

ACCOUNTABLE CARE ORGANIZATIONS

Changing the Payor - Provider Relationship

Presentation for the
CALIFORNIA ASSOCIATION OF HEALTH PLANS
2011 Seminar Series:

Accountable Care Organizations:
The Evolution of Healthcare Delivery

February 23, 2011

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I. HOW IMPORTANT ARE ACOS?

Results from a nationwide survey of hospitals, health plans and multi-specialty medical groups regarding trends in contracting and partnerships

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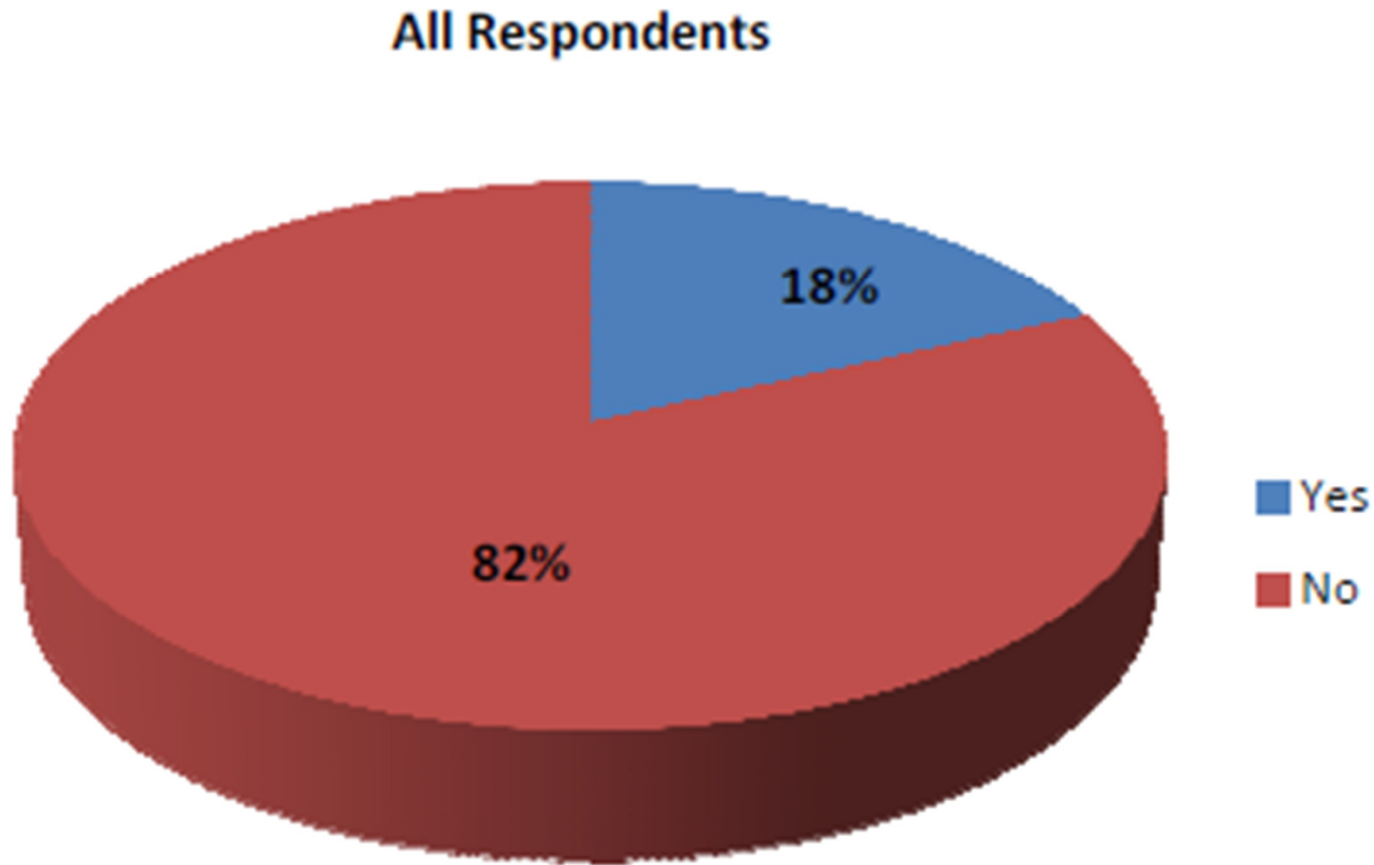
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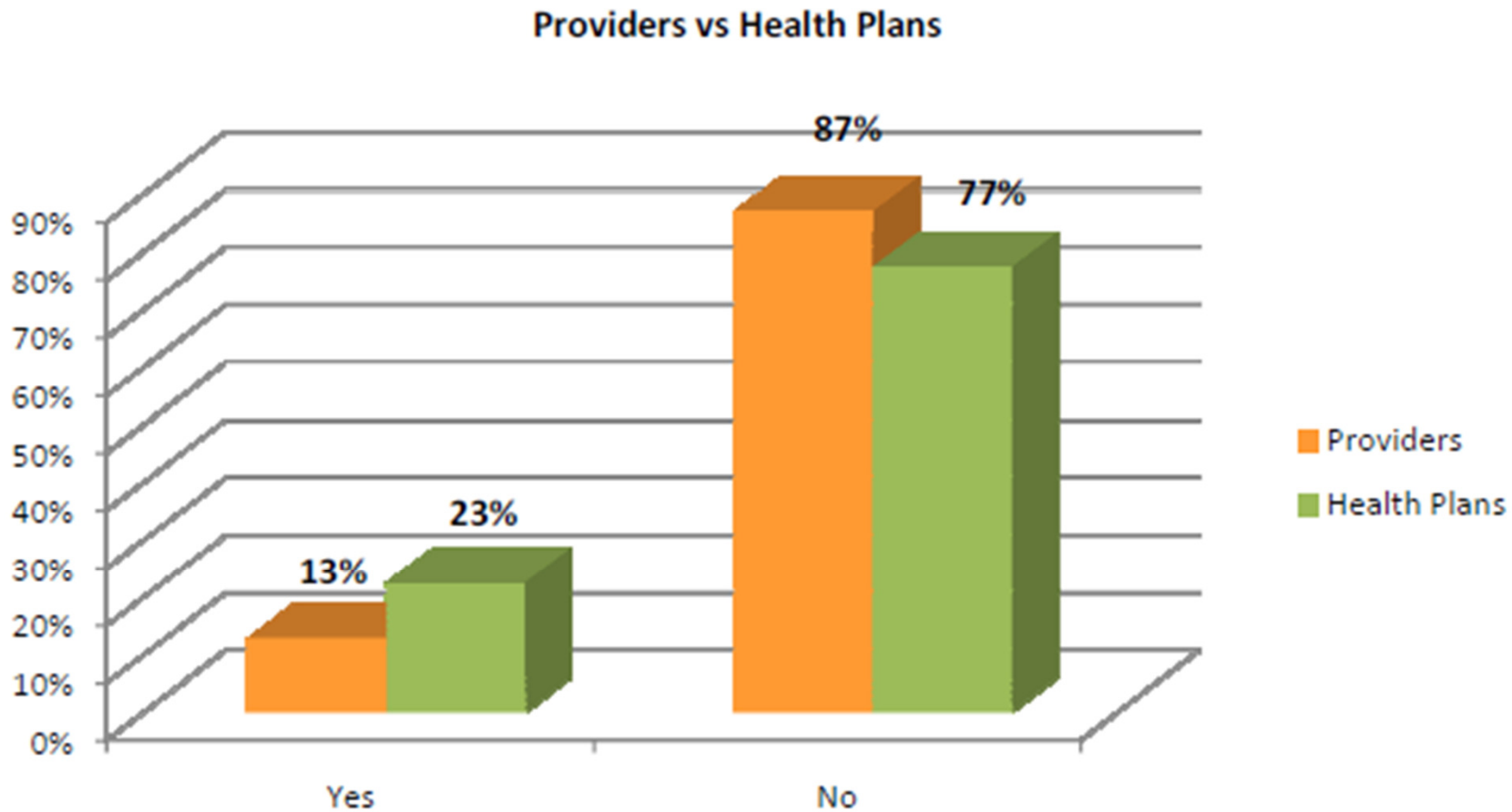
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Q1. DO YOU BELIEVE THAT HOSPITALS CAN COST SHIFT AT CURRENT LEVELS FROM PUBLIC TO PRIVATE PAYORS INDEFINITELY?

