# Austin Regional Clinic

# A Brief History

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Austin Regional Clinic (ARC) brought managed care to Central Texas in 1980. ARC spent it's first two decades focused on delivering high quality capitated care. Multiple environmental factors dictated a retreat from capitation in 2000 - 2003. Changing conditions in 2011, have rekindled the possibility of a return to value based care.

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- The conditions required to provide value based care are:
  - Motivated customers
  - Committed leadership
  - Significant capital to build infrastructure
  - Pricing mismatches (ideally)

These conditions existed in 1980 and appear to be reoccurring in 2011.

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# Profile of Austin Regional Clinic

- Physician owned/Physician governed
- 300 physicians
- 18 facilities in 3 counties
- 350,000 active patients (seen within an 18 month period)
- 1,200,000 annual encounters (inpatient and outpatient)
- Multi-specialty group built on a primary care base
- Joint venture MSO with Seton Hospital (since 1999)
- Approximately $200M in annual revenue

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# Our history in a nutshell

- Founded 1980 - in an exclusive contract with PruCare HMO (group model).
- Strong growth from onset (17,000 health plan members within first 18 months).
- Health plan/medical group alignment started to fray in 1987 with Prudential management changes.
- Termination of ‘exclusive’ PruCare contract in 1993 (80,000 fully capitated lives).
- 1993-1998: contracted with 7 regional and national health plans (HMO).

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# Our history in a nutshell, *cont'd*

- 1999: MSO formation with Seton Hospital provided a capital infusion allowing ARC to reinvest & grow.
- 2000-2003: unwinding of all capitated contracts
- 2007: Physician's Health Choice (2,000 Medicare Advantage patients) contract
- 2011: BCBSTX PCMH pilot (44,000 patients)
- 2012: Pioneer ACO (11,500 patients).
- Currently: PCMH discussions with United, Humana and large employers in progress.

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# Questions:

1. What conditions make it possible to now re-engage in value based care?
2. What barriers do we face?
3. Why do we think it will be different this time?
4. What will it really take for managed care to succeed?

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# What makes re-engagement a possibility?

- Passage of the Affordable Care Act has ignited enthusiasm nationally for the ACO model.
- Seton Hospital has embraced the concept of population management.
- Large employers have pushed commercial health plans to pilot the PCMH model.
- Technology allows stratification of risk and targeted interventions.
- Payers appear more willing to collaborate.

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# What barriers do we face?

- Lack of robust care management infrastructure
- Lack of general provider community alignment
- Essentially total lack of patient engagement
- Expensive and still inadequate info. systems
- Continued FFS payment methodology
- ARC's need to balance competing business models
- Lack of physician and staff understanding of a new paradigm

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# What's different this time?

- Enthusiasm for ACO concept has been broad based.
- The Health Care Industry continues to consolidate rapidly.
- Industry and policy makers understand the long term financial threat.
- Information technology continues to improve.

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# What will it ***really*** take to re-engineer the system?

- Replacement of FFS with capitation
- Evolution towards a “managed competition” market place.
- Responsible political leadership
- Large scale capital investment
- Evolution of American health care culture
- Patience

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