



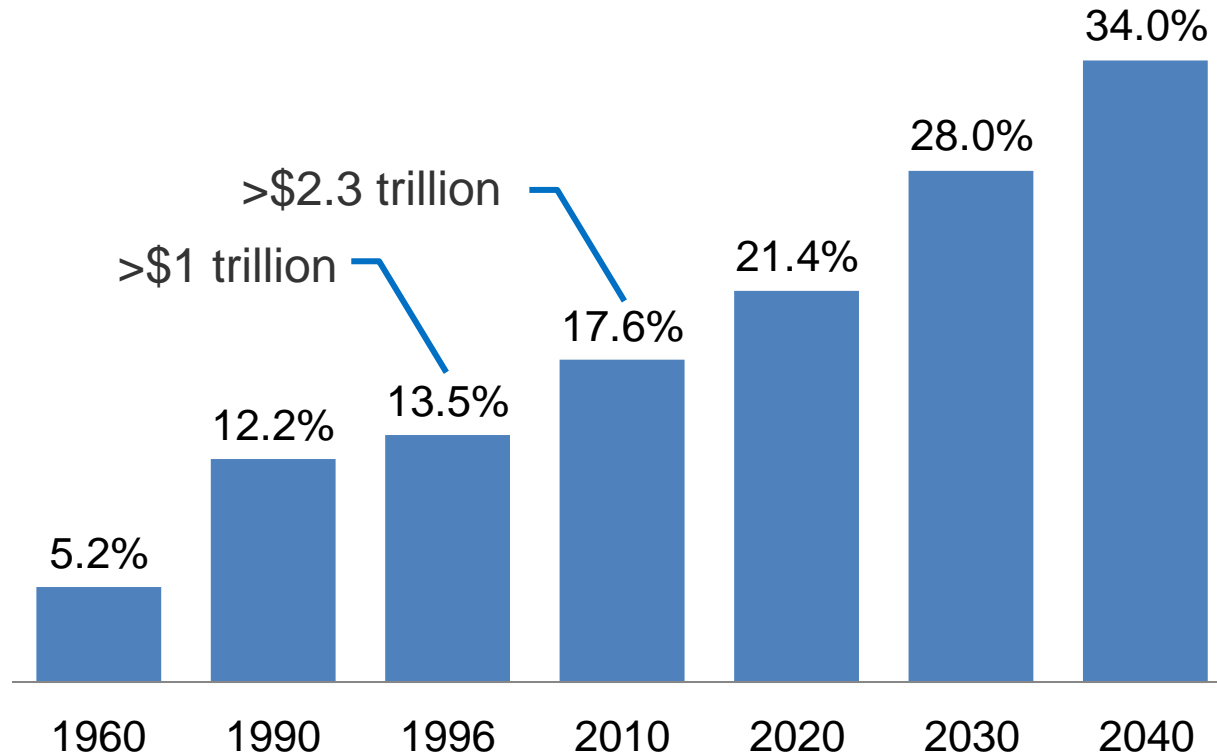
## **ACO Congress Preconference Session**