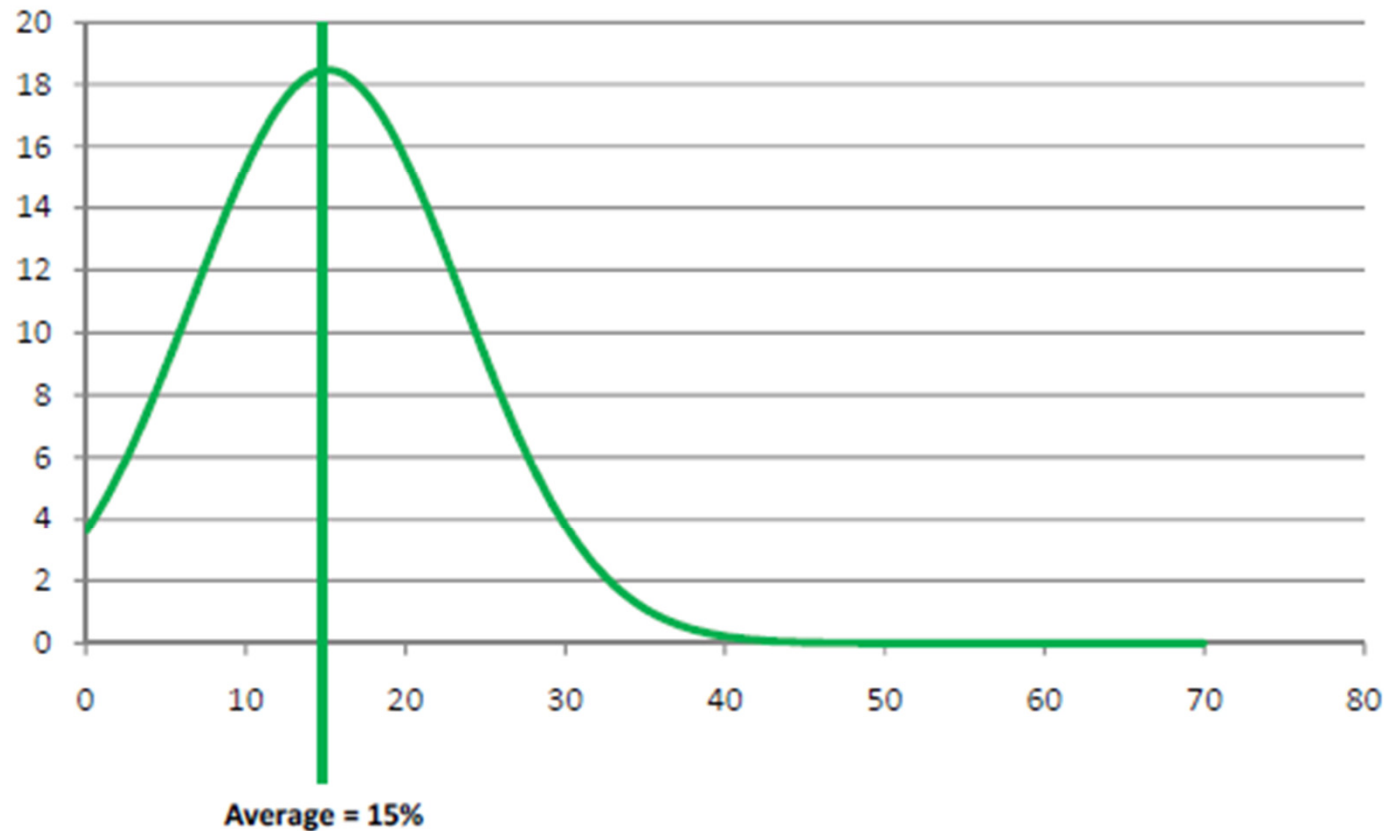


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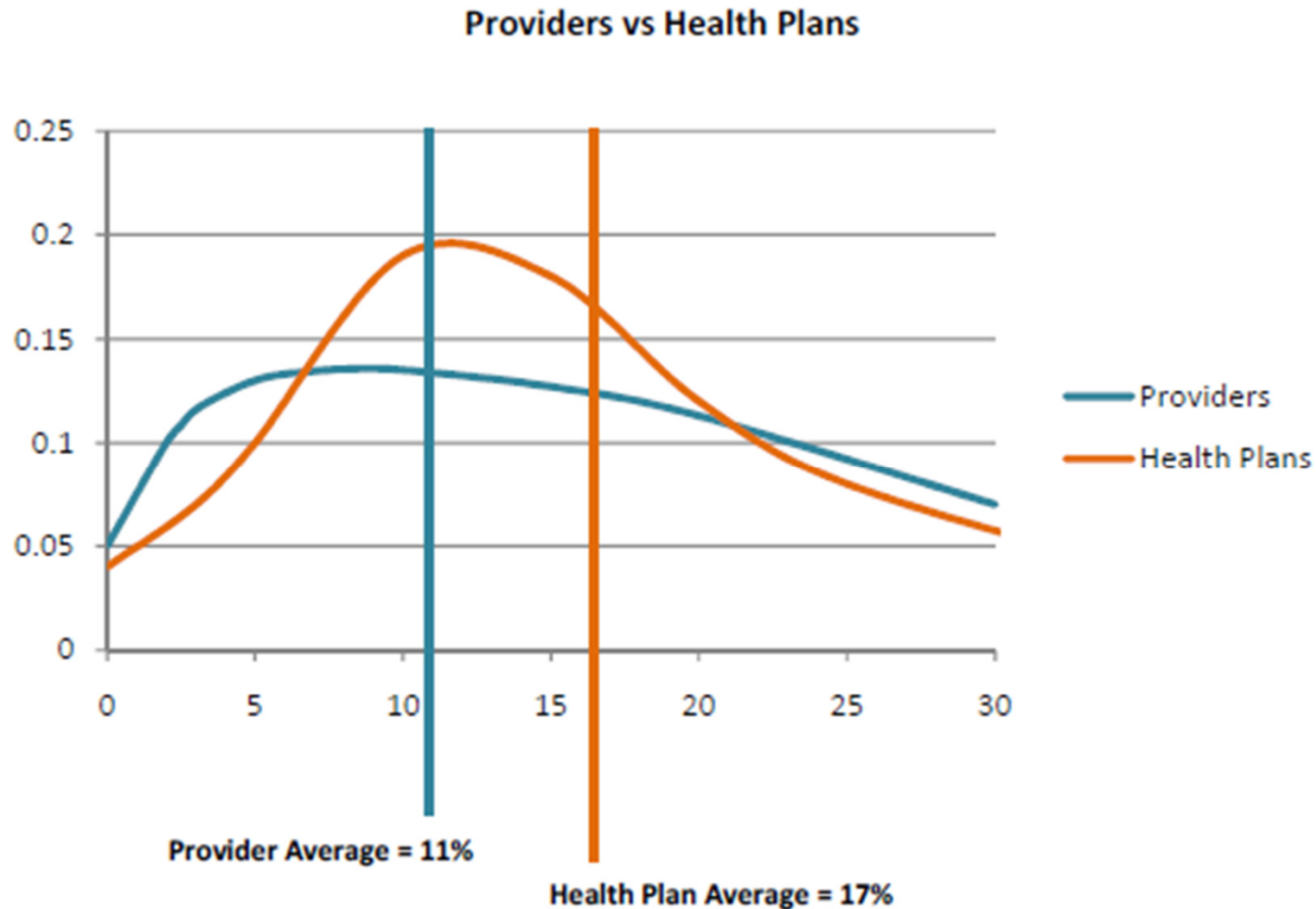


Q2. WHAT PERCENTAGE OF COST-SAVINGS DO YOU BELIEVE CAN BE TAKEN OUT OF THE HEALTHCARE SYSTEM IN THE NEXT THREE YEARS WITHOUT SUBSTANTIALLY IMPACTING QUALITY?

