



# **Benefit Design and ACOs: How Will Private Employers and Health Plans Proceed?**

**Accountable Care Organizations:  
Implications for Consumers  
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# Barriers to Effective Use of Clinical Services by Consumers: Can ACOs “Bend the Curve?”

**Reimbursement System**



Rewards volume over quality or outcomes

**Expanding Capacity**



Increased supply triggers increased demand for certain high technology services

**Patient “Preference”**



Lack of shared decision making on alternatives

**Lack of evidence-based care**



Unproven care; limited effectiveness and outcomes studies

# ACOs: Criteria for Success and Current Challenges

## • Enablers of success

- Commit to support evidence-based medicine
- Information; ultimately at the point of care
- Better performance measures for coordination of care, subspecialty care. And outcomes
- Consumer service, satisfaction
- A focus of health, preventive services and risk reduction for chronic illness

## • Challenges

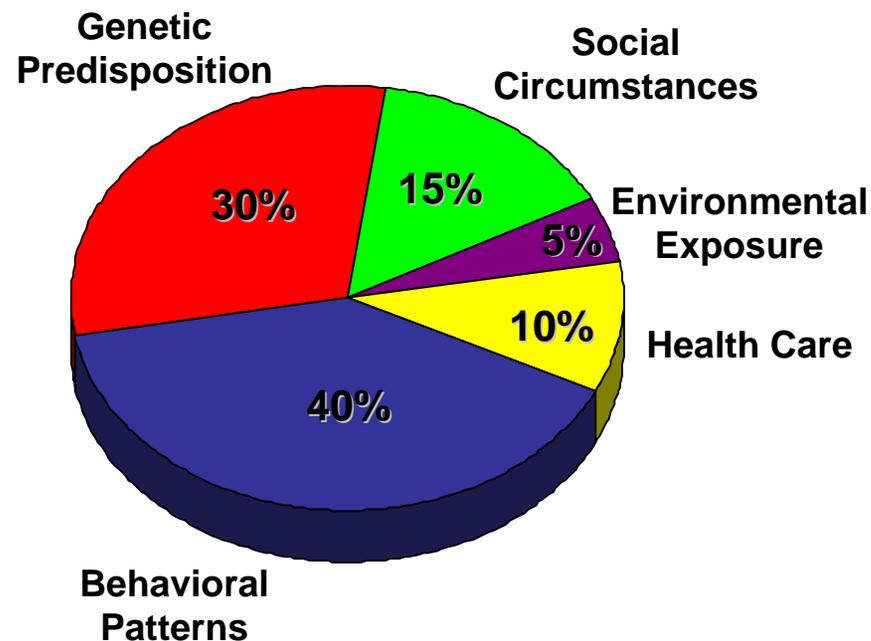
- Higher healthcare costs in the U.S. are the result of increased payments to physicians, and hospitals,
- Overuse of medical services and supply sensitive care represent revenue to physicians, hospitals,
- Underpayment by Medicare and Medicaid has produced significant payment shifting to private payers and employers.
- Most providers have optimized revenue in a fee for service payment environment. Hospitals have acquired specialty practices to enhance their primary care base.

## Population health status continues to deteriorate...

### Key Drivers of Health Status

<b>Obesity</b>	<b>66% obese or overweight</b>
<b>Physical Inactivity</b>	<b>28% inactive</b>
<b>Smoking</b>	<b>23% smokers</b>
<b>Stress</b>	<b>36% high stress</b>
<b>Aging</b>	<b>22% &gt; 55 years old</b>