ACO Value-Based Risk Contracting

November 1, 2011

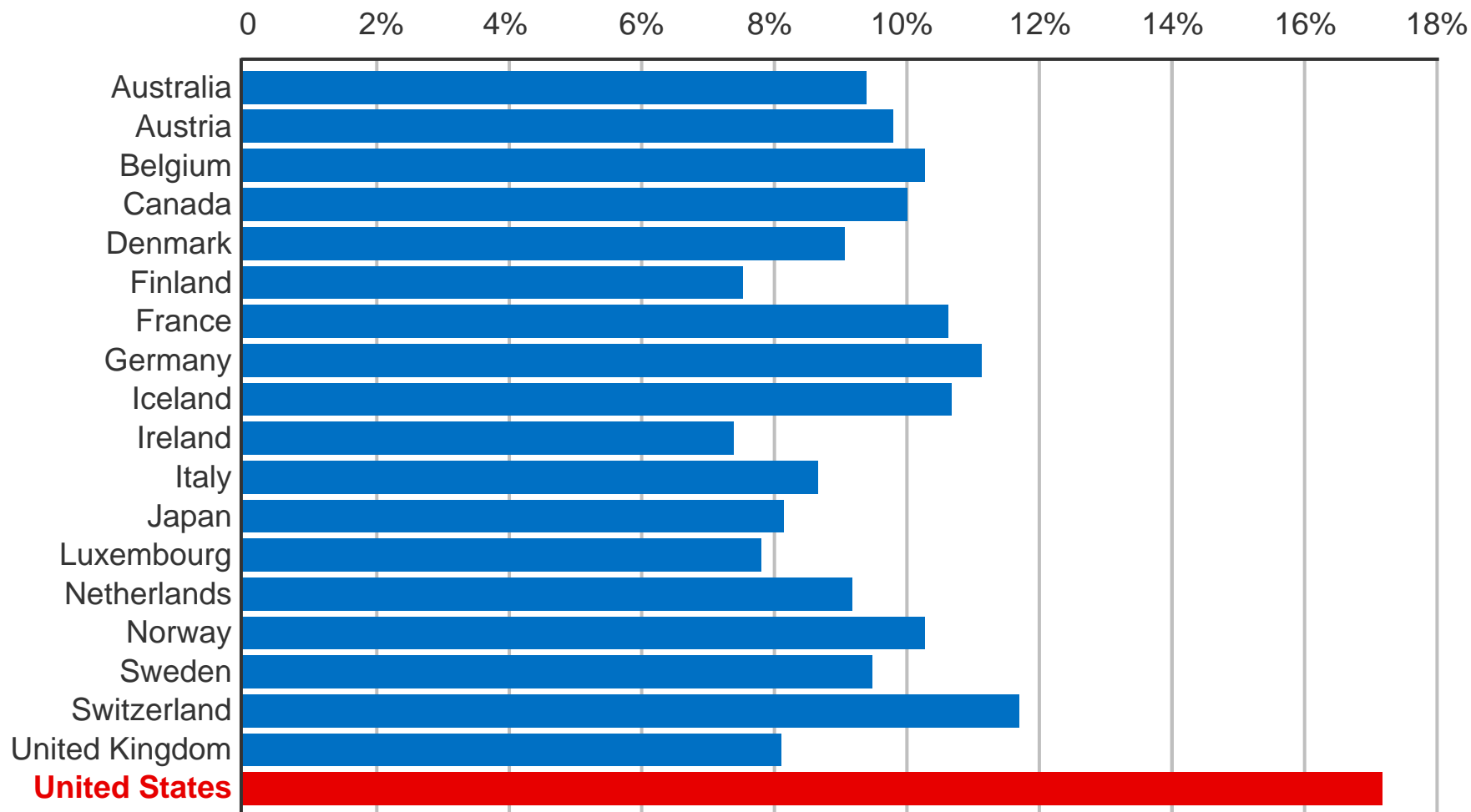
# U.S. Healthcare Expenditures

Percent GDP



Source: Centers for Medicare and Medicaid Services; President's Council on Economic Advisors

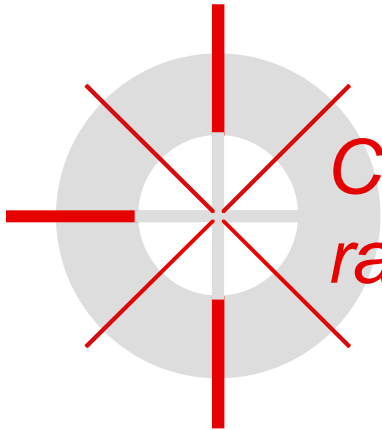
# Healthcare Costs Around the World – Total Health Expenditures as a Percentage of GDP



Source: Visual Economics, 2010

# Value Defined

$$\text{Value} = \frac{\text{Health outcomes}}{\text{Total cost of care}}$$



*Cost is intrinsic to quality  
rather than separate from it*

# Business Case for ACOs

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“The success of ACOs will hinge on how well the case is made that outcomes are improved and value is being delivered. To date, the provider community has not been able to adequately define, let alone deliver on, what quality means and how it can be measured.

This appears to be a major stumbling block in the shift from fee-for-service to fee-for-value. For those ACOs that can effectively make the case for improved quality (along with cost management), they may be able to capture a significant share of the employer market.”