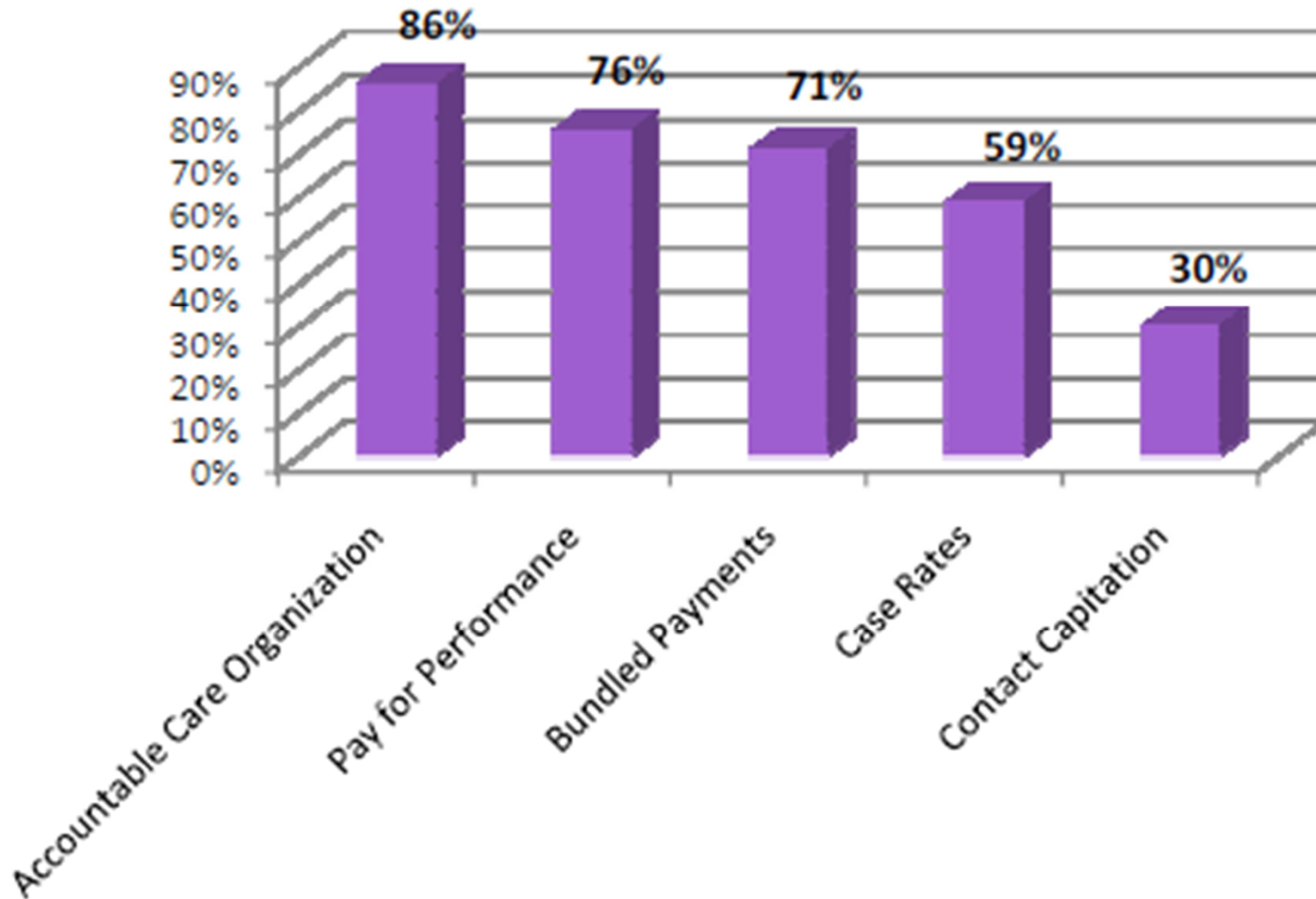
All Respondents



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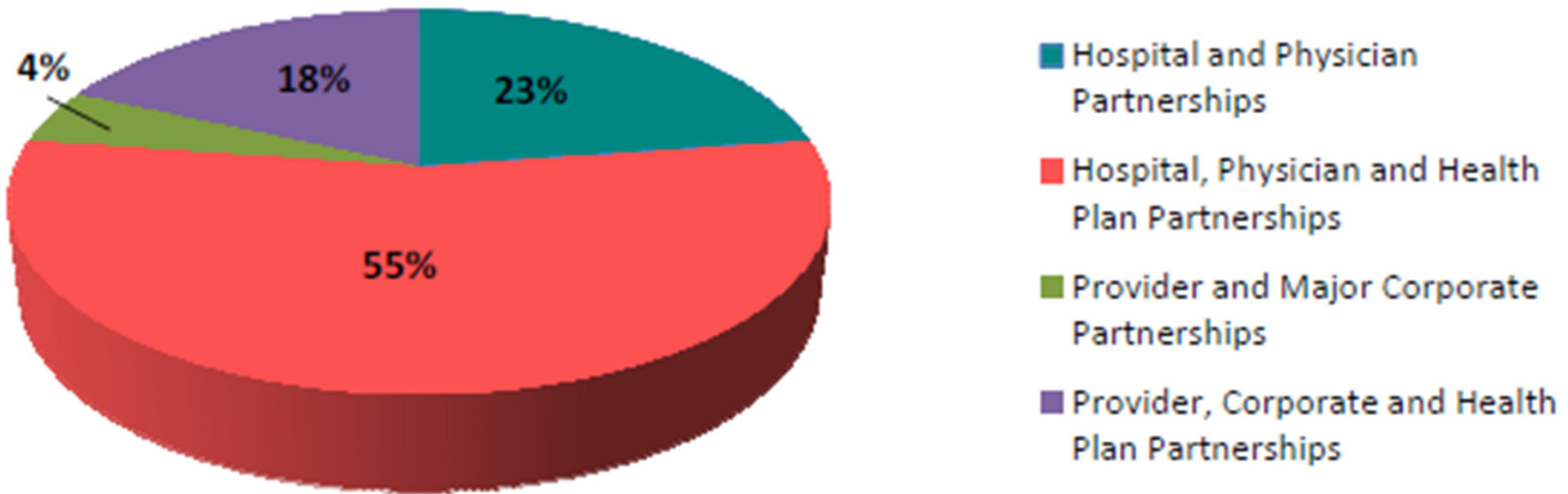


Q3. WHAT TYPES OF ALTERNATIVE CONTRACTING APPROACHES ARE YOU CONSIDERING?

