Integrated Health Care Delivery/ACO's

What Does It All Mean to Employers?

National Accountable Care Organization Congress

November 1, 2011

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From the Wizard of Oz, 1925.

"Toto, I've a feeling we're **not in Kansas any more**."

A YELLOW BRICK JOURNEY FROM VOLUME (FEE-FOR-SERVICE) TO VALUE (FEE-FOR-RESULTS)

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- Why the journey?
- Where is OZ?
- Haven’t we been here?
- So what’s in it for employers?

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Why the Journey?

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Sicker Population and Inefficient Systems

- About one-third of U.S. adults are obese. (Data from the National Health and Examination Survey – NHANES)

- Half of Americans have a chronic disease and account for 83% of health care spending. (Roberts Wood Johnson Foundation Website)

- The Annual Cost of Measurable Medical Errors - $17.1 Billion Dollars (Health Affairs April 2011 30:4)

- National Health Care Reform Increases the number insured by 31 million Americans

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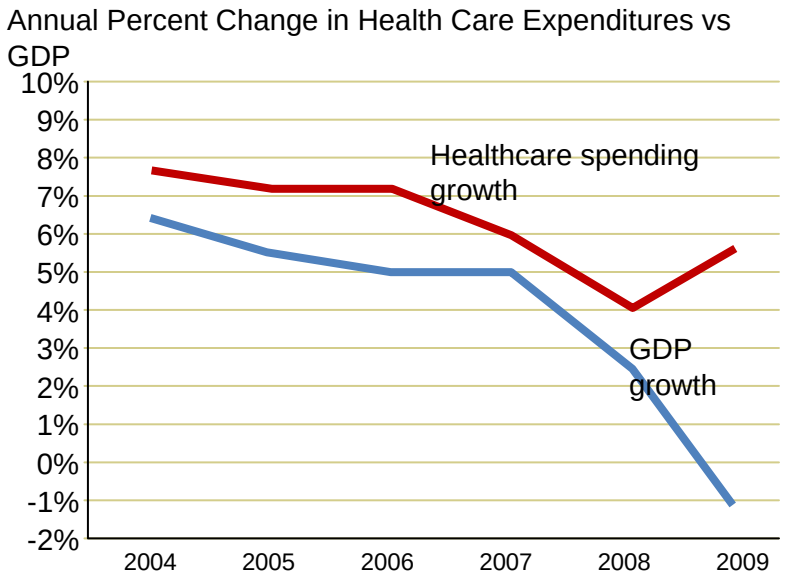
Cost Increases



Source: Truffer et al (2010); health spending projections through 2019; the recession's impact continues; *Health Affairs*, 29:522-9; Heffler et al (2005); U.S. health spending projections for 2004-2014; Health Affairs, 23-74-85

Key Contributors

- Health Care Innovation
- Aging Population
- Fee for Service Migration
- Reduced Provider Engagement
- Consumer Tunnel Vision

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Systems Ignore Providers

Where is Oz?

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High Performance Networks - HPNs

- Initially, a subset of standard networks offered by insurers
- Defined differently by each insurer (Specialists/Primary Care)
- Physicians identified but not engaged
- Recent evolution has been free-standing “high performance” specialty networks
- Results have been quite mixed

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Patient Centered Medical Home - PCMH

- Primary care team, integrated delivery model
- Focused on individual care, especially those with complex and chronic disease
- Reimbursement includes value based episodes of care payments that include payments for management and coordination services
- Integration and measurement of care is supported by strong IT interactivity and communications for all participants and vendors in the care of patients
- Generally, these organizations are independent delivery units that can be part of a network or an accountable care delivery network.

Accountable Care Organization
(Integrated Health Delivery Network)

ACO *noun* Acronym for **Accountable Care Organizations**

- An ACO is generally defined as a local healthcare organization with a network of providers such as primary care physicians, specialists and hospitals that are accountable for the cost and quality of care delivered to a particular population.
- The purpose is to deliver more efficient and coordinated care that is rewarded with a financial bonus for achieving performance benchmarks.
  - In the case of commercial ACOs, benchmarks are negotiated between the provider organization and purchasers or payers.
  - For government initiated ACOs, performance benchmarks are set by the Centers for Medicare & Medicaid Services (CMS).
- The Patient Protection and Affordable Care Act (PPACA) refers to an ACO as a legal entity that includes both physicians and hospitals, has at least 5,000 Medicare lives under contract, has the ability to pay participants, and includes both Medicare and commercial lives.

