We Need to Make the ACO Idea Successful

A Perspective from Kaiser Permanente

The 18th Princeton Conference

Where Do We Go from Here?
The Future of Health Reform
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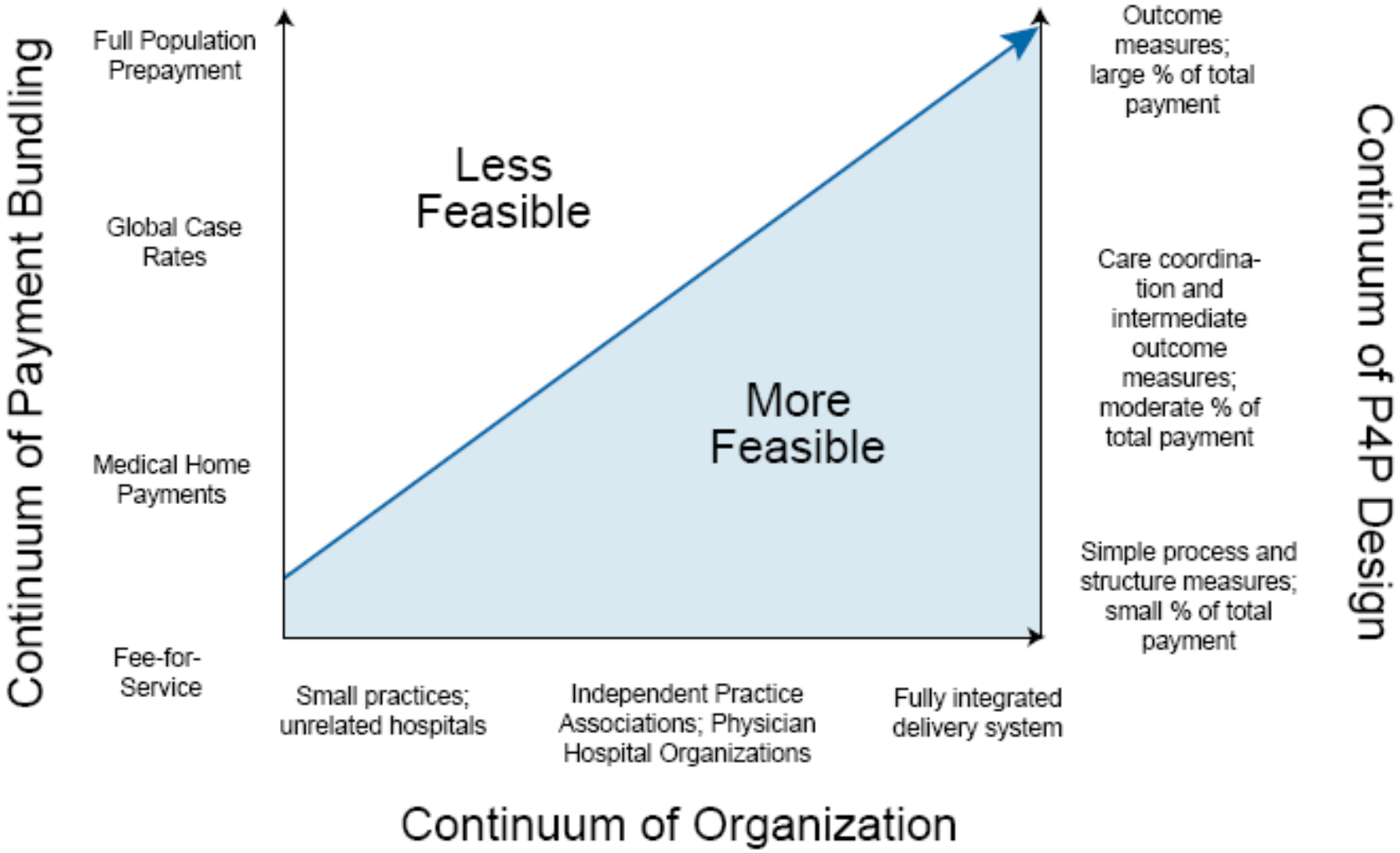
Agenda

- Context
- Reflections from our experience about certain ACO design elements
- One final thought

Context

- The ACO concept is a broader idea than just what is contained within the Medicare Shared Savings Program draft regulations
- It should lead eventually to the creation of functionally integrated delivery systems, capable of receiving prospective payment, and being accountable for the quality and cost of care of a population

Exhibit ES-1. Organization and Payment Methods



Source: The Commonwealth Fund, 2008

Context, con't

- The Shared Savings Program model may or may not gain traction; there is market resistance pending the final regulations; CMS flexibility issues due to statutory constraints?; OMB resistance?
- The work of CMMI will be vital; the "Pioneer ACO Model" is a start

The Pioneer ACO Model

- Option for prospective attribution (alignment)
- "Affirmative attestation" for beneficiaries
- Requires multi-payer arrangements for "outcome-based payments"
- Potential for coordination with Part D plans

Context, con't

- The Shared Savings Program model may or may not gain traction; there is market resistance; flexibility issues due to statute and scoring; possible CMS implementation issues
- The work of CMMI will be vital; the "Pioneer ACO Model" may be a start
- ACO developments in the commercial market will also have a profound impact, for good or ill

Patient Attribution

- If population-based performance on quality and cost is the goal of ACOs, it will eventually require that there is a fully “aligned” population
- Is there a space between MA and the Shared Savings Program attribution model? Is it possible to get off the Parts A+B “chassis”?
- Choice of ACO; the same as HMO?