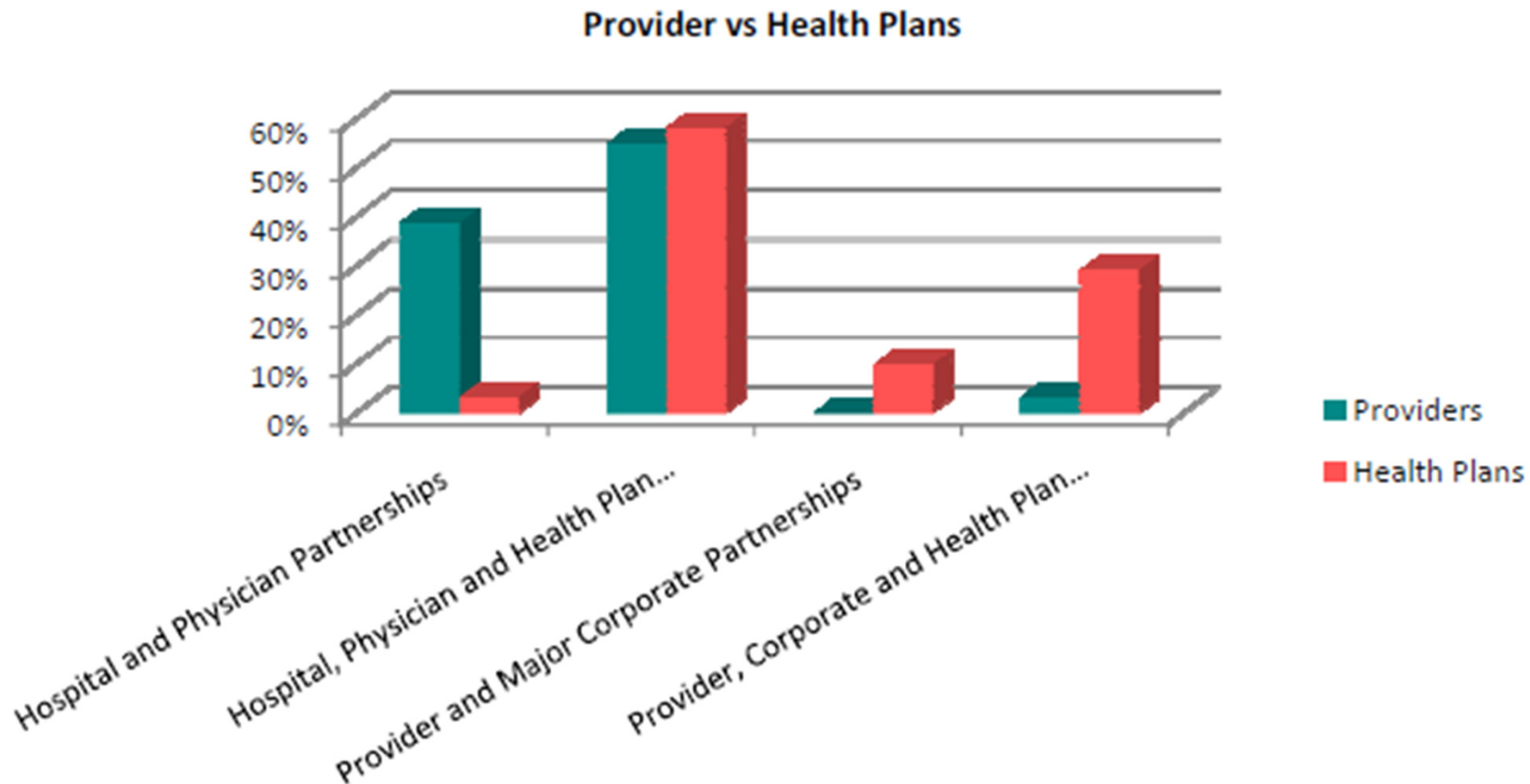


Q5. IN PREPARING YOUR ORGANIZATION FOR HEALTH CARE REFORM, WHICH OF THESE PARTNERSHIPS WILL BE THE MOST ESSENTIAL? WHY?

All respondents



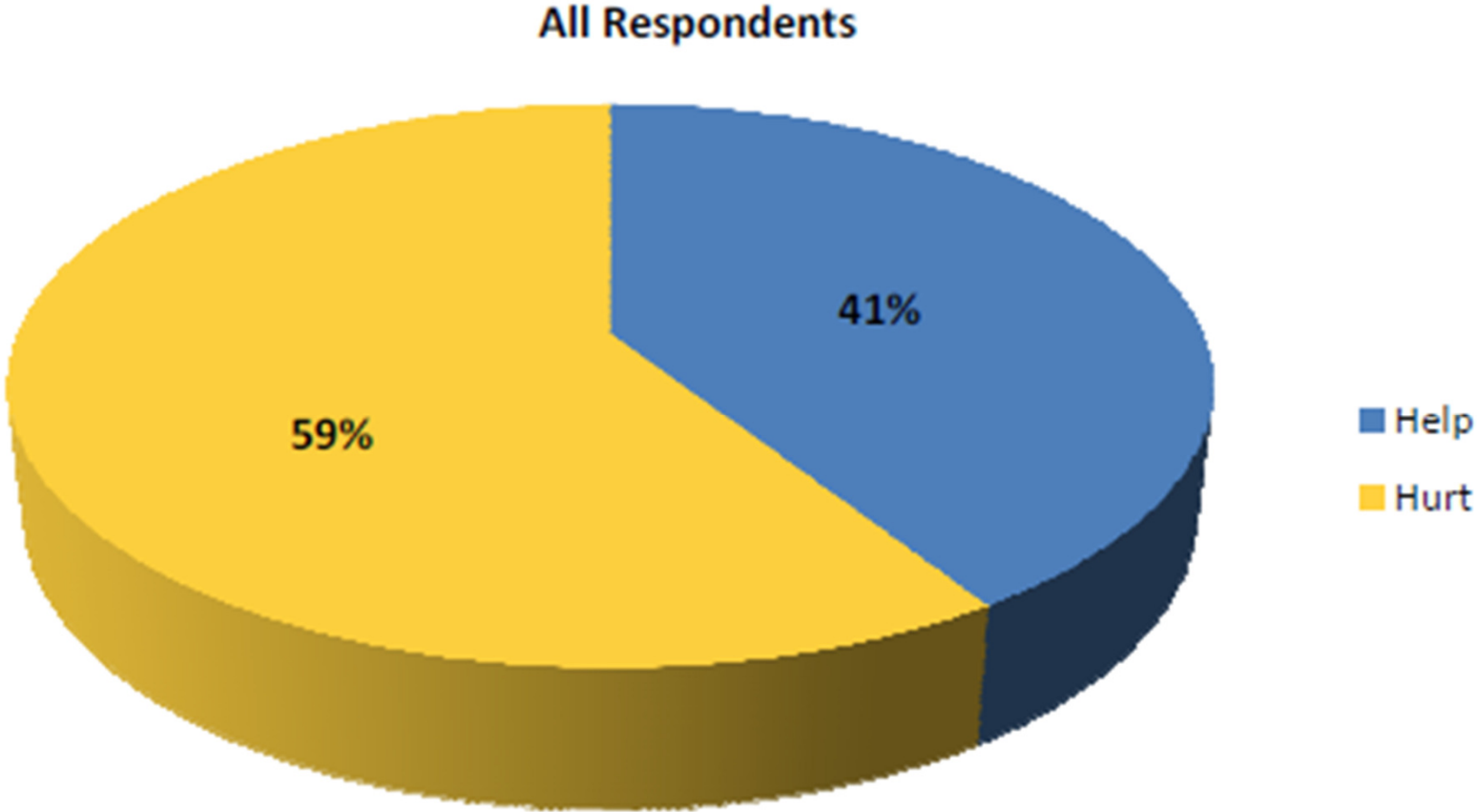
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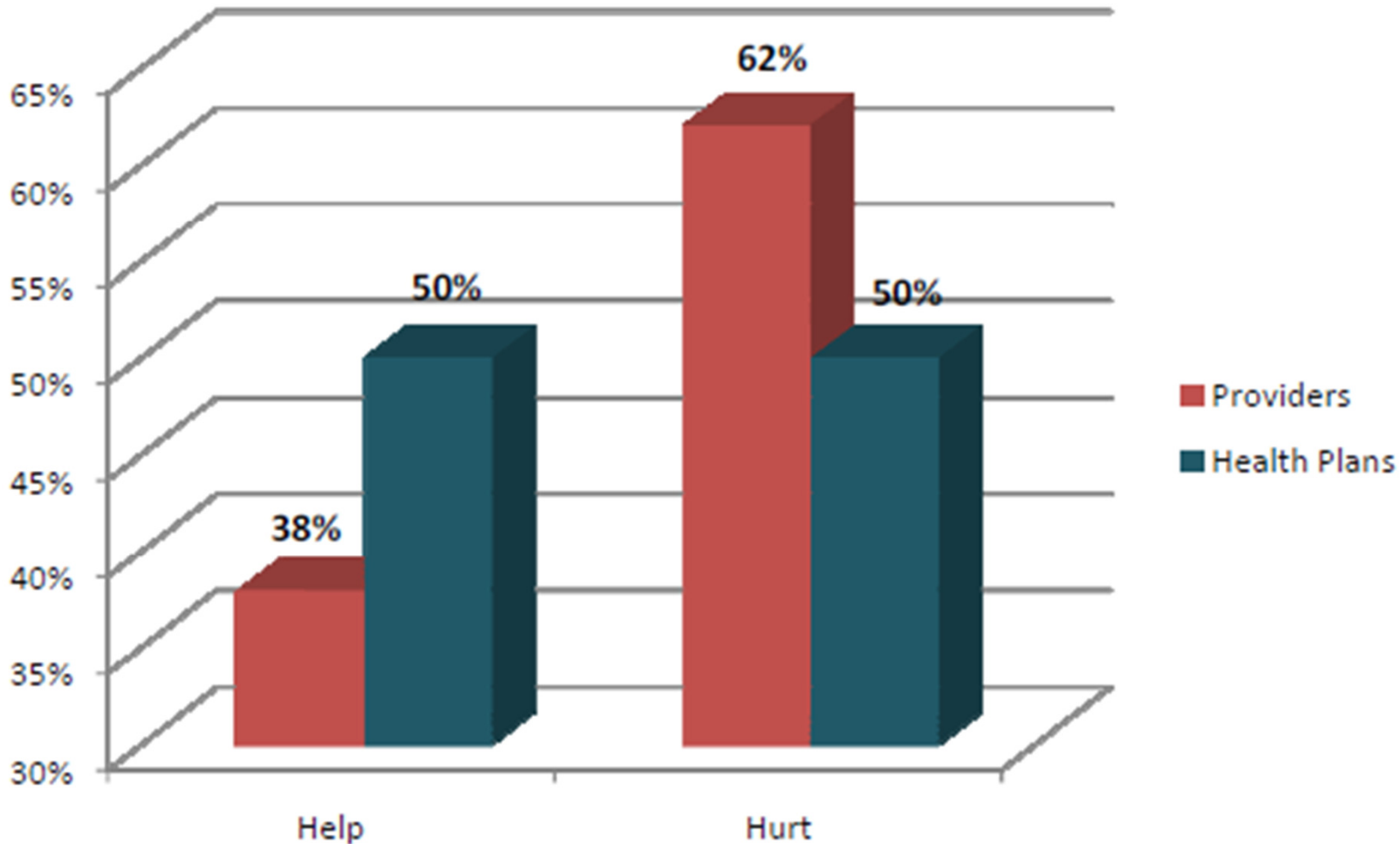
“Hospital and physician partnerships are obvious...hospitals need the physicians’ cooperation to drive more effective and efficient outcomes. The health plan partnership will need to evolve to align financial incentives equitably and appropriately. It will be a challenge to change from the current adversarial partnership of necessity to one that is collaborative.” – *Health Plan Respondent*

