the traditional "biggest stick" leverage approach.
- Reorient clinical operations around process design and care standardization to unlock the value of information technology investments.
- Invest in, and use, data analytics and business intelligence to optimize your clinical model and patient management systems.
- Budget for technologies that facilitate remote and virtual access to medical advice and monitoring.

There are, without question, significant challenges in stepping up to accountable care. But, in the words of noted business management author Tom Peters, "The winners of tomorrow will deal proactively with the chaos per se as the source of market advantage, not as a problem to be got around."

Welcome to the future of health care.

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