Haven't we been here before?

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Another HMO and Gatekeeper?

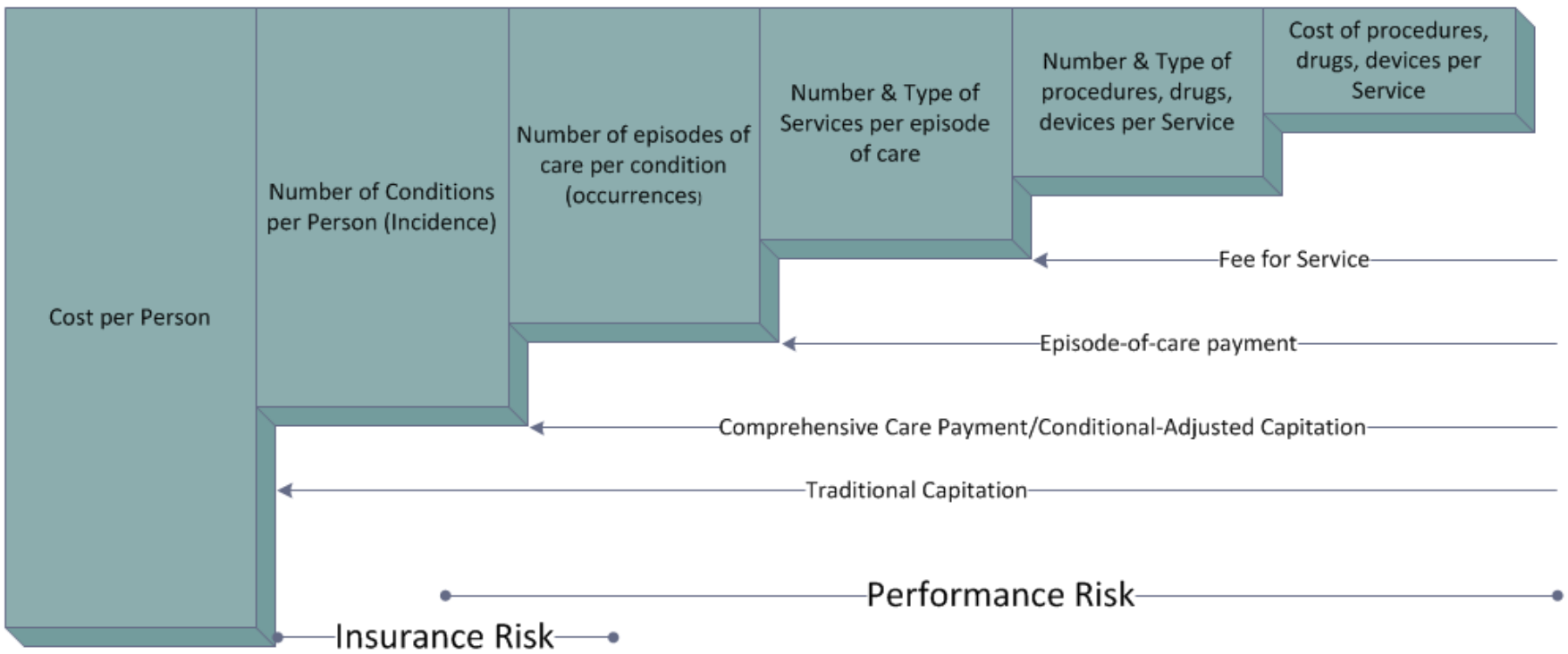
ACO/IHD Networks

- Integrated provider/physician groups organized to provide ***evidence based care with value based reimbursement***
- Provider/physician risk/gain sharing ***based on outcomes***
- Reimbursement linked with ***quality*** measures and ***member satisfaction***

HMOs

- Providers and physicians organized to offer ***specified services for predetermined payment***
- Some plans have provider/physician risk bearing
- Quality of care measures defined by NCQA but reimbursement primarily based on ***financial performance***

Full Risk vs Performance Risk Reimbursement Options



Miller, Harold D. From Volume to Value:Better Ways to Pay For Health Care. Health Aff. 2009;28(5):1418-1428.