– *Paul Klein, Aon Hewitt*

# Typical Commercial ACO Features

## Membership

- Defined by Attribution

## Legal

- Structure to receive and distribute savings
- Management Structure

## Provider Network

- Full Network with the exception of Transplants

## Financial

- FFS and Shared Savings
- Care Management Fee

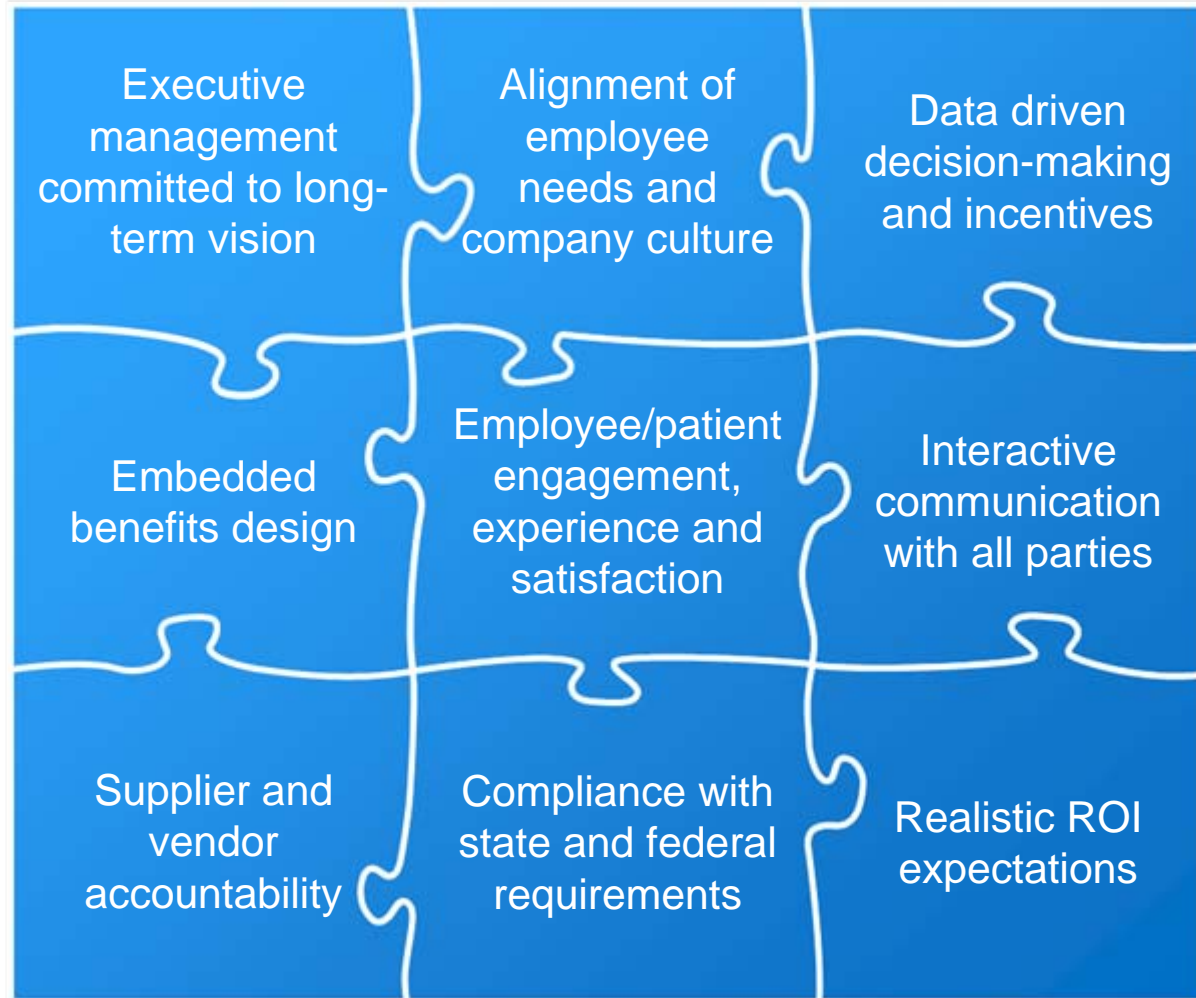
## IT

- IT Infrastructure
- Data Exchanges

## Medical Management

- Defined Processes to promote quality and coordinate care

