

HEALTH WEALTH CAREER

# BUSINESS MODELS IN THE CURRENT HEALTHCARE ENVIRONMENT

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# HISTORIC FRAMEWORK HEALTHCARE LANDSCAPE

## Past

- **New Business**
  - Offer anything necessary to attract / retain employees
- **Medical Practice**
  - Family Doctor
  - Avoid Hospitals
  - “Barter” or Pay
  - Insurance for catastrophic
- **Fee for Service**
  - Pay for volume of services rendered

## Current

- **New Business**
  - Legal Requirements on medical coverage
  - Varies by company size
- **Medical Practice**
  - Employed Physician
  - Hospital-led systems
  - Physician-led systems
  - Insurance seen as “Payer” for all services
- **Fee for Service / Shared Risk**
  - Pay for volume, Adjusted for outcome

# HISTORIC FRAMEWORK HEALTHCARE LANDSCAPE

## Players



- **CMS**
  - Adjusting the rules to implement ACA
  - Section 3021 of Affordable Care Act
  - Drives Medicare rules
- **Insurance Companies**
  - Driving lower claims cost
  - Claim quality increase
- **Medical Providers**
  - Maximize income
  - Increase patient outcomes

## Consumers



- **Employers (Business)**
  - Interest in employee wellbeing
  - Cover 62% of all non-Medicare eligible individuals
- **Insured Individuals**
  - Medicare Covered
  - Medicaid Covered
  - Employer Covered
  - Individual Covered
- **Uninsured Individuals**

# NEW WORLD FRAMED BY LEGISLATION

## ACA SOLUTIONS