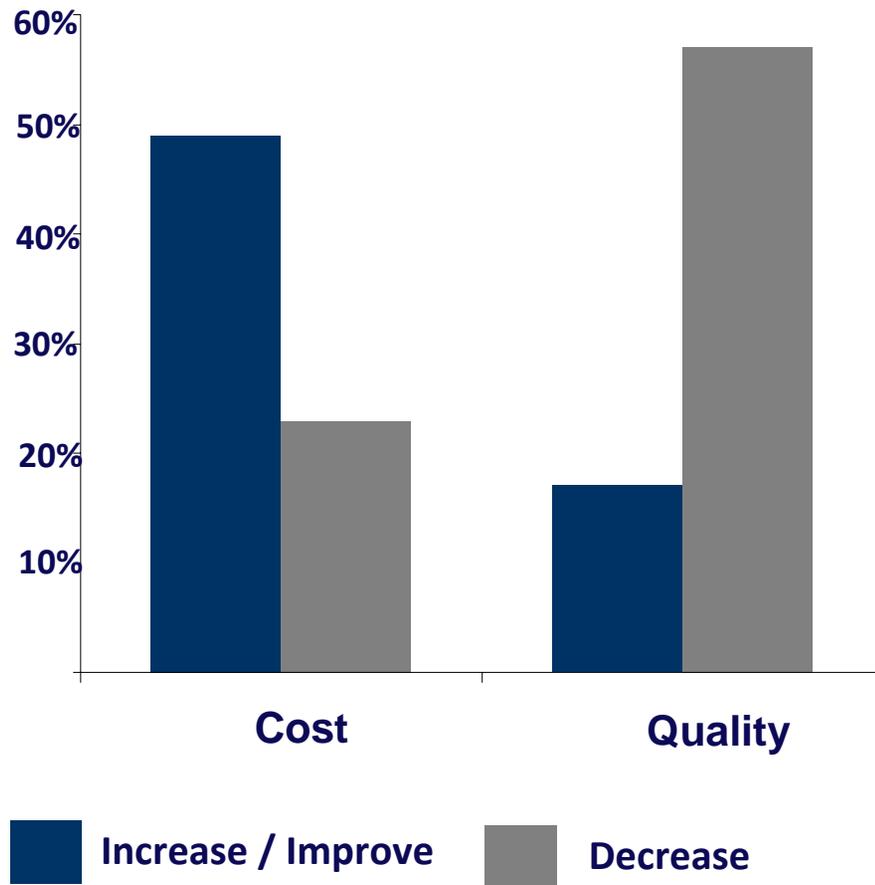
### Contribution to Premature Death



Schroeder S. *N Engl J Med* 2007;357:1221-1228

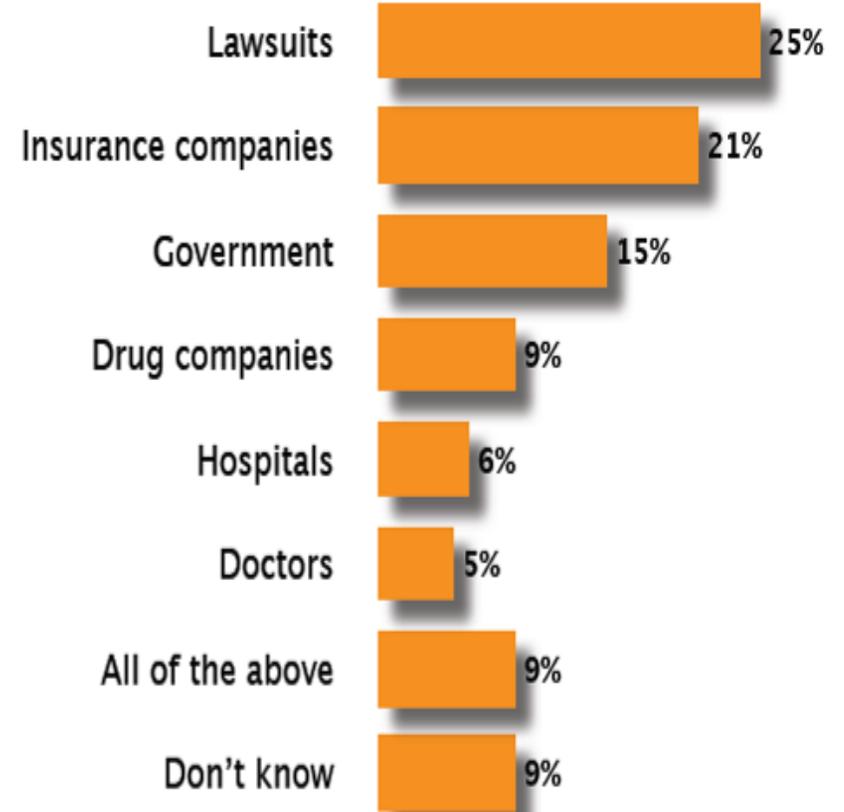
# Public Opinion: Effects of Health Care Reform

