

Accountable Care Organizations from a Payor Perspective

Engaging in new partnerships with a diverse array of providers—and even other payors—will require new strategies and new structures based on a deep understanding of the changing landscape

Today's Environment

In many markets around the country, Accountable Care Organizations (ACOs) are taking shape as providers and payors form new partnerships to reduce costs and improve outcomes across the healthcare continuum.

Some major payors are already engaged in ACO pilot programs or contracts with providers, working out the high levels of collaboration and information-sharing that will be essential to success. Many more payors are still assessing the marketplace and deciding what they must do to address the challenges of ACOs and capture the opportunities.

Point B's Perspective

Wherever your organization is in the process from evaluating to embarking on an ACO, you'll find that the ACO model takes the provider-payor relationship beyond business as usual. In fact, the transformation of the provider-payor relationship is at the heart of the ACO paradigm. Without it, ACOs can't deliver on their promise.

Engaging in new partnerships with a diverse array of providers—and even other payors—will require new strategies and new structures based on a deep understanding of the changing landscape. Through Point B's Healthcare Payor Collaborative, we help clients think through the ACO issues that arise from strategy through implementation. We bring perspective that draws on our experience with payors and providers, helping our clients pursue new partnerships and distill changing market realities into practical ways to be well positioned in the ACO marketplace.

We emphasize that embracing an ACO model entails a number of challenges for payors: building capabilities that are collaborative yet sometimes competitive; being aware of the organizational challenges that come with changing the relationship to providers and other payors; and being mindful of how all of this impacts current work on other major initiatives, such as ICD-10 and EMRs. As you consider what an ACO model will mean to your organization, here are a few key issues to keep in mind.

Increased transparency to providers is only the start. So far, much of the industry's discussion of ACOs has been in the

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context of Medicare. But there is growing interest and activity in extending the concept to patients covered by Medicaid and private insurance, too. As this opportunity unfolds, there may be significant advantages to having multiple payors come together and cooperate in promoting ACOs.

Why join forces with other payors? First, efforts to improve care may be more effective if several payors are using uniform performance measures and quality standards. Second, a multi-payor ACO may have the critical mass of enough patients to allow a meaningful focus on populations with special needs. Finally, providers may be more likely to modify their practices if most of their patients—not just those with Medicare coverage—are included in the ACO population.

You may even find that it makes business sense to partner with a competitor in order to jointly identify provider partners, promote uniform standards, and expand the set of products that allow ACO members and lead to higher volumes.

Payors face many ACO opportunities, and no single solution. The ACO model challenges payors to develop attractive payment incentives across the full spectrum of care delivery. The tendency is to focus on including physicians and hospitals in ACO partnerships. But ACOs can and should include creating payment incentives for all providers involved in the delivery continuum—from clinical labs, DME suppliers and pharmacies to rehabilitation centers and long-term care organizations.

Developing payment incentives for this diverse array of care delivery providers across the continuum will be one of the greatest challenges for payors that participate in ACOs.

What is each type of provider looking for? To what extent do you meet those needs? How will your organization address the gaps?

Putting it all together takes bandwidth and expertise.

Delivering on the ACO value proposition requires a significant

disruption of “business as usual” behaviors between payors and providers.

In order to provide “lift” to the entire ACO initiative, payors, medical groups, hospitals and other providers must all work together to understand each other’s issues, respect each other’s vulnerabilities, and find ways to solve them.

This calls for reimagining your relationships with providers and even other payors in ways that may go against the grain of traditional thinking. Resist the impulse to leverage advantages “against” counterpart organizations. Understand how this change in perspective affects your business practices. And be equipped to manage the effects of this change on policies and behaviors.

As you know, payor organizations are already dealing with a host of regulatory and market-based challenges to improve their operations and manage change. Today’s challenge: not only dealing with the change that is coming from all directions, but also ensuring that change is well-planned, supported and executed to be sustainable. From a change management perspective, accountable care practices should be treated as a lifecycle that requires oversight and support in order to succeed.

The Bottom Line

ACO has the potential to make healthcare more effective and affordable for millions of Americans. But it requires a transformation in the relationship between providers and payors. New partnerships will form. Benefit design and compensation models will change. Payors who win in the ACO arena will take a structured, strategic approach to assessing the opportunity and creating new coalitions to move from where they are to where they want to be.