



## Best Practices for Designing ACO Financial Systems

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### Session Objectives

- Identify the changing dynamics of health care that drive organizational commitment and clinical integration designed to deliver coordinated and efficient care
- Examine health information technology drivers requiring financial investment and describe how efficient deployment of an EHR can minimize reductions in cash flow
- Understand the components of an ACO financial model, including revenues, operating expenses, and CMS shared savings




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### The Healthcare Reality of Today

- Healthcare costs continue to rise placing pressures on patients, employers and healthcare providers
- Drivers of healthcare costs:
  - Technologic Advances
  - Prescription Drugs
  - Aging Population
  - Administrative Costs - 7% of total spending
- Fragmented care delivery models
- Misalignment of incentives
  - Strong history of encounter-based reimbursement




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## Impact on Physicians and Hospital

- Volume drives financial success
  - Minimal alignment service related outcomes
- Primary care physicians overtaxed and unable to effectively manage chronically ill patients
- Minimal attention given to clinical outcomes, due to difficulty in measuring the patient's "full cycle of care"
- Undercapitalized information technology infrastructure
  - Strong pressures to connect care
- The value of data continues to rise

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## Shift from Pay for Service to Pay for Value

- Radical movement from speed and volume, to *performance and care coordination*
  - Quality matters
  - Providers held "accountable"
  - Managing Costs
    - Total cost of care
    - Cost of providing care
  - Clinically integrated care
  - Non-traditional patient engagement approaches
- Continued pressure to connect systems and exchange data

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## Data Elements that Drive Value

### Volume Measures (Claims)

- ✓ Claims data (CPT, ICD-9)
- ✓ CPT-II data
- ✓ Encounters by chronic disease ICD-9
- ✓ Encounters by place of service, provider
- ✓ wRVUs
- ✓ Collection and cost per RVU
- ✓ Admissions and re-admissions
- ✓ Referral tracking

### Quality Outcomes (Clinical)

- ✓ Chronic disease lab outcomes
- ✓ Clinical measurements (BMI)
- ✓ Clinical screenings (i.e. smoking, fall risk, depression)
- ✓ Identification of screening plans (smoking cessation, fall risk plan)
- ✓ Wellness/prevention (flu vaccines, pneumococcal)
- ✓ Admissions and re-admissions
- ✓ Generic versus name brand med utilization

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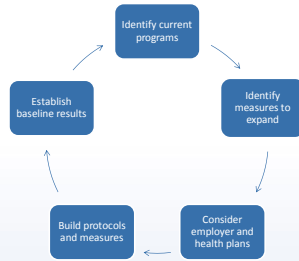
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## Measure Selection Process Approach

- Which pay-for-performance programs does the organization currently participate? (i.e. MSSP, Bridges to Excellence, BCBS)
- What measures will serve the improvement priorities of the organization?
- Are the measures relevant to the stakeholders? What are the expectations among the different stakeholders?
- What data sources are currently available? Will the measure be able to be compared?



Measures selected must be ones that can be **measured** and **compared** (consistent with national measures)...and demonstrate **VALUE**. For CI, the FTC expects the same evidence-based protocols.

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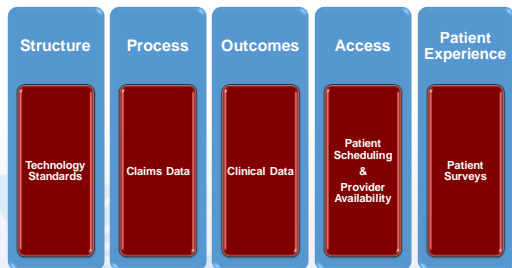
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## Domains and Measures



Source: [www.qualitymeasures.ahrq.gov](http://www.qualitymeasures.ahrq.gov)

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## Domains & Measures: Definitions

- **Structure:** capacity to provide high-quality healthcare
  - supported by other clinical quality measure domains
- **Process:** healthcare-related activity performed for, on behalf of, or by a patient
  - supported by evidence that the clinical process has led to improved outcomes.
- **Outcome:** a health state of a patient resulting from healthcare
  - detect the impact of one or more clinical interventions
  - attributable to antecedent healthcare and should include provisions for risk-adjustment.

Source: [www.qualitymeasures.ahrq.gov](http://www.qualitymeasures.ahrq.gov)

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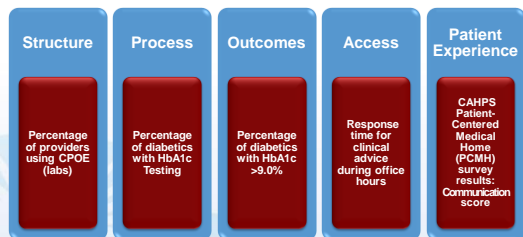
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## Domains & Measures: Definitions (cont.)

- **Access:** attainment of timely and appropriate healthcare by patients
  - supported by evidence that an association exists between the measure and the outcomes of (or satisfaction with) care.
- **Patient Experience:** patient's report of observations of (and participation in) healthcare, or assessment of any resulting change in their health
  - supported by evidence that an association exists between the measure and patients' values and preferences, or one of the other clinical quality domains

Source: [www.qualitymeasures.ahrq.gov](http://www.qualitymeasures.ahrq.gov)