## Opinions on Cost and Quality



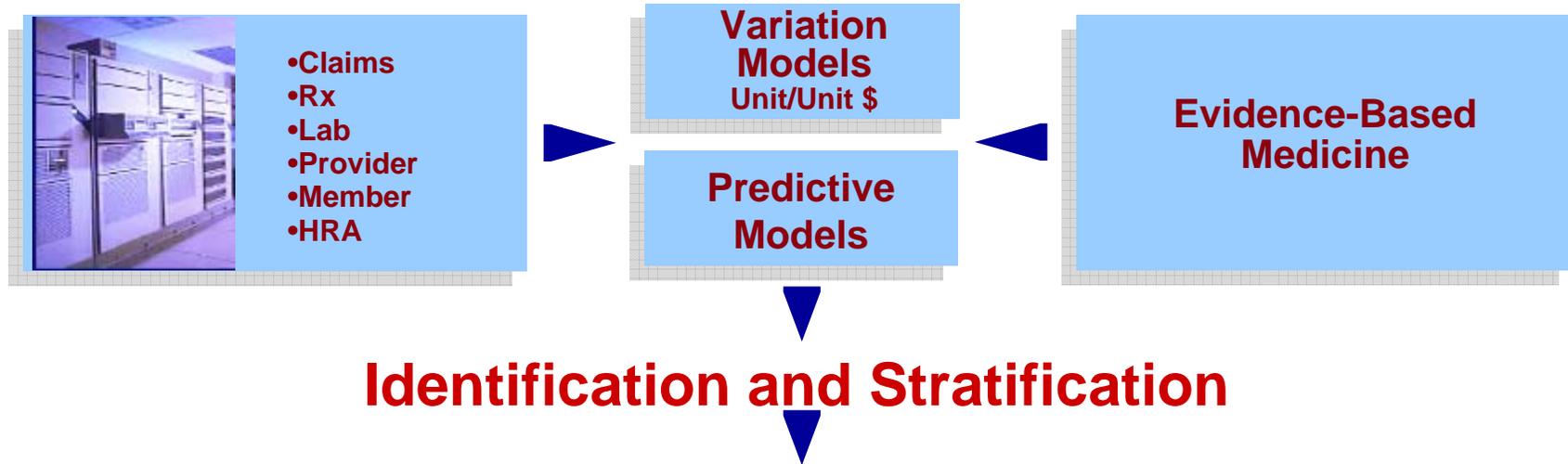
Rasmussen Poll: March 21, 2010

## The primary reason for rising health care costs is...



Source: 2010 National Payor Survey

# Health Care Costs are Highly Concentrated: Implications for ACOs



% of WellPoint Members	
50%	20%
<b>Well Members</b>	<b>Low Risk Members</b>
Prevention and Education	Optimize Resources in Acute Episodes of Care, Population Care
10%	10%
% of Health Care Costs	
25%	25%
<b>Moderate Risk Members</b>	<b>High Risk, Multiple Diseases</b>
DM and Education, Risk Avoidance	Episodic Care Mgmt, Clinical Guidelines, High Risk DM
4%	1%
<b>Complex and Intensive Care</b>	<b>Complex and Intensive Care</b>
Total Care Integration	Total Care Integration
30%	25%

Source: Company estimates.