Q6. DO YOU BELIEVE HEALTH CARE REFORM WILL HELP OR HURT YOUR ORGANIZATION?



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Providers vs Health Plans



II. LEADERSHIP AND CULTURE WILL DEFINE ACO PARTNERSHIP SUCCESS

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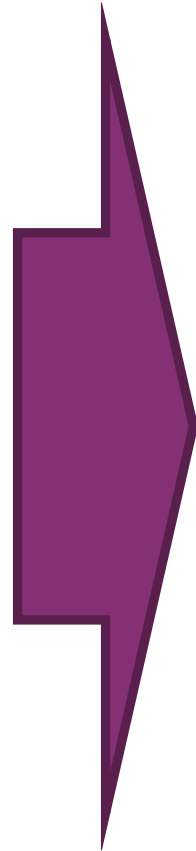
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PARADIGM SHIFT

Old Paradigm

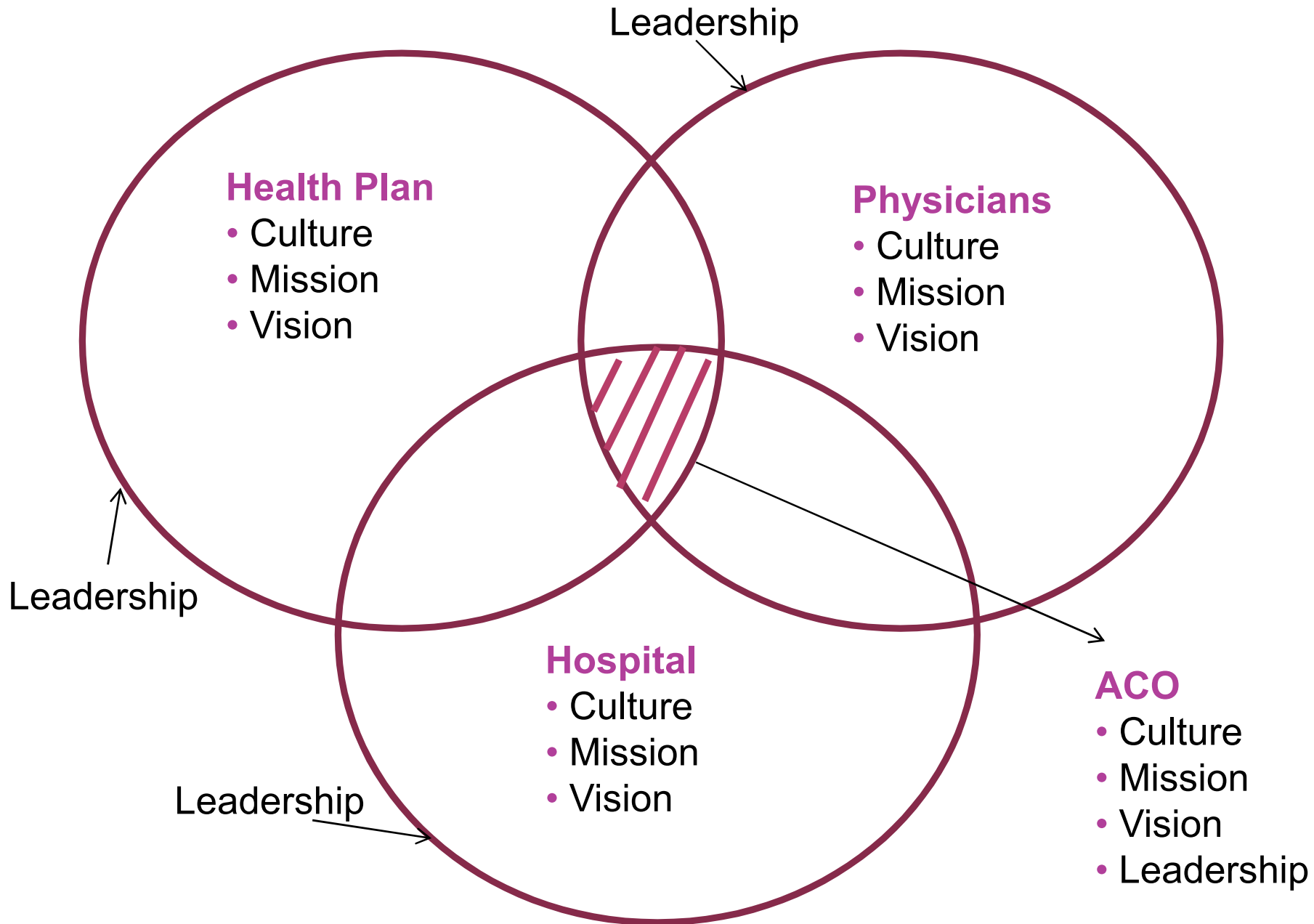
- Reimbursement,
- Market Share,
