Accountable Care Organizations

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Plan for Success in a Changing Marketplace

Today's Environment

Across the country, accountable care organizations (ACOs) are being hailed as a solution to the most daunting challenges of healthcare reform: slowing the unsustainable growth in overall costs while improving quality of care. In an ACO, providers form a partnership that is accountable for the quality and cost of care delivered to a defined population of patients. By joining forces to deliver more efficient, coordinated care across the care continuum, a number of pilot programs have shown that ACOs can reduce Medicare spending, decrease total hospital patient days and hospital readmissions, and improve quality.

Over the next 12-24 months, providers that embrace the ACO model will focus on building leverage and scale in their local markets. Acquisitions and consolidations will be prevalent as providers move to expand their clinical share, increase their leverage and improve their financial positions. Now is the time to determine where your organization will fit in this changing landscape. Waiting too long or doing nothing may leave you on the outside looking in, with limited choices.

The Building Blocks of an ACO

Patient Engagement
Bonding patients for the long-term

Model of Care
Standardizing clinical coordination across care continuum

Measurement
Monitoring metrics and improving processes real-time

Financing
Aligning risk/reward for reimbursement

Technology
Integrating/optimizing systems and deriving economies of scale

Organization
Establishing strong physician leadership and governance
In our work with healthcare clients, we emphasize that ACOs require different thinking. New partnerships, payment models and market strategies are integral to success as an ACO. This is a chess game where you need to think three moves ahead. Understanding and predicting your local market is pivotal to making the right strategic moves. Aligning with the right partners will strengthen your market position and provide you with the population base needed for long-term viability.

As you plan your ACO strategy, here are a few essential questions to ask, together with the actions you can take now to answer them and move forward.

What is our competitive stance relative to ACOs in the market?
Do you want to drive the market, or sit back and wait for it to take shape? What are your competitors doing? What partnerships and affiliations are taking shape? With whom would you want to join forces?

It’s critical to assess the local market trajectory and your place in it. Perform a comprehensive market review to understand the lay of the land, and identify the opportunities of highest value to your organization.

Much of this early work is data-dependent as you conduct due diligence—gathering and analyzing the market intelligence to establish priorities, make informed choices and take action in the days ahead. During this research-intensive phase, it’s not unusual for the sheer volume of available data to lead to temporary paralysis. Much of the early-phase ACO work we do with our clients is in helping them determine what data to pay attention to. At a time when the market is moving fast, it’s critical to focus on the most salient pieces of information in order to make quick but informed decisions.

In addition to external market research, you’ll want to look within. What opportunities and partners align with your organization’s mission and culture? What is your organization’s tolerance for risk?

What is our ACO participation strategy?

Based on your market assessment, should you actively pursue ACO contracts? If you choose to participate, how will you make money with an ACO model?

ACOs redistribute funds among providers, with an overall decrease in total funding. Because ACOs revamp the way physicians, hospitals and other providers are paid, it’s essential to evaluate the net financial impact of various ACO participation scenarios.

You might want to explore as many as a dozen different scenarios, factoring in population changes, volume, market share, competitive forces, reimbursement, cost structure and shared saving incentives. Change the drivers in these scenarios to understand the implications—from a “do nothing” stance to conservative partnering, aggressive partnering, or an acquisition mode.

Your CFO and other members of the senior executive team should be involved in reviewing these ACO participation scenarios to identify the most promising option. The winning scenario will enable you to start targeting mutually beneficial partnerships that will strengthen and expand your market position.
What are our gaps in ACO operational readiness?

A successful ACO requires operational readiness across a number of key areas or “building blocks” (See the diagram.) How well prepared is your organization in each area? How strong are your competencies and infrastructure in each area? What “bubbles to the top” as the biggest challenges? What will it take to address them?

Doing a gap analysis of these key areas will give you the clarity to set priorities, stay focused and get results.

We find that care coordination is often the most significant gap for providers because the ACO model brings new complexities and challenges to improve the continuum of care. It also requires strong physician leadership and support, as does any initiative that affects physicians’ workflow. Identify your biggest opportunities to improve care coordination and make sure your physician leaders are on board to rally their peers to the cause.

IT is often a significant gap, but many healthcare providers are already in the process of addressing it through initiatives in EHRs and meaningful use. ACOs drive a new imperative to integrate clinical information across the care continuum—and a new opportunity to share IT resources to achieve new economies of scale.

Another common gap is in patient engagement. Because ACOs do not “lock” patients into your system, you may need to develop ways to attract and keep them in your ACO network. You might start by piloting one or two new patient engagement strategies and building on what you learn from them. Preventive care initiatives can be a powerful way to build and retain strong patient relationships while controlling costs.

The Bottom Line

The drivers of ACOs are not going away; payment based on outcomes will be a critical component of delivery system reform. Local markets are changing rapidly as healthcare providers begin to jockey for position and form new partnerships. Savvy providers with scale will focus on market positioning, care coordination, IT optimization, quality measurement and patient engagement. However your organization chooses to act on the rise of ACOs, it is critical to begin planning for success in a changing marketplace:

- Assess your local market to understand the landscape and identify opportunities. Gather the local market intelligence to make timely, informed decisions about your ACO strategy.
- Evaluate the net financial impact of various ACO participation strategies. Consider a number of scenarios to develop a strategy that aligns with your mission, culture and market opportunities for healthy financial performance and long-term viability.
- Assess your operational readiness and identify any gaps between your ACO vision and reality. Conducting a thorough gap analysis will give you a clear picture of what needs to be done, and how to move forward.