# Current Trends in Health Improvement and Care Management: The Integrated Health Model vs. ACOs



# Payment Reform Approaches to Achieve Affordable Care

**Meaningful health care reform must reward physicians and hospitals for improving quality and managing costs**

- **WellPoint Payment Reform Initiatives**

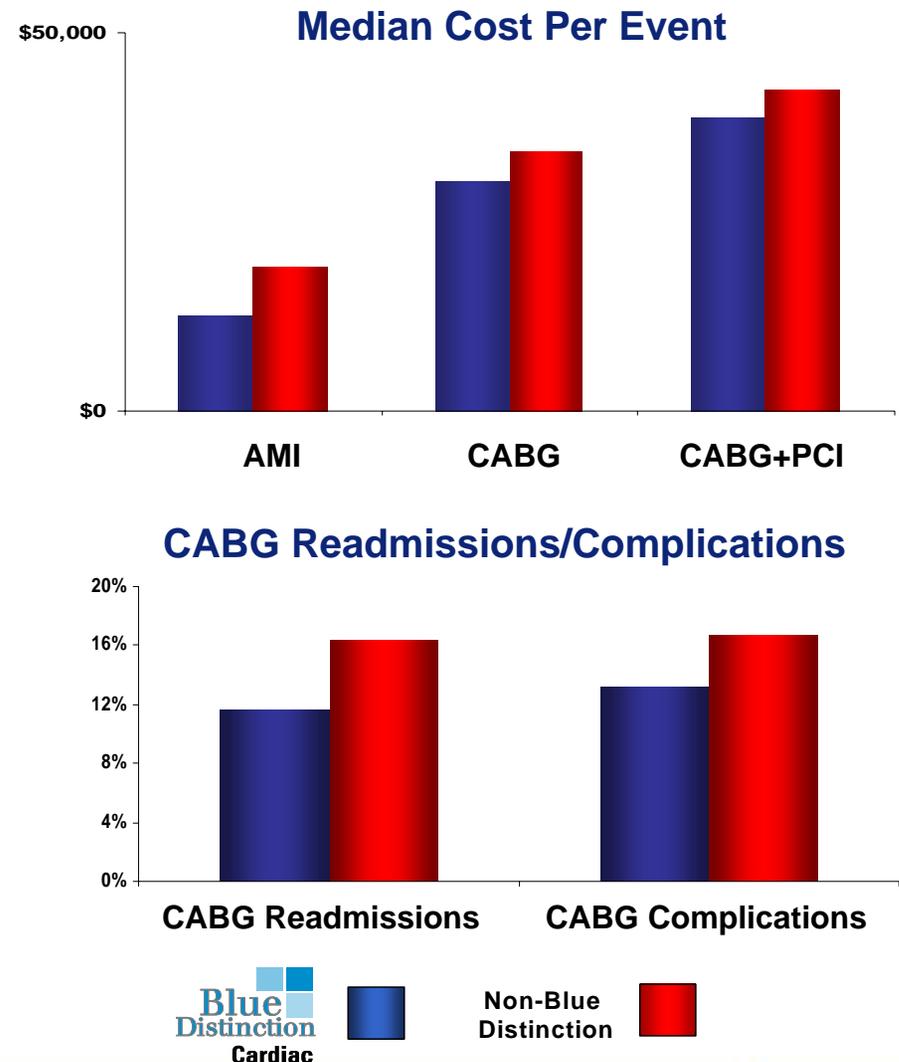
- Paying for clinical quality and outcomes
- Bundled payments
- Centers of Excellence
- Patient Centered Medical Homes
- Accountable Care Organizations

- **WellPoint Payment Reform Considerations**

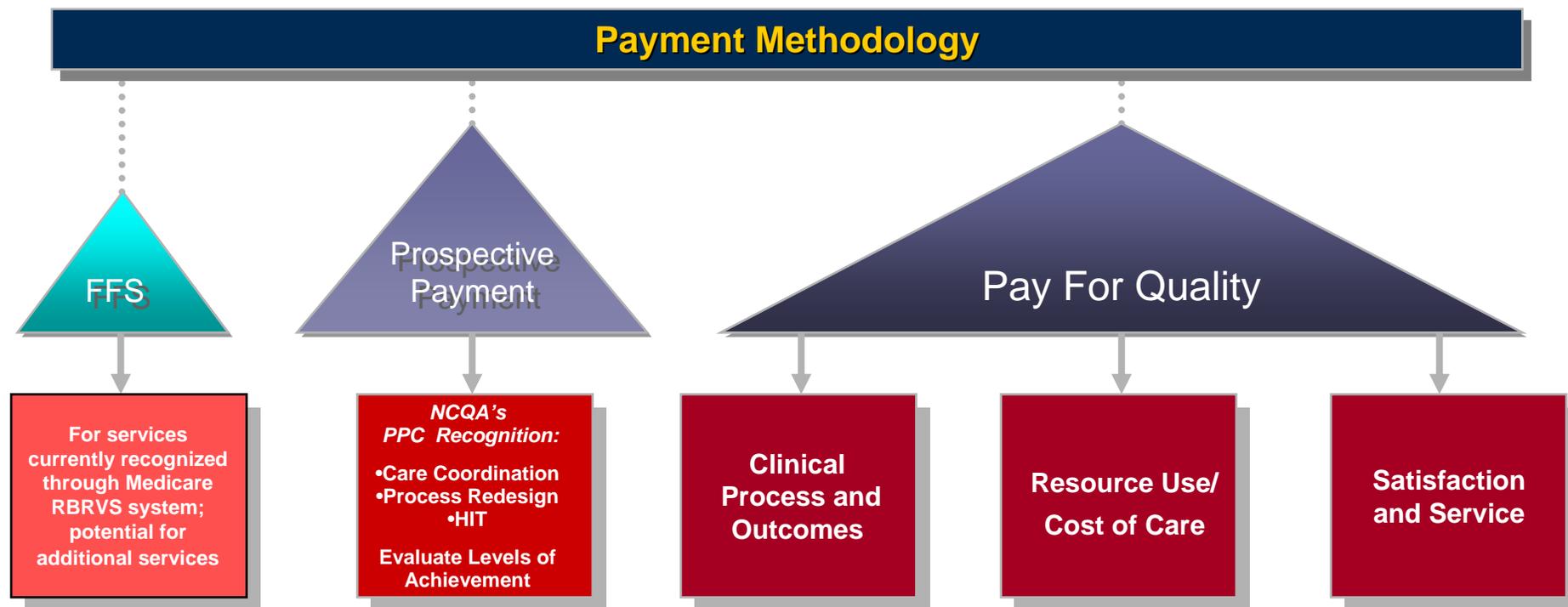
- Encourage evidence-based medicine and care coordination
- Enable a value-based physician-patient dialog
- A combination of models is most likely to succeed
- Do not perpetuate cost-shifting amongst payers

