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
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
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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