

Mini Summit X: Delivery System Reform

Insurer Roles in Developing Accountable Care Organizations

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Delivery System Reform: Create & Expand Systems of Care

- **Systems** of care are better than “non-systems”
 - Research shows better quality & lower cost
 - **Size** needed to measure financial & quality performance
 - Accept responsibility for population health & quality
- ACOs give providers **tools** to improve care
 - Patient-centered teams, reports/data, nurse hotlines, etc.
- ACOs do **NOT structurally limit** patients
 - **Unlike HMOs, No** enrollment, closed provider networks, prior authorization, out-of-network benefit differentials

Follow the Money: Less Cost = Less \$

- Successful ACOs lower spending & improve quality
 - No “magic bullet” that increases fees
- Lower spending means **lower top-line revenue**
 - Which providers loses revenue?
- Most “low hanging fruit” reduces hospital revenues
 - Limit ER use & unnecessary inpatient admits/readmits
 - Shift to less costly sites of care (e.g., imaging, surgery)
- Because hospitals have high fixed costs, top-line losses reduce bottom-line (unless costs fall \geq revenue)

Follow the Money: Shared Savings

- If ACO is **5% below** budget target (bonus only):
 - First 2% goes to payer (“asymmetric risk”)
 - Remaining 3% is split 50/50
 - **ACO receives 1.5% in shared savings**
- 1.5% is significant share of PCP budget (10-20%)
 - Relatively small share of total physician budget (4-5%)
 - Only 2% of physician + hospital budgets
- Who funds ACO infrastructure costs (UM, data reporting & analysis, etc.)?
 - Reduce shared savings bonuses? Health plans? CMS?

Who Organizes & Funds ACOs?

- Existing organized delivery systems (e.g., multi-specialty groups; IDS; PHOs)
- In unorganized markets, Hospitals may be Anchor
 - Who will ACO benefit? (PCPs, specialists, hospital?)
 - Will hospital maximize revenue & control?
- Health plans: partner with providers & align \$
 - Defensive play against hospital-driven ACOs?
- Physician groups
 - Single specialty (cardiologists? oncologists?)
 - Primary Care?
- Investors (unlikely – margins too small)