# Centers of Excellence: Will ACOs be Capable in all Clinical Domains?

- Improved quality through outcome metrics
- Programs
  - Transplant
  - Bariatric Surgery
  - Cardiac Surgery
  - Rare Complex Cancer
  - Orthopedics: Lower Back Pain
  - Spine, Hip, and Knee Surgery



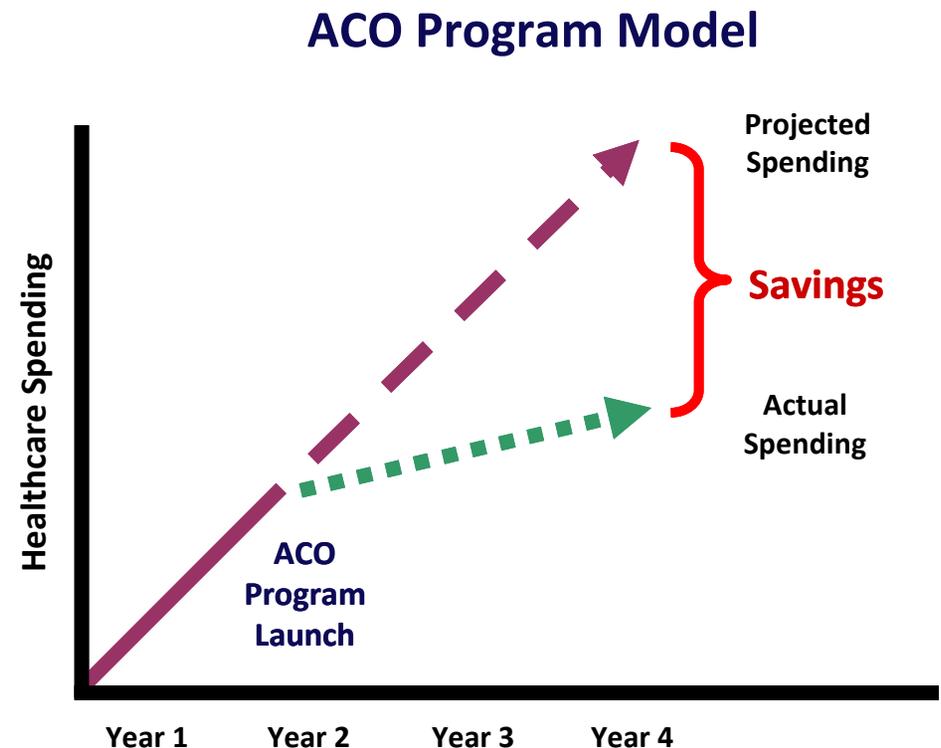
# Does the Patient-centered Medical Home Reside Within ACOs?