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What's in it for employers?

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Who can benefit other than providers?

Employer Healthcare Delivery Options

Self Funded or Insured Employer

↓

Insurer

↓

Or

Self Funded Employer

↓

RFP

↓

Commercial ACO/IHD Network

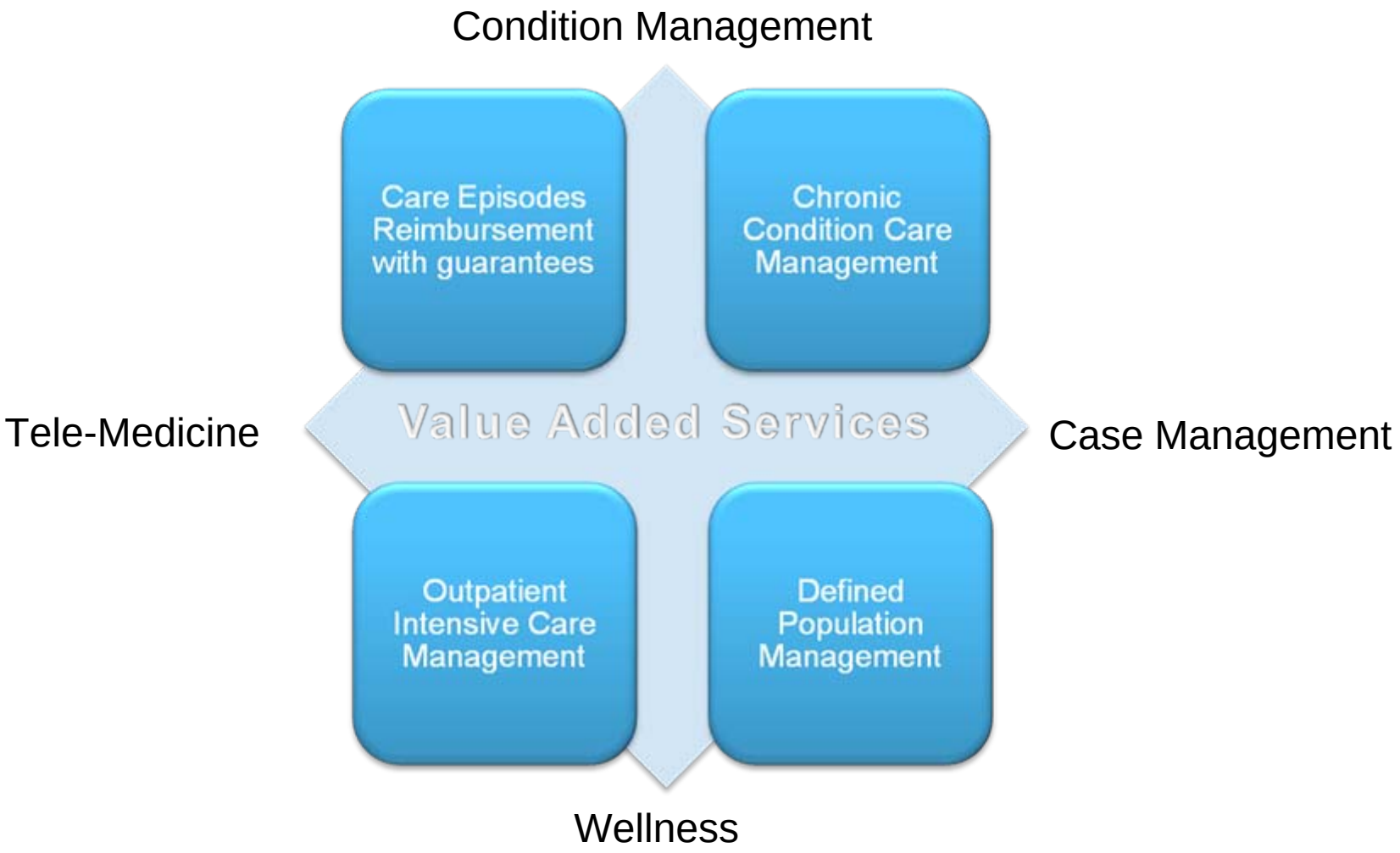
Network
- Hospitals
- Physicians

Financial objectives
- Gain/risk sharing
- Combined bottom line

Payment continuum
- FFS
- Bundles/episodes
- Capitation
- Global risk

Performance management benchmarks
- Efficiency metrics
- Quality metrics
- Care transitions/navigation accountability
- Data transparency

Potential Employer Services Provided by ACOs



- Why the journey?
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- So what’s in it for employers?
- Oh, yes those new guidelines:

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So what about the new ACO Regulations?

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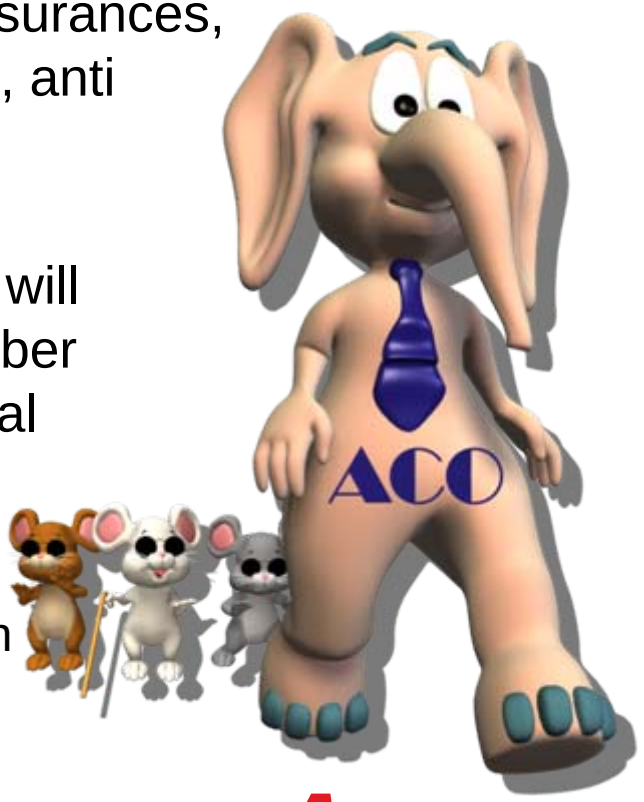
New ACO Guidance – October 2011

- "…it is clear that these revised rules have significantly advanced the goals of value re-engineering in healthcare." **Thomas Graf, MD – Geisinger Health System**

- "There are three other guidance documents issued from the DoJ, the IRS , and the FTC that have to do with assurances, safe harbors and waivers about anti-trust concerns, anti kickbacks, civil money penalties." **George Roman, American Medical Group Association.**

- "These changes will make it more likely providers will consider forming an ACO…but you have to remember this is not for the faint of heart; There is a great deal of capital and infrastructure requirement**." Neil Kirschner, American College of Physicians.**

- "The best thing that could happen to a hospital or health system would be that your competitor develop an ACO." **Nathan Kaufman, Kaufman Strategic Advisors, LLC.**



HealthLeaders Media, October 25, 2011

AON Hewitt's Perspective

- The final ACO rules have clearly responded to the issues that were raised by the draft previously released and despite significant changes, they still focus on changing the pay for volume tradition to pay for value using shared savings.
- The changes in the rules has been well received by hospital and physicians groups and will certainly encourage many providers to take another look at their ACO opportunities. However, as with any new business endeavor, it will be very important to evaluate the risks associated with the investment and organizational requirements necessary to rework and support this major change in the delivery of medical services.
- **AON Hewitt will continue to work with developing ACO organizations to identify opportunities that will assist our client's as they seek new and more efficient ways to manage their population's health and wellness.**

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