Four ACO Development Decisions That Will Impact Return on Investment

written by Theresa Hush | April 26, 2018



“It’s not how you start, but how you finish” might be the way some ACOs must navigate a difficult path to success. But for organizations planning a new ACO venture, that rocky path may be avoidable.

The early days of ACO development are behind us, and ACO models to take on financial risk are now underway. Achieving a return on ACO investment has proven to be elusive for most providers. There is progress, but no victory yet in sight.

So ACOs and industry watchers are searching for the keys that allow some ACOs to experience more success than others. Whether physician-led or hospital-led, primary care- or specialty-lopsided, large or small, downside-risk or no—the question is how to replicate ACO features that will drive success.

Early Decisions Will Affect ACO Future

Many ACOs have grown organically, out of existing relationships and established networks formed for health plan contracting purposes; or, formed by health systems with their employed providers. The provider networks of ACOs can thus reflect familiar and political alignments. But history does not necessarily contribute an ideal structure for an ACO.

In particular, an ACO built on traditional Fee-for-Service relationships will be challenged when that ACO moves toward financial risk, unless it is willing to innovate its care delivery and customer service. Physicians must be able to share in the ACO development and learning process to accomplish this. Medical decision-making, use of resources, referrals to other providers, and patient relationships will all shape the ACO's quality and financial performance. Transparency of data and decision processes should be established for physicians as well as patients.

Partners of the ACO should realize that no magical formula has been discovered. ACOs have experienced success and failure across different governance structures, sizes and provider compositions, and even from year to year. In short, ACO success may best be determined not by concrete structural design, but, rather, by the transformational culture of the organization and the commitment of its participating providers.

In that light, we offer four critical decision areas that will influence the ACO's capacity for transformation and substantively affect its return on investment:

- Physician participation and ACO physician culture;

Data sharing;
Innovation and experimentation to improve care and outcomes, as well as costs;
Consumer and patient empowerment.

These resemble questions typically encountered by any good start-up company:

What is our market?
What are we selling, and how is it unique?
How do we engage our partners/employees?
How do we satisfy our customers?

Four ACO Development Principles that Will Benefit Return on Investment

1. Determine how physicians will be involved in the ACO beyond caregiving.

Physicians have joined ACOs for a variety of reasons, including the ability to afford infrastructure and participate in Value-Based Health Care. But participation and partnership are different. The need for dialogue with physicians and inclusion in ACO development cannot be overstated. Physicians must have the time and resources to change, as well as support for processes that demand more from them. For example, review of data and performance improvement will involve work over and above clinical time, detracting from patient care. Physicians must be allowed the extra time for such initiatives, along with conflict resolution, with compensation and other rewards.

Physicians must understand the shared commitment to ACO goals. That understanding comes from sharing of performance data in a

positive learning environment, experimentation of care redesign on a small scale, and development and evaluation of ACO initiatives.

It is especially important for physicians to understand the business focus and its expected return on investment. They should be able to identify where the savings will be generated, what it will take from them to do it, and how to explain new programs to patients. Physicians should see aggregate as well as their individual impacts on ACO success or failure.

2. Make data the bedrock of ACO communications with physicians and with patients.

Physicians should routinely review data on clinical outcomes, clinical quality and costs that are tied to ACO performance goals. But that is just a basic courtesy. Here's what is really important: the full story should be told through data, so that physicians are not seeing piecemeal results of separate initiatives or their own patients. Physicians should see the breadth of data that will reflect patient illness and difficulties reflected in outcomes and quality performance measures or cost, including variations in care, with the opportunity to investigate reasons, cost of care with episode comparisons, utilization and referral patterns, and other cost drivers.

Likewise, ACO patients will benefit by a deeper understanding of the ACO delivery system. First of all, they need to know how they compare to others in similar patient populations and against benchmarks. They should be able to see quality measure

data for which they qualify, and their results. And patients should understand how the cost of their care compares with others.

3. Embrace innovation and experimentation in the ACO to improve care and costs over the long run.

The “easier” cost reductions for ACOs usually involve efforts to reduce readmissions and inappropriate admissions, and to refocus post-acute care. Coordination of care and patient outreach may also help to keep services in-house, which will save time and money by avoiding duplication of services.

But the most significant inroads to quality and costs will eventually come from reforms that either re-engineer care delivery to high risk and vulnerable populations, helping physicians and patients make value-based decisions on lifestyle and treatment, or that reduce Fee-for-Service incentives for overuse of services, particularly specialty services, through episodic payment arrangements.

4. Empower consumers and patients with information that will facilitate their health status and value-based medical decisions.

Adoption of an ACO model does not necessarily change how the enterprise treats new and existing patients. We encourage ACOs to view patients as customers with legitimate preferences as well as health needs, respecting their rights to data, cost transparency and choice of treatment. This is a historical departure from the reality of most health care organizations, which unfortunately may not view patients as the real

customers. Instead, they may view patients as accounts, as assets, revenue sources and subjects in research or other activities who need management and controlled choices.

Only ACOs that respect their customers are likely to maintain patient loyalty and achieve better performance. All ACO functions must incorporate patient communication and patient choice into initiatives and foster a customer service culture throughout the organization. Of most importance, ACOs will need to ensure that patients receive the value information coming from research, accurate cost information, and enough time with physicians to make informed treatment choices.

As HMOs taught us, downside risk for providers and participating physicians—while incentivizing everyone to have "skin in the game" of achieving savings—may have the unintended consequence of negatively affecting patients. There is a risk of denying care, skimming populations for healthier individuals and redlining populations altogether. While ACOs may form on the concept of better quality, attitudes toward patients and consumers will affect that care in a risk-based model over time.

Consumers in private health plans may not easily be able to go out of network to non-ACO providers, but those in Medicare will vote with their feet. ACOs that work hard with patients to win trust, engage them with information and decision-making, and respect their right to data and information will be rewarded with patients who achieve better results and remain in the network.

ACO Return on Investment Will Require Culture Shift

ACOs spend most of their lead-up to development on governance, provider network formation and financing. Certainly, the form for the ACO is significant, and these decisions will determine ACO structure and presence. ACO functions, however, will be more important for achieving actual cost savings and improved patient outcomes. Those functions will be built on changes that are energized by mission, involvement and attitudes within the ACO.

A culture that embraces innovation and creativity will be required for an ACO to succeed. In the same way that any new business develops and gains ground, its stakeholder physicians must feel engaged in its purpose. And its customers must be attracted on their own terms, not those of the ACO.

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