# Accountable Care Organizations: Will Shared Savings Reduce Health Care Costs?

## Improved quality and decreased spending growth results in shared savings for provider

- Changes from volume to value-based reimbursement
- Delivery system collaboration to manage continuum of patient care
- Shared savings for costs below benchmarks of historical data
- Performance measurement on quality, outcomes, and patient-experience



# Limited Networks Based on Financial Performance: Potential Regulation

Consumer-Purchaser  
**DISCLOSURE**  
**PROJECT** Improving Health Care Quality through Public Reporting of Performance

***Due to the rapidly evolving and expanding programs, the need for transparency, accuracy and oversight is great***

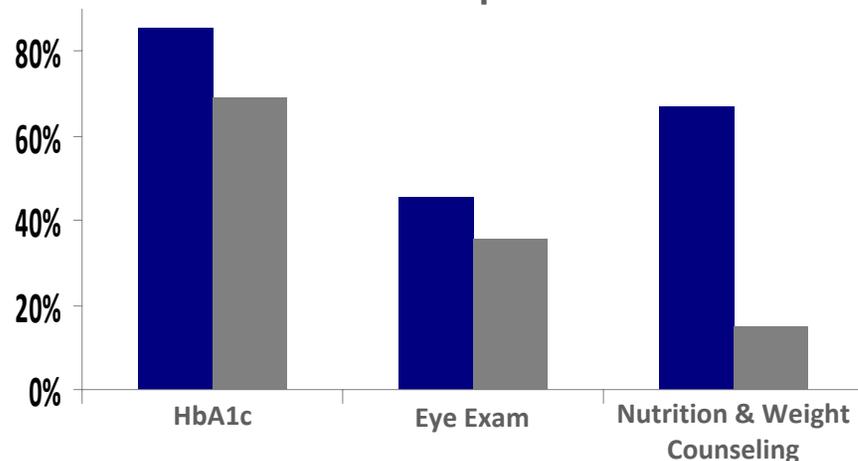


- Ensure adequate and appropriate transparency and quality measurement
- Provide meaningful information to enable highly-informed health care decisions
- Programs should be fair and transparent, enabling providers to use the data to improve the care they deliver
- Creation of an impartial oversight organization to assure responsible deployment of this network reporting and innovation

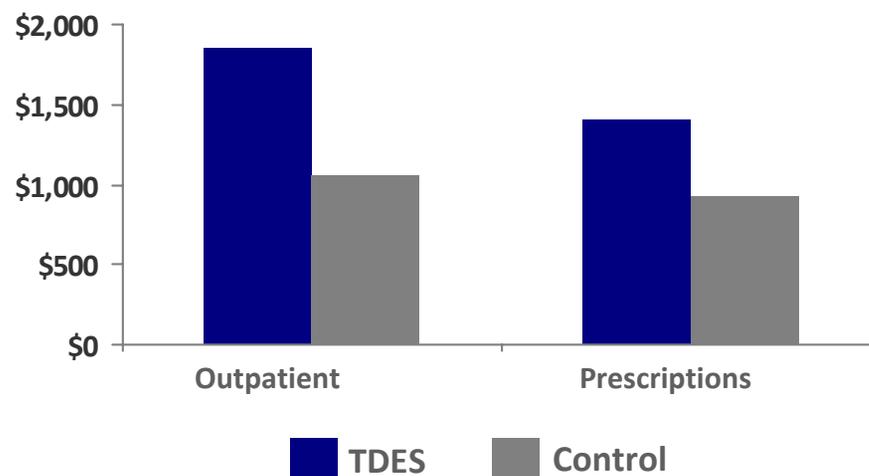
# Improving Care for Chronic Illness: Can ACOs Reign in Costs in the Near-term?

- **Telephonic diabetes education and support (TDES) program**
- **Incentives for medication compliance**
  - Waived diabetic medication/supplies co-pays
  - Steered patients to higher quality hospitals and physicians
  - Preventive care exempt from deductible
- **Higher overall cost during study period**
- **Longer term follow-up may demonstrate savings due to:**
  - Higher medication compliance
  - Higher utilization of preventive service