- Quality



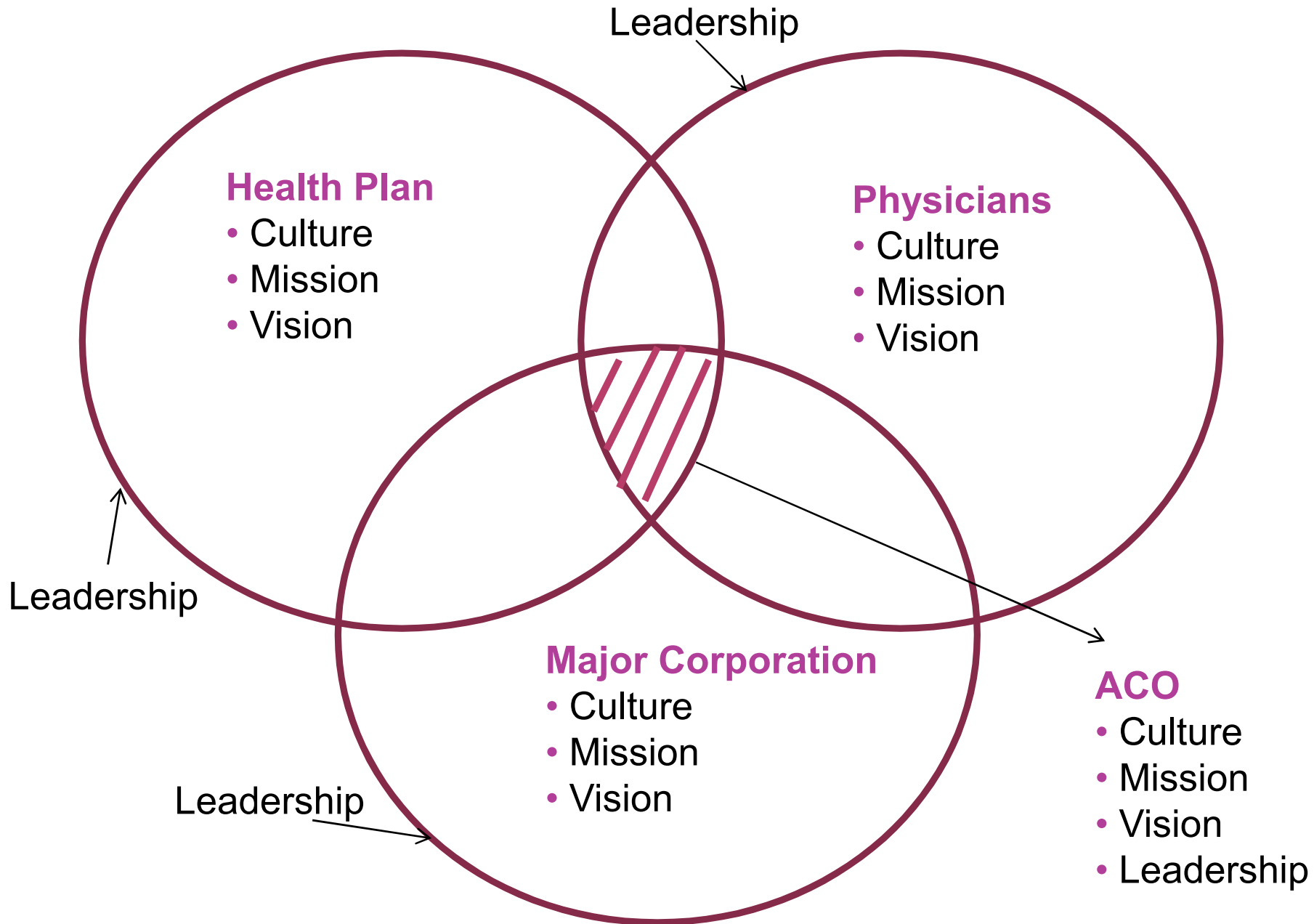
New Paradigm

- Quality
- Improving patient/provider satisfaction
- Bending the cost curve
- Market Share
- Aligned Incentives

THE ACO / PARTNERSHIP CIRCLE



THE ACO / PARTNERSHIP CIRCLE



III. CULTURE FIT MATTERS IN SUCCESSFUL ACO PARTNERSHIPS

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CULTURE DEFINED

Basically, “organizational culture” is the **defining characteristics** of an organization.