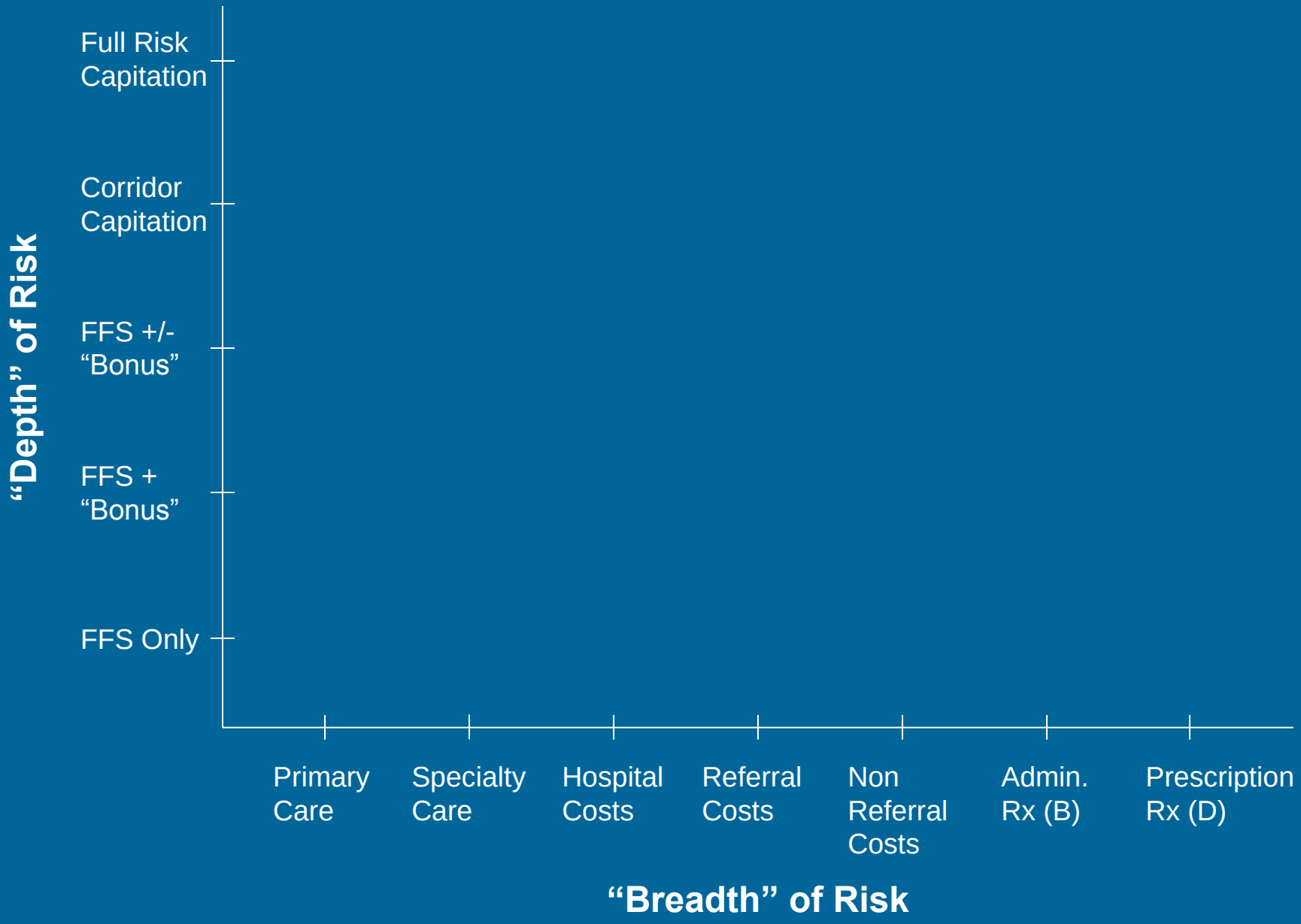
Payment Incentives

- It is easier to envision workable payment incentives for physicians than for hospitals
- KP hospitals are cost centers, not revenue centers
- Not all hospitals have “excess” patients

Partial Capitation

- What does it mean?
- ACO “risk” assumption has two basic dimensions

A Schematic of ACO Risk Assumption



“Partial” Capitation

- What does it mean?
- ACO “risk” assumption has two basic dimensions
- In capitation, variants of both “breadth” and “depth” can be shared with the payer; this should evolve over time, by direction
- Flexibility in design and gradualism in implementation will be important

It is Good to Have a Payer "Partner"

- The value of shared incentives
- The value of a long term horizon for investments in care delivery improvement
- The ability to coordinate benefit design with delivery system capabilities
- Can CMS do this?

Physician Leadership

- ACOs won't work without committed physicians
- Physicians as leaders (and followers) and managers
- The physician (and hospital) governance model is key
- The Shared Saving Program draft rule has this right

One Final Thought

If the ACO idea fails…….

what comes next?