Accountable Care Organizations
New Healthcare Opportunities for Employers

The ACO and Employer Opportunities

Since the passage of the Patient Protection and Affordable Care Act (PPACA) in 2009, the marketplace has been abuzz about its endorsement of the Accountable Care Organization (ACO) model. An ACO is a type of payment and healthcare delivery system that ties provider reimbursement to quality metrics and reductions in the total cost of care for an assigned population of patients. They have the potential to change the healthcare system by implementing coordinated, clinically integrated, efficient, and patient-centered solutions for both government and commercial health insurance providers. As a result, some employers are evaluating the ACO as a way to deliver healthcare while reducing the volume and amount of payments and increasing service quality and efficiency.

The ACO is also designed to provide financial incentives for providers to improve quality, eliminate waste and control healthcare costs. In an ACO, program managers can set spending targets to reflect the expected costs of caring for a given population along with the care quality objectives. The opportunity to share in risk and savings becomes an integral part of the ACO's success as it meets or exceeds these established objectives.

Reasons for Creating an Accountable Care Organization

There are several reasons for hospitals, physicians, employers and payers to support and develop an ACO:

- Healthcare costs are increasing even with declining reimbursement rates.
- New provider incentives have aligned cost savings with quality measurements.
- Health Information Exchange technology has allowed greater connectivity of systems.
- Healthcare programs increasingly use integrated care management with evidence-based guidelines and analytics.
- Healthcare delivery continues to be local partnership.

ACO Opportunities for Employers

Just as there is not a single type of healthcare program, there is no one way to position an ACO in the marketplace. There are many forms of the model in use today, and it's important to review your program's needs and choose the method that works best for your organization. Here are a few examples:

Developed for Employees

Some provider organizations have created ACOs for their own employees and dependents much in the same way that they've created health plans or alternative care models. This provides an opportunity for an employer to participate in their local provider organization's ACO.

Direct Contracting for Total Healthcare Services

Some employers may have the opportunity to contract directly with a forming ACO. Under this model, the employer would not need to use a health plan as a liaison to offer the provider network or service. Instead, the ACO provides integrated care management directly through its own accountable delivery system.

Direct Contracting for Specific Healthcare Services

There may be an opportunity for the employers to contract with an ACO for specific healthcare services or programs. Under this model, the employer could single out a high-risk segment of its employee population to the ACO for disease-specific care management or variable, high-cost inpatient or outpatient cases. Some examples include:

- High utilization patient management
  - Chronic illness, polypharmacy, obesity
  - Emergency room and readmissions
  - Other identified disease conditions
- Bundled or global pricing programs
  - Specialty product lines: orthopedics, cardiology, neurosurgery
  - Service product lines: asthma, gastroenterology, otolaryngology
- Total population management
  - Acute
  - Post-acute care

Employer-Created

An employer may be interested in creating and supporting an ACO for its own employees or retiree population. Under this model, the employer-created ACO would contract directly with a specific provider organization (or many) in their local marketplace for total or specific healthcare services or programs. This is much like a business healthcare coalition model except that it is an employer-specific approach to decreasing cost and improving health status for their employees and dependents.

Joint Venture

In this model, the employer would work jointly with a developing local provider organization ACO. Employers could help develop a new ACO by contributing financially in return for a percentage of the projected shared savings from managing its employees. The employer and its benefit consultant could play an important role in jointly forming an ACO. Together, they bring expertise to the table as to what could be effective in managing the employer's population.

Payer

In this model, the employer contracts with a payer-developed ACO but may or may not share directly in the ACO's shared savings. The payer ACO model is being formed as an alternative health plan for self-funded employers – much like a HMO, PPO or EPO. In some cases, their services may be less expensive but it is still important to analyze their quality and cost targets.

When considering working with an ACO, employers must decide whether they should create or sponsor an ACO, contract directly with one, or access one through a health insurance provider. They should also consult their benefit consultant or local hospital system to obtain additional information such as their delivery network, programs, and bundled pricing.

Potential Employer Risks

As with any new healthcare delivery system, there will be some risks in working with an ACO. For example, the National Committee for Quality Assurance (NCQA), the private non-profit accrediting organization for healthcare organizations, hasn't even finalized the criteria it intends to use to accredit ACOs. Additionally, several legal issues still need to be resolved, such as how an ACO can incentivize its providers for reducing costs and sharing in the savings without violating federal anti-kickback, antitrust and other laws.

Some ACOs may not succeed due to effectiveness (such as not producing cost savings or improving employee health) or for financial reasons (such as lacking the capital for long-term sustainability). There are additional expenses in forming and managing an ACO, including the creation of an infrastructure to collect data, coordinate care, and measure performance, the provision of clinical integration to reduce inefficiencies, and installation and creation of a health information technology platform, which may prevent many ACOs from being successful.

There's also a concern about the long-term viability of ACOs. In the first few years, they may successfully reduce costs by increasing efficiencies or improving the health status of the population or reducing expensive care. But they may not be able to produce the same results over the long term, thus reducing opportunities for additional shared savings.

On the whole, the risks are minimal for most employers. But you should keep these risks in mind when considering involving your company with an ACO.

Evaluating an ACO

In addition to the aforementioned risks, it's important to consider these factors when evaluating an ACO:

ACO Vision, Mission and Purpose

Determine which ACO best meets the employer's healthcare vision, mission, and purpose for their employees. For example, some employers may allow their employees to go out of network for care; others may be more restrictive. Some employers may assign employees to a particular ACO, while others will let employees choose their ACO. Examine the leadership, providers, delivery of cost-effective care, and quality standards.

Employee Utilization Patterns

Make sure the ACO meets employee utilization patterns. For example, it needs to have an accountable delivery system that is adequate for the employer's employee population and articulated quality goals. Analyze what providers (hospital, physicians, and ancillary) are in the ACO, and if your employees have established relationships with them, especially if a high percentage of your employees are already using the ACO's providers.

ACO Shared Savings

Ask if employers will be involved with the shared savings of the ACO. If the employer is not creating its own ACO, it can still receive some of the shared savings, and should ask how savings will be shared as the ACO becomes successful. If the employer or its benefit consultant doesn't ask who benefits from the generated savings, the insurer or ACO will benefit. At the very least, employers should ask how premiums might be affected if the employees use the ACO.

Measuring Improved Quality and Reduced Costs

Success will require sophisticated information management systems for quality improvement and much better information about the health and economic value of the ACO's healthcare services. It is very important for the employer to know which ACO is delivering better care and outcomes while reducing cost so that it can improve more employees' health.

ACOs have the potential to improve quality and reduce costs for the employee and employer alike by providing more patient-centered, coordinated, and integrated care. The PPACA only provides a broad outline of the ACO initiative. But with the appropriate vision, design and strategic provider partnership, employers could benefit tremendously.

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