

Using ACOs for Employer Based Coverage



How Purchasers Help Move This Market?

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Current Problems with Employer Purchasing

- Focus on provider discounts
- Broad provider network requirements
- Nationwide consistency requirements
—ACOs are all local!
- Plan designs limit consumer concern with value
- Micro differences in coverage and benefit design add complexity for plans and providers
- Purchasing of plan based disease management creates added layer of health management



Purchasers Must Be Part of the Solution

- Employers NEED for this to work
 - Escaping the system only solves part of the problem
 - Will need a real market to transition into
- Need for private and public purchaser alignment
 - Misalignment drives cross subsidies
 - Critical mass needed for systemic change
 - Directionally consistent, non-identical payment models are OK
 - Consistent quality and cost metrics
- Only purchasers can align consumer incentives

Payment Model Objectives for Purchasers Can Be Achieved via ACOs

- Make providers aware of what things cost
- Force providers to address input costs
- Change how providers invest capital
- Encourage providers toward make/buy decisions
- Force providers to consider the value of care recommendations
- Force providers to discuss value with patients

There Are Risks to Purchasers

- Short term increase in payments to primary care, without guarantee of corresponding cost reductions
- Health care delivery system may not right size
 - Failure to shrink excess capacity will cause failed reform
 - Shrinking excess capacity will be disruptive for communities, employees and bond markets
- Employees will blame the employer
 - Consumers need to be educated, fear of death panels, misaligned docs
 - Unions may not give up without a fight
- Biggest risk is doing nothing
 - Costs keep going up
 - Political stalemate
 - Creates dueling incentives and dampens signal strength

ACO Shared Savings Payments? Why and Why Not

- Pros
 - It sounds like everybody wins!!!
 - Providers are attracted by idea of no downside risk
 - Doesn't require changes to nuts and bolts administration
 - Addresses concern about all savings going to providers or plans
- Cons
 - Minimal incentive creates chicken and egg problem
 - No access to upfront investment dollars
 - Existence and amount of shared savings are unknown for years, but changes to revenue and investment must be made immediately
 - Target setting
 - Embedded disparity
 - Unknown amount
 - What happens next year?

ACO Shared Savings Issues for Self Funded Employers

- How is it calculated?
- When is it collected?
- When is it paid out?
- How is it paid out?
- How is it funded?
 - Withhold? Retro payment?
- Who gets the money that doesn't go to providers?
- Plan incentives and role(s)?
- Impact of withholds on consumer fee level and cost sharing
- Translation to employer specific experience

ACO Global Payment Concerns for Self Funded Employers

- Vary by employer?
 - How are targets set? How are they reset?
 - Do you pay for other employer's claims experience?
- What do consumers pay?
 - How is consumer cost sharing calculated?
- Who takes risk?
 - What is the provider risk? What is the employer risk? What is the plan risk?
- Retrospective reconciliation timing and accounting

Mini Case Study: BHCAG/Choice Plus/Patient Choice

- Tiered network
 - Total cost of care targets based on provider submitted bids (risk adjusted)
 - Coupled with quality info to assign tier
 - Consumers could choose any provider but paid more for higher cost tiers
 - **Providers received performance based adjustable fee schedule payments**

What Worked?

- Eliminated need for retrospective reconciliation
- Enabled separate employer payment and experience
- Could be built on any plan design
- Dealt with issue of where to set target/capitation
- Eliminated consolidation for clout advantage
- It saved \$\$—patients moved, providers responded

What Didn't Work for Employers?

- Didn't want to hold consumers responsible for their choices
- Local v. national purchasing
- Problematic discount analyses
- Critical mass of alignment for providers
- Plan push back
- Bad administration

What Can Purchasers Do Now?

- Push plans to change so they can blame you when providers object to changes
- Buy from plans that align provider incentives
- Become locavores: grow and consume local market innovations
- Collaborate with plans on design alternatives
 - Reference price plans
 - High deductible plans with fine tuning and transparency
 - Medical home "membership" plans, Care Management Fee payment
 - Alternatives to RBRVS and DRG fee schedules
 - Patient incentives for outcome improvement
 - Purchase for more than 1 year at a time with contingencies

Things to Remember

- Don't be penny wise, pound foolish
- Full impact of care redesign won't be immediate
- Need to align consumers
- What is and isn't profitable for providers needs to change
- Carefully share price info with consumers and providers

Questions?

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