

## **Commercial ACOs: Ten Questions To Ask Yourself Before Diving In**



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The Affordable Care Act (ACA) has spawned a rise in Accountable Care Organizations (ACOs)—both private commercial ACOs and public sector ACOs—in recent years. This proliferation largely resulted from an ACA provision regarding traditional Medicare Fee-for-Service (FFS) programs. The provision required providers to organize as ACOs if they wanted to benefit from new shared-savings programs and value-based incentives.

Many private commercial payers have since jumped onto the ACO bandwagon, and your organization may be considering doing the same. Before you follow suit, it's advisable to understand more about commercial ACOs and acknowledge key questions and information that could impact your organization's success with this transition.

#### **Commercial ACO Growth And Evolution**

In June 2014, The Leavitt Partners estimated that 626 ACOs (government, commercial, and combination government/commercial contracts) were operating nationwide and between 20 and 52 million individuals were being covered by ACOs. In California alone, over 100 Commercial ACOs have been established since the ACA took effect.

Blue Shield of California, Anthem, Healthnet, CIGNA, Aetna, Humana, and United Healthcare are a few examples of private payers which have reorganized as ACOs. In some cases, payers are testing models, and in others, ACOs have

formed the basis of the payer-market strategy.

These models are not only numerous, they are evolving rapidly. Commercial ACOs are now underlying both HMO and PPO products, narrowing networks as a result. The rush by payers to adopt these new types of payment approaches is reminiscent of the HMO movement of the late 1980s and 1990s.

With ever-increasing market and regulatory pressures to reduce costs, improve quality, and improve patient experience, payers are searching for new, innovative strategies to achieve these goals. Providers feel the pressure to adopt ACOs for the same reasons. Thus, ACOs are currently being viewed as a necessary strategy to retain market share. While many different versions of commercial ACOs are evolving, they all share a common factor: shared insurance risk for populations of patients/enrollees between payers and providers.

### **ACOs Require Transformative Change**

These risk-sharing models require both providers and payers to think differently about their business models. Providers are required to think like health plans and health plans need to think like providers. Now, providers need to learn how to manage insurance risk and understand the true costs of care.

On the other hand, payers need to become more engaged in care delivery to support their provider partners. Both payers and providers must learn to integrate financial and clinical data and develop robust analytics to make effective decisions regarding care delivery.

The changes required of both providers and payers in the ACO environment are significant and require major transformations of business models.

### **10 Questions to Consider**

As you can see, the new models end up requiring a lot from both ends of the agreement. Before transitioning headlong into an ACO, it makes sense for both providers and payers to pause and think. The following questions might help streamline the transition into an ACO arrangement:

- 1) **Why are we doing this?** Have we defined the goals of the ACO collaboration? Does top leadership understand the goals and have they been clearly articulated throughout the organizations? Do our physicians understand and support these goals?
- 2) **Does the financial/risk model have a high potential for producing the desired results for all the stakeholders?** Do the numbers make sense and are the cost targets realistic? Do key stakeholders understand the financial model, and does it fit with goals of the collaboration?
- 3) **How will we use data to achieve the ACO's goals?** Do we have the ability to link clinical information with financial information and can we help clinicians make decisions on the basis of that knowledge?

4) **Do we know the “what,” “how,” and “when” of data exchange?** What data is exchanged between payers and providers? How will it be exchanged and with what frequency? Do we have the technology/competencies to sustain this flow?

5) **How will we engage physicians?** Physicians must be fully engaged in the transformative process. Effective physician leadership is critical – do you have that leadership in place?

6) **How can success in Commercial ACO arrangements be sustained over the longer term?** We all know there are steps that can be taken in the short term to reduce cost, increase quality, and increase patient satisfaction. Have we looked beyond the next two to three years to think about what we will need to do differently to achieve these goals in the longer term? Are we planning for the future now?

Providers and payers will have additional, separate questions to consider:

7) (For payers) **Are we willing to invest in our partners to help them in their transformative change?** Providers will have to reduce costs (revenue in the short term at least) to be successful in the ACO arrangement. To do this, investments in infrastructure are necessary. It is unlikely that most provider organizations can make the required investments and sustain thinning margins in the longer term.

8) (For providers) **Do we understand what we need to do differently to be successful in this model?** Hint: without integrated cost, clinical data, and analytics, the answer to this question is “no.”

9) (For providers) **Have we established the care delivery models required to be successful in the arrangement?** For example: Do we have an adequate primary care base and a well-developed, advanced, patient-centered medical home model of care?

10) (For providers) **Do we have the core competencies and human talent required?** Managing insurance risk while maintaining the health of patients is relatively new to most providers. This usually requires new talent and redefining job roles or responsibilities. Consider the additional competencies needed in these areas and develop these competencies before you jump into a shared risk arrangement.

### **Increase the Probability of Success**

Several health plans and provider organizations have publicly reported positive early results thanks to commercial ACO partnerships. But success in these new arrangements is certainly not guaranteed. By asking yourself these ten questions, providers and health plans alike can increase the probability of sustained success.

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