Preventive Outpatient Services

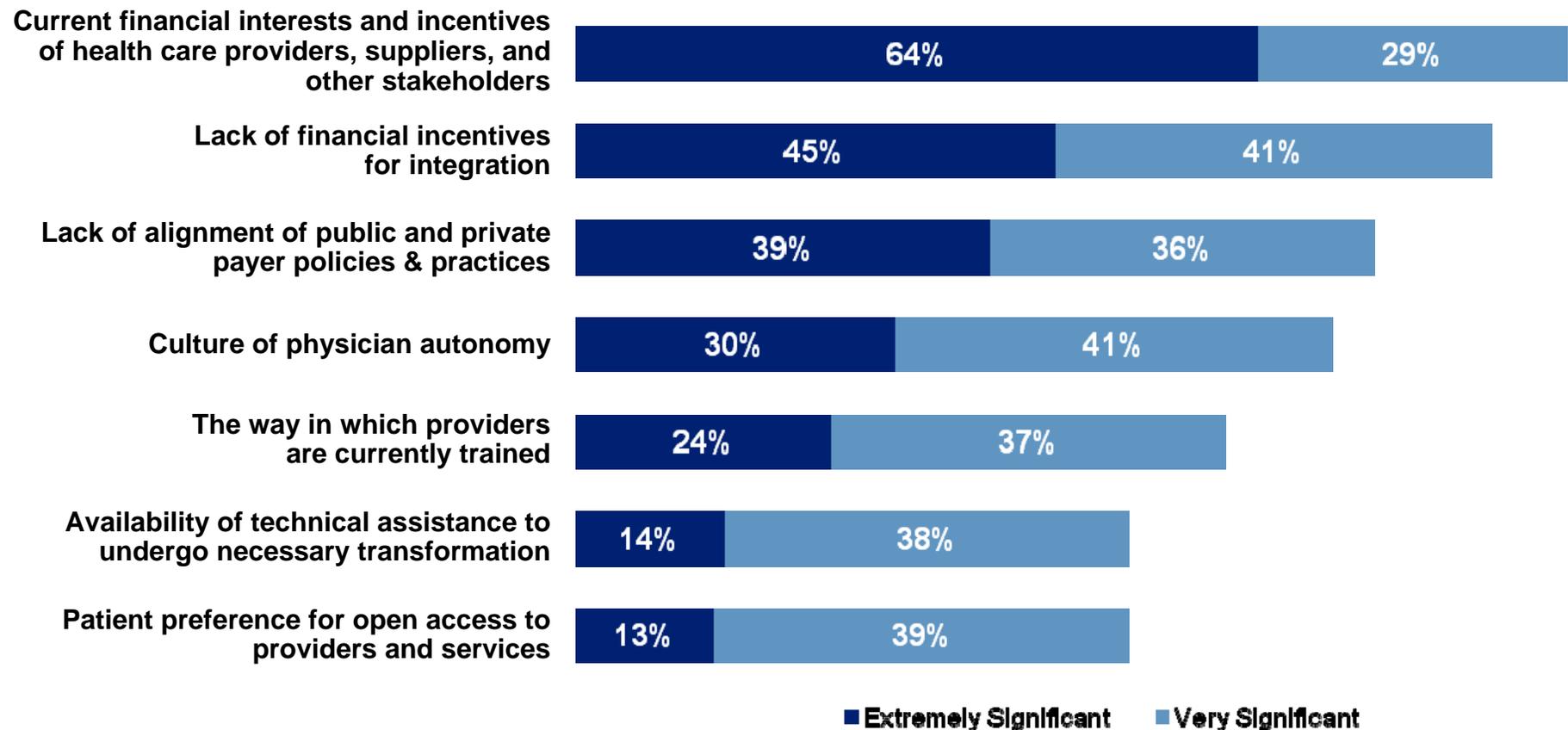


Pre/Post Study Utilization Costs



# Opinion Leaders See Financial Interests, Lack of Incentives as Barriers to the Growth of ACOs

“In your view, how significant are the following barriers to growth of population-based, accountable care systems?”



Source: Commonwealth Fund/Modern Healthcare Health Care Opinion Leaders Survey, July 2010.

# Opinion Leaders See Need for Regulations Specific to ACOs

- **While most opinion leaders support ACOs, they also see the need for regulation.**
  - Nearly eight of 10 support establishing standards for primary care capacity as a condition for qualifying for payments as an ACO.
  - Almost two-thirds (63%) support development of a national ACO accreditation system.
  - Nearly three-quarters (74%) are concerned about undue market power and dominance among provider groups.
  - A majority (56%) favor public utility regulation of ACO payment rates in areas with insufficient market competition.
  - A majority support exempting ACOs from certain requirements in exchange for meeting performance, disclosure and accreditation standards.
    - 62% favor exempting ACOs from antitrust and other legal barriers to coordinating care and sharing cost information, but only if ACOs meet explicit performance, disclosure and accreditation standards
    - 56% support exempting ACOs from provider scope of practice laws