## Comprehensive Diabetic Care: Sample Measures by Domain

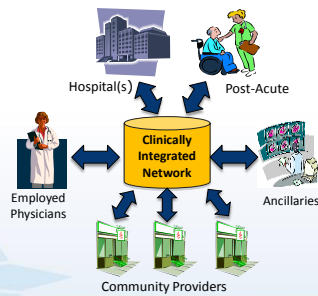


## Comprehensive Diabetic Care: Measure Crosswalk Table

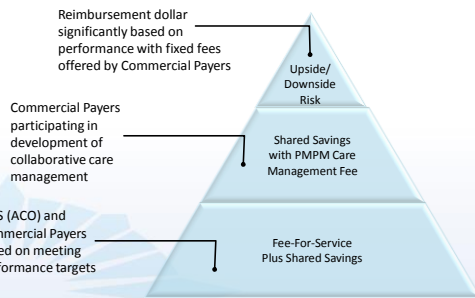
Measure	HEDIS	NQF	PQRS	PCMH	ACO	MU
HbA1c	X	X	X	X	X	X
LDL-C	X	X	X	X	X	X
Medical attention for nephropathy	X	X		X		X
Influenza Vaccination				X		
Pneumococcal Vaccination				X		
Eye exam	X	X		X		X
Tobacco use				X	X	
Tobacco cessation				X		

## Building the Clinically Integrated Network

- Clinical integration has emerged as the driving force behind value-based performance
- Connecting physicians, hospital, post-acute and the community, to better manage cost and achieve higher quality outcomes
- Leverage network quality performance and cost management to create value-based care



## Clinical Integration and Value Based Reimbursement



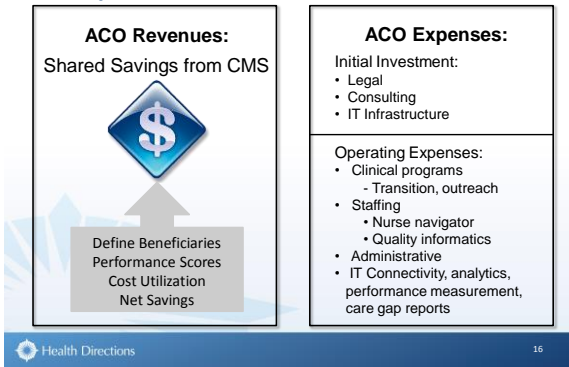
## Summary of ACOs

### Accountable Care Organization:

A legal entity allowing an organization to receive and distribute payments from shared savings to participating providers of services via the Medicare Share Savings Program

- ACO professionals in group practices
  - Networks of individual practices of ACO professionals
  - Partnerships or joint venture arrangements between hospitals and ACO professionals
  - Hospitals employing ACO professionals (providers)
- Have a mechanism for shared governance

## Components of an ACO Financial Model




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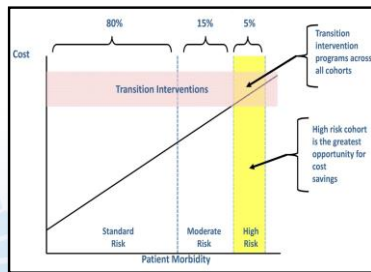
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## Making the Value-Based Economics Work

- ✓ Breakdown the beneficiaries into risk cohorts
  - Cost utilization based on claims data
- ✓ Identify "High Risk" beneficiaries with multiple co-morbidities
  - Highest cost contributors
- ✓ Manage the hospital transitions



Health Directions

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## The Big Question Asked By Hospital CFOs

*"If we reduce inpatient services which drive a lot of our system's revenues, won't this reduce our overall bottom line? What's the incentive?"*



Health Directions

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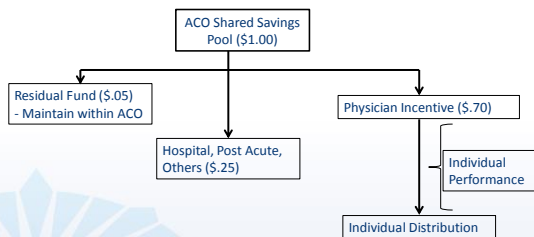
## Reasons Hospitals Want to Participate

- Scalable Learning Lab for Future Value-Based World
  - Nominal Absolute Financial Impact to Seton
- Opportunity to Integrate/Align with Key Physicians **without** Acquiring Their Practices
- “Pull Through” Effect of Incentive Design
  - Increased “In Network” Referrals from All Payers
  - Collaboration on Hospital Cost & Safety Initiatives  
Examples: Readmissions, Physician Preference Items, etc.
- Opportunities to Dynamically Structure Hospital Shared Savings Portion to Ensure ROI
- Preempts Physicians from Aligning with Competitors

## Distributing the Earned Savings

- Need to be large enough to gain attention
- Must incorporate incentives to reward behavior
- Establish individual incentives based on individual criteria
- Establish a residual fund for future investments, future years incentives or specially bonuses

## Example of Distribution Approach



## ACO Key Performance Indicators

Intervention Process Measures	
	Number of patients high-risk intervention
	Number of patients moderate-risk intervention
	Number of patients transitioned out of member hospitals

Utilization Measures	
	IP admits/1000
	IP days/1000
	ID admits/1000
	ID to inpatient admit/1000
	SNF days/1000
	Average LOS
	30 Day Readmissions - HR Intervention Population
	30 Day Readmissions - MR Intervention Population
	30 Day Readmissions - Transition Population

Cost Measures	
	Medical PMPM
	IP PMPM
	Office PMPM
	Outpatient Hospital PMPM
	SNF PMPM
	ID PMPM

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## Summary

- Changes in healthcare delivery and bending of the cost curve will make all of us more accountable
- Data continues to drive value
- Building measures by domains will support your library of measures
- New financial models will align incentives and modify behaviors
- Aligned objectives will prepare you for accountable care
- Lastly, don't forget to manage the cultural change

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## Our Healthcare Climate is Changing



...and we all will be affected

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## Questions?

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