# Nine Critical Success Factors



# Role of Data in Purchasing Strategy

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**Focuses**

executive suite attention

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**Identifies**

cost risks

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**Documents**

clinical opportunities

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**Supports**

benefits design

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**Creates**

Transparency and trust





# 2011 Employer Driven Accountable Care Organizations Survey Report

What They Are and  
What They Can Do for Your Organization

**AON** Hewitt

polakoff | boland

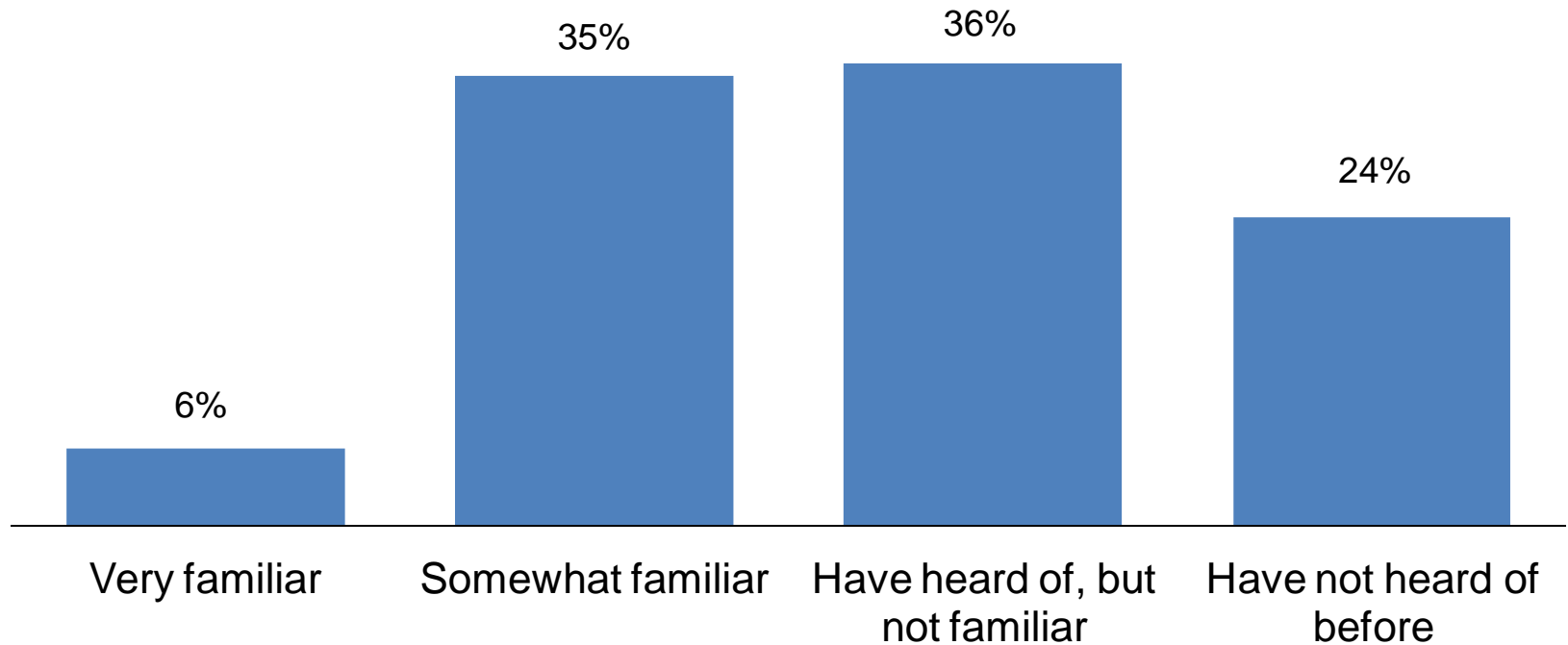
# About This Survey



- 674 individual participants
- Participating organizations provide healthcare coverage to over 5 million U.S. employees and dependents
- Employers gave insights on ACOs as a new way to deliver healthcare to employees and dependents

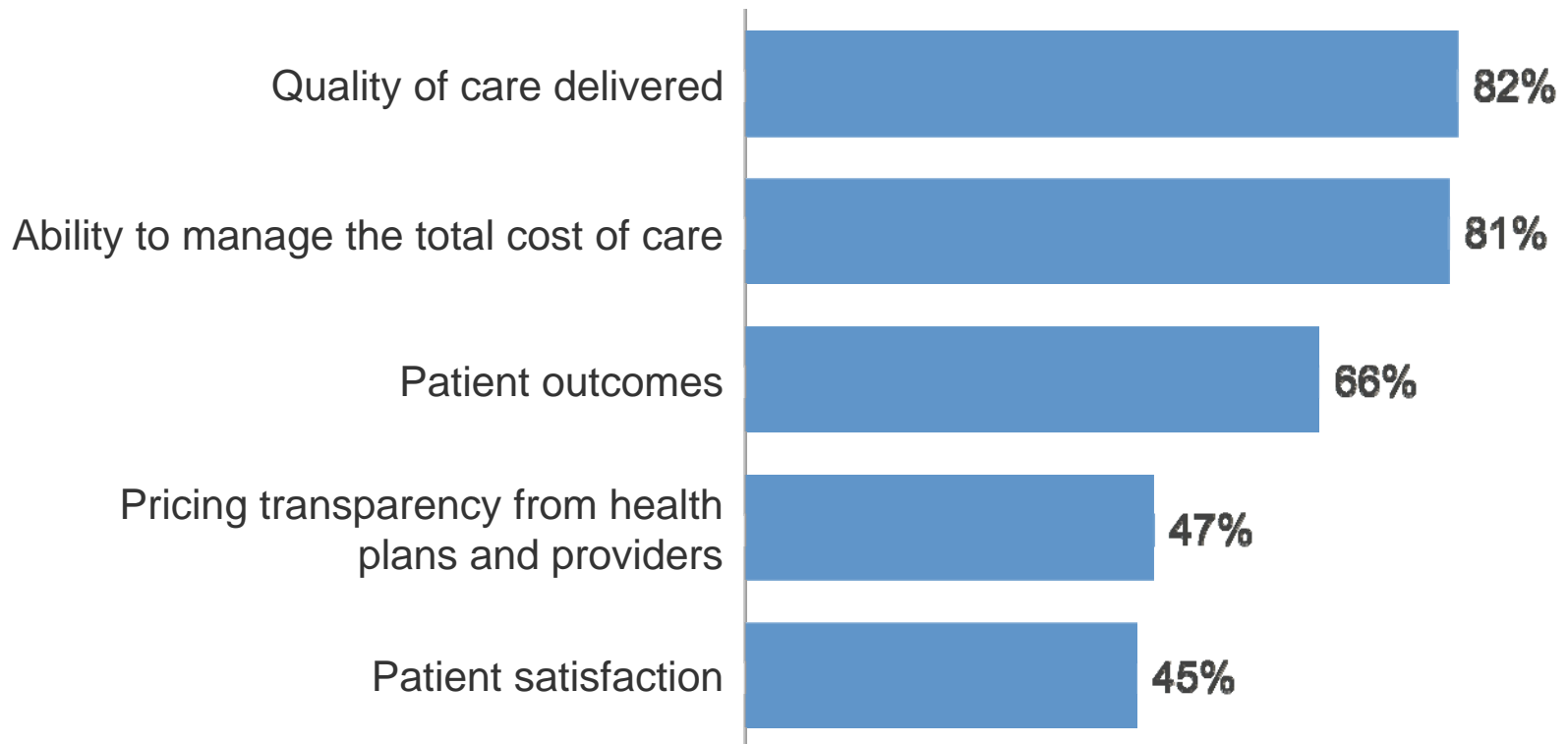
# Employers Are More Familiar with ACO Models Than Expected