Culture is comprised of the **values, norms, mission and vision** of organization members and their behaviors.

EXAMPLES OF TYPES OF HEALTH CARE ORGANIZATION CULTURES





- Physician-Centric
- Academic
- Technology-Centric
- Intrapreneurial
- Continuous Process Improvement
- Not-For-Profit
- For-Profit
- System

DETERMINING YOUR ACO / PARTNERSHIP CULTURE

Culture A

-  ←
-  ←
- ~~~~
-  ←

Culture B





- ~~~~
-  ←
-  ←
-  ←

First, break down the member's cultures into their **defining characteristics**.





Identify those that are **similar, coordinating, or synergistic**.

DETERMINING YOUR ACO / PARTNERSHIP CULTURE

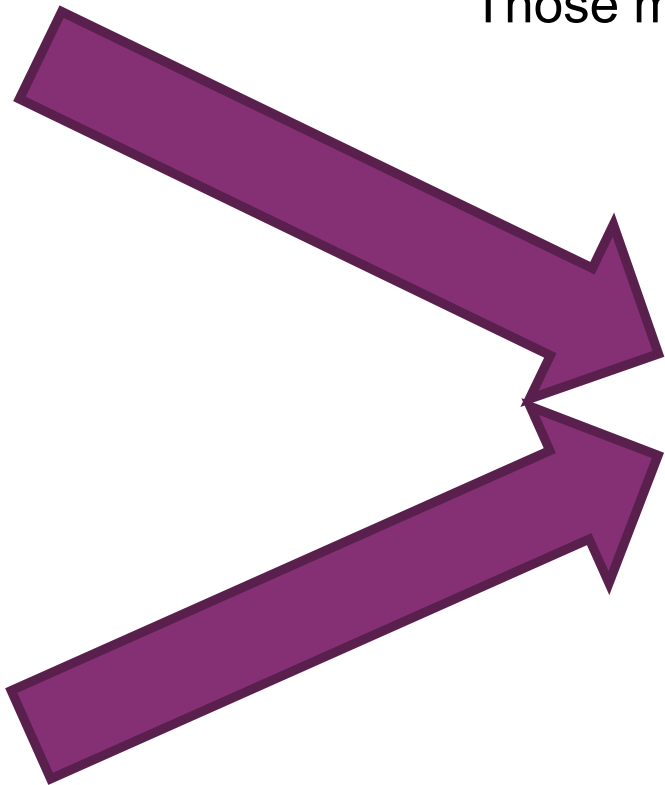
Culture A

- 
- 
- ~~~~
- 




Culture B

- ~~~~
- 
- 
- 

Those make up your partnership culture!



Partnership Culture

- 
- 
- 

CULTURE, PHILSOPHY AND VALUES MATTER: FINDING THE RIGHT ACO PARTNER

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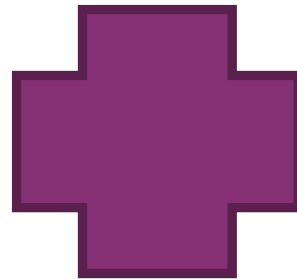
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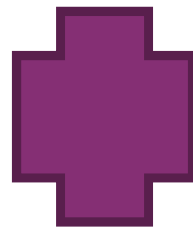
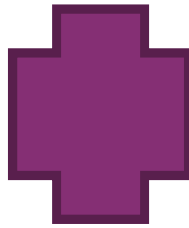
FINDING THE RIGHT PARTNER

Good or bad partners?



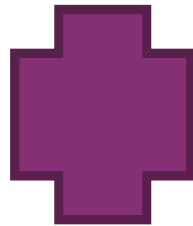
FINDING THE RIGHT PARTNER

Put three in mix - even harder



FINDING THE RIGHT PARTNER

Four even harder



**NOW GO TO
HEALTHCARE AND
ASK...**

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FINDING THE RIGHT PARTNER

Would HCA and Humana be good partners?



FINDING THE RIGHT PARTNER

Would Mayo and Humana be good partners?



FINDING THE RIGHT PARTNER

What about HCA, Mayo and Humana?

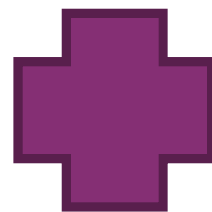
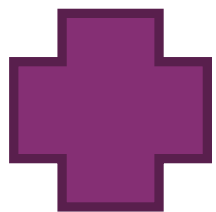


FINDING THE RIGHT PARTNER

Blue Shield, CHW, Hill Physicians Group and
CALPERS (actual case)



Catholic Healthcare West



FINDING THE RIGHT PARTNER

- Test motivation of the potential partner
 - Are they responding promptly?
 - Have they assigned senior people?
 - Do you have a shared vision?
 - Will the partnership work in the long run?

FINDING THE RIGHT PARTNER

- Test if Potential Partner has Ability to Execute
 - On core competencies
 - Financial resources
 - If not, can they get there?

FINDING THE RIGHT PARTNER

- If Partner is a Provider how are Physicians being paid?
- Test Sophistication to be a Partner
 - Is there a solid Board structure?
 - Is there a commitment to Evidence-Based Medicine?

IV. LEADERSHIP MATTERS

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MODELS FOR ACO ORGANIZATION LEADERSHIP

- Embedded model
- Separate company by one or more of the partners
- Separate ACO/corporation formed by the partners

CHARACTERISTICS NECESSARY IN ACO LEADERS

- Ability to align financial and quality incentives
- Commitment to ACO Mission and Vision
- Physician-centric
- Innovator
- Capable of integrating teams
- Technology-centric
- Understanding of quality
- Entrepreneurial
- Someone who gets things done

HOW TO IDENTIFY ACO LEADERS

- Evaluate existing leadership team against characteristics listed on prior slide.
- Each partner must have a leader who other partners see as competent, fair and committed. If you don't have that the ACO partnership **WILL FAIL**.

HOW TO IDENTIFY ACO LEADERS

- If you don't have the right leadership, consider:
 - Using consultants to help formulate mission, vision and core competencies you are looking for.
 - Having consultants drive the process (but only for a limited period of time).
 - Using executive search to find the right leaders if they don't exist in your organization or if they are overcommitted.

**THE RIGHT STRATEGIES OFTEN FAIL
BECAUSE OF POOR EXECUTION!**

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