## Familiarity with ACOs



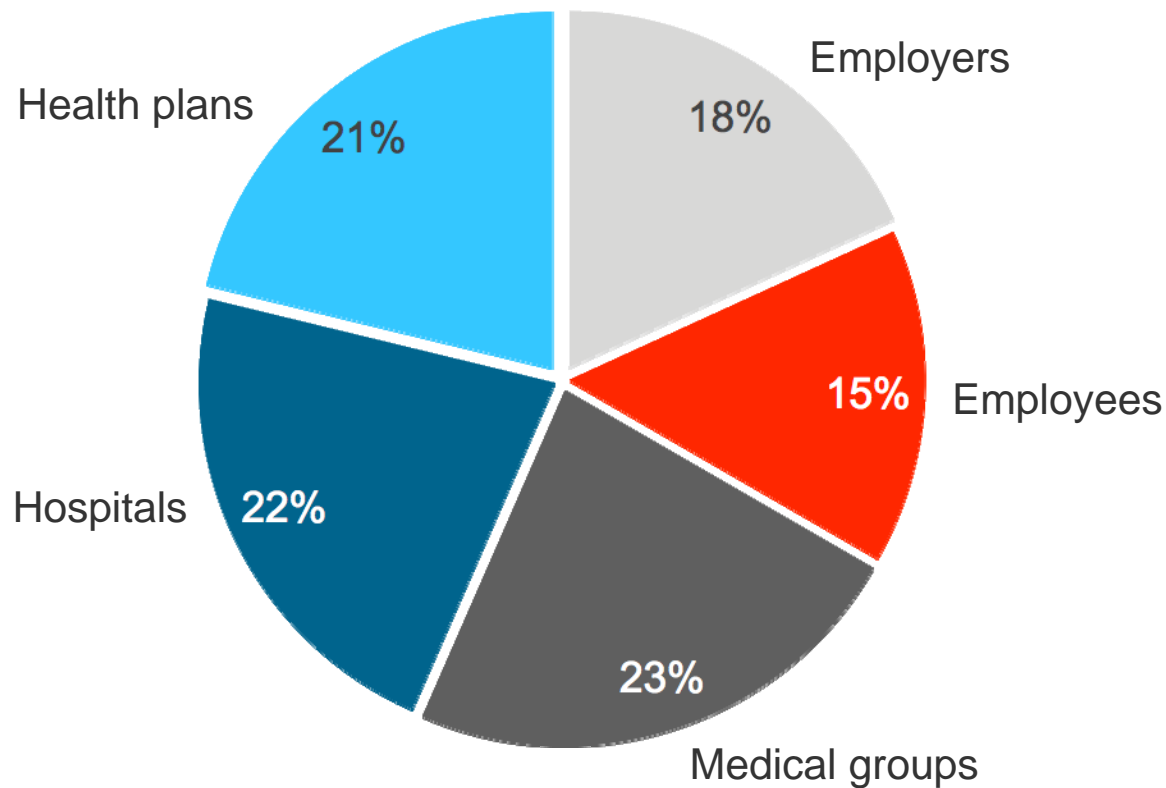
# Quality and Cost Driving ACO Interest

## Most important factors in assessing or evaluating use of ACO



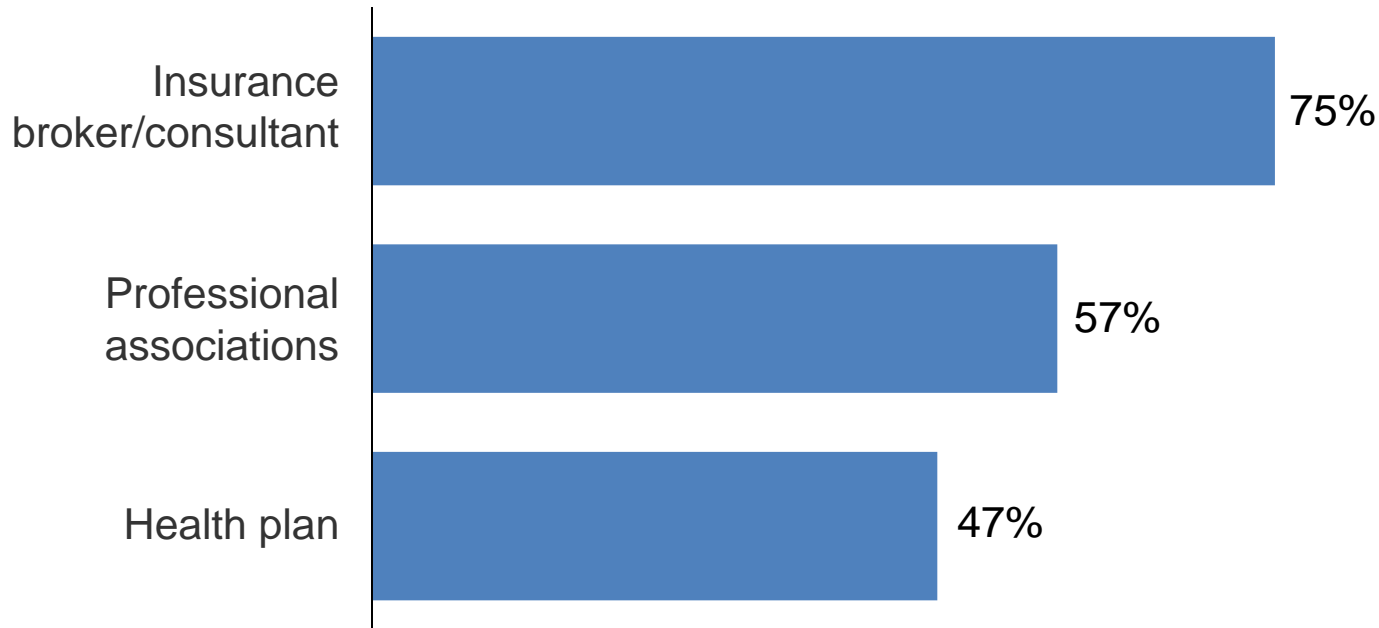
# Employers Are Equally Divided on Who Should Share the Cost Burden

ACO cost management risk share



# Employers Trust Insurance Brokers/Consultants Most for ACO Information

## 2011 top ACO information providers



# Leading Examples of Value Purchasing



**Pitney Bowes**

# Commercial ACO Example





# Multipartner ACO

## Lessons learned



Catholic  
Healthcare  
West

- Medical groups, hospitals and payer must all work together – not two versus one
- Understand each party's issues, respect their vulnerabilities and solve them



Blue Shield

- Health plans must be transparent about pricing to build trust with providers
- Clinical and financial integration is the crux of collaboration between payers and providers



Hill Physicians

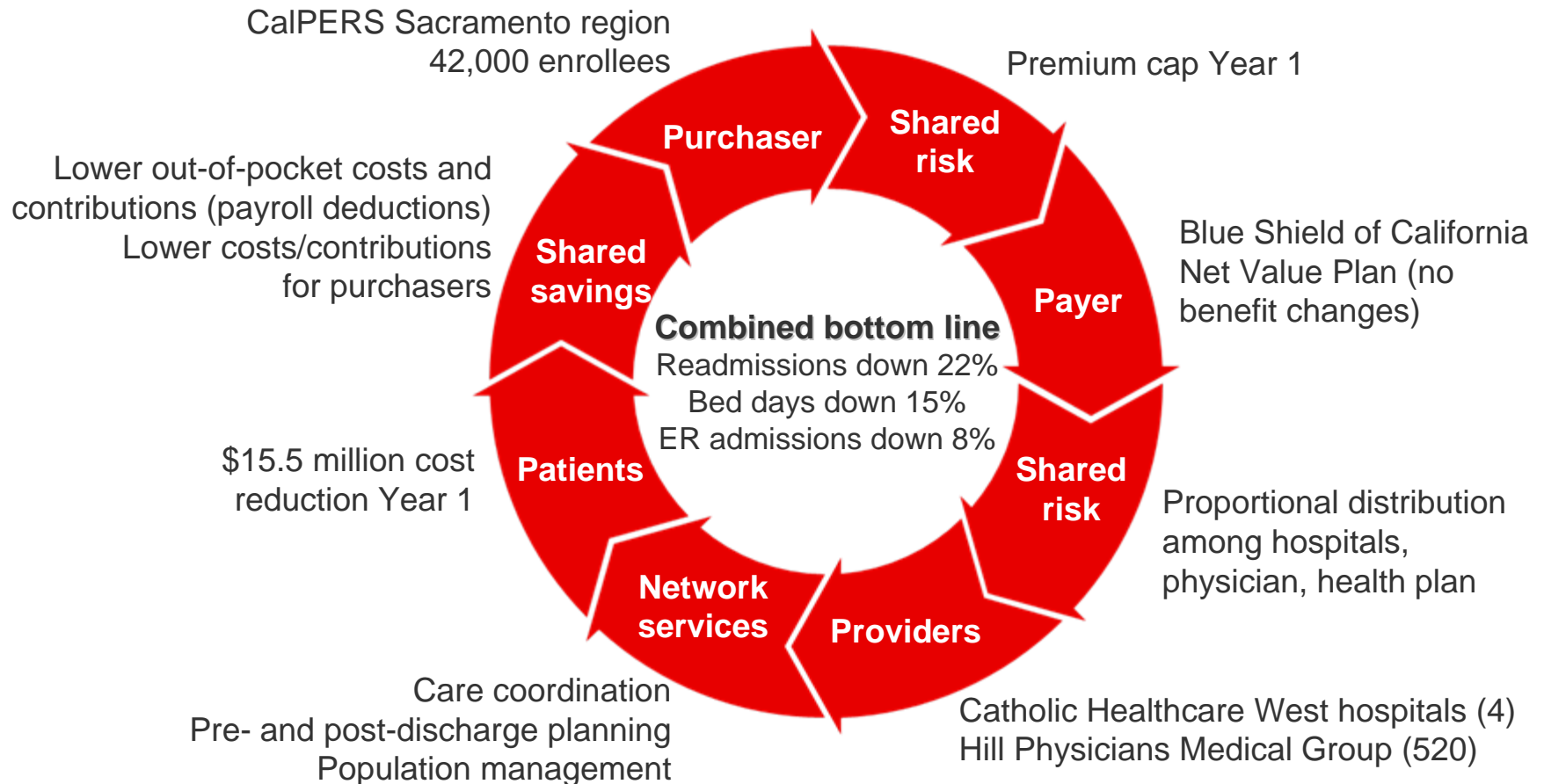
- Each partner has critical clinical and utilization data; transparency is key
- Four organization's divergent cultures must work hand-in-glove



CalPERS

- Zero trend in 2010 (same benefit structure)
- Bed days down 15%; readmissions down 22%; ER admissions down 7.6%; ALOS down 0.72 days

# Commercial ACO: Combined Bottom Line



# Leading Examples of Value Purchasing



Caterpillar's contract is value based. It's not indexed to inflation. Benchmarks have been negotiated that will reward the Methodist health system with higher reimbursement down the line if certain coordination of care, quality, and admissions targets are met.

The contract calls for Methodist to build out an ACO model for Caterpillar employees, their families, and retirees by September 2013. The ACO would include ambulatory and home care sites in addition to acute care.

*– Michael Bryant, CEO  
Methodist Medical Center*

# Leading Examples of Value Purchasing



Created data repository to identify gaps in care and improvement in patient safety based on medical intelligence



Developed value based pharmaceutical benefit that decreased copayments for diabetes, cardiovascular disease and asthma medications



Decreased employee costs for preventive care



Identified preferred physicians using quality-based practice guidelines



Offered incentives to employees filling out health risk assessments

***“Data analysis is not an optional step...without an understanding of what is driving costs, it is impossible to make well-informed, strategic decisions”***

# Leading Examples of Value Purchasing



Life Track program is confidential, rewards employees for specific health-related behaviors and activities, and focuses on four new campaigns each year based on employee feedback



Health risk assessment (fosters lifestyle changes such as nutrition and exercise)



NextStep Lifestyle (leads to adjustments in daily health habits and positive health impacts)



Quit for Life (supports smoking cessation)



Onsite clinics and mobile health screening clinics (increases productivity)



FitLogix targeted to employees with BMI>30

- Specialist referrals and medication adherence improved for employees using clinics
- Hospital admissions were shorter and fewer
- ER utilization decreased

***“Communication is critical ... it is impossible to over-communicate”***

# Leading Examples of Value Purchasing



Elevated role of pharmacists in counseling patients, performing basic exams, tracking data and communicating with patients' physicians when problems arose



Required patients to attend regular meetings with pharmacist, keep regular physician appointments, and complete routine lab work



Expanded community-based pharmacist coaching to include evidenced-based diabetes care guidelines and self management strategies

***“Within 3 months, participants were taking better care of themselves in terms of diet, sleep, and exercise ... Simply having someone to talk with about their concerns benefited these patients” likening pharmacists to coaches***

# Leading Examples of Value Purchasing



Comprehensive program of wellness and prevention services based on three key strategies



Securing support from top management



Communicating effectively to employees at all levels



Adapting program to fit organizational culture

## ***Lessons learned***

- Employee trust is critical to program success. Open communication and consistency builds credibility
- Outcome-based data is needed to validate programs across the organization
- HRA is valuable to the organization; aggregate data helps inform where resources should be applied.
- Employees are more likely to complete HRA if it is easy to use and delivers value
- Internal partnerships with business units increase program utilization
- External partnerships provide benefits and resources (e.g., participation and buy-in from EAP increased utilization by 400%)

# Leading Examples of Value Purchasing



Used value-based intervention models



Built individualized health competency among employees



Addressed hypertension through a chronic care treatment model



Sent nurses into the mines (all three shifts) to check blood pressure and give advice and support on hypertension

- Employee hypertension measurement went from 65% to 25%
- Blood sugar and cholesterol measurement was added to medical support at the mine

***“Employers must be sincere, develop trust, and communicate that you are only interested in their health and have no other motives”***

***“Only run the reports that you will use. Otherwise it wastes time and frustrates you in the process”***



# Leading Examples of Value Purchasing



Created Wellness Center as a medical home for preventive and routine care, nutrition/weight management counseling and smoking cessation



Used condition management methodology with a copayment differential to drive participation and results



Integrated three approaches to primary care diabetes management (self-management, balancing appropriate lifestyle choices, pharmaceutical therapy)



Provided individualized diabetes care plan development and counseling with pharmacists



Revoked copayment waiver if program requirements were not met

- 30% decrease in hospitalizations
- 24% decrease in ER visits
- 75% drop in lab costs
- \$5 million saved in Occupational Health Program (first 5 years)

# Leading Examples of Value Purchasing

## Pitney Bowes



Reduced or eliminated co-payments for diabetes, asthma and hypertension medications



Offered immunizations and health screening



Educated employees about walk-in clinics



- Replaced uncooperative pharmacy benefit manager and health plans
- \$39.8 million annual cost offset/avoidance on base of \$150 million
  - One third savings due to plan design (tiered drug benefits, reduced cost sharing for preventive care)
  - Two thirds savings due to wellness programs, disease management, on-site clinics, cost-effective drug choices by employees

***“Every decision in benefits design is a long-term investment in higher productivity and improved cost-efficiency”***

# Leading Examples of Value Purchasing

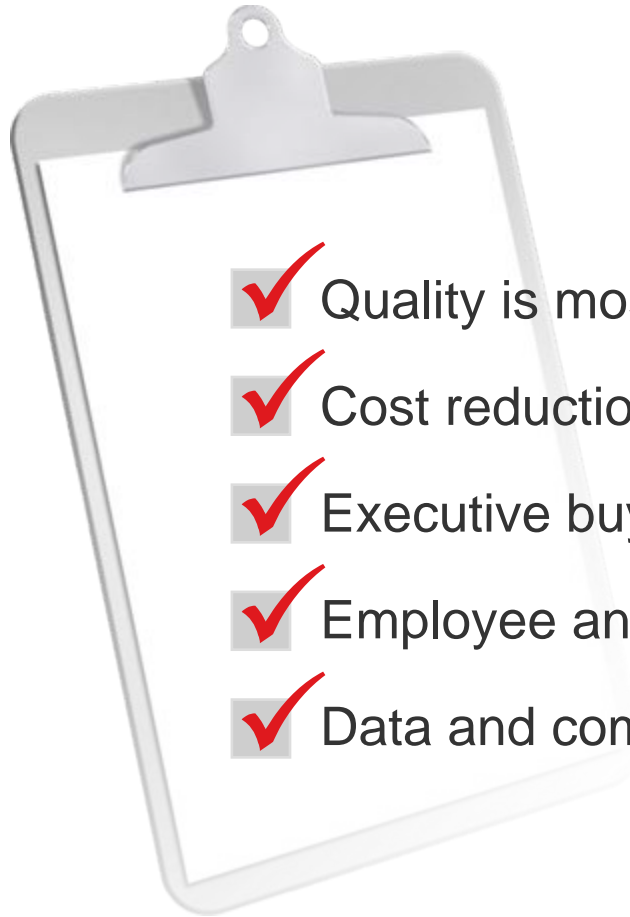


- Intensive Outpatient Care Program (“ambulatory ICU”)
- Created ambulatory intensivist practice for highest-cost 10% of members
- Staffed by care management RN, pharmacist, dietician, PT and social worker
- Uses motivational interviewing and integrates behavioral health
- Shared care plan (written goals and priorities) agreed to by physician and patient
- Sites paid monthly case rate for non-traditional services plus standard FFS payments
- Gain sharing offered to clinics
  - Reduced per patient costs by 20%, admissions by 28%, workdays missed by 16%
  - Improved mental functioning by 16%

**“Don’t underestimate the importance of addressing behavioral health issues”**

**“There is an enormous amount of stress associated with a chronic illness and that needs to be addressed to get patients on track to better self management”**

# Five Key Take Aways



- ✓ Quality is most important to employers
- ✓ Cost reduction is nearly as important
- ✓ Executive buy-in is critical
- ✓ Employee and patient engagement is vital
- ✓ Data and communication are key

# Questions & Answers

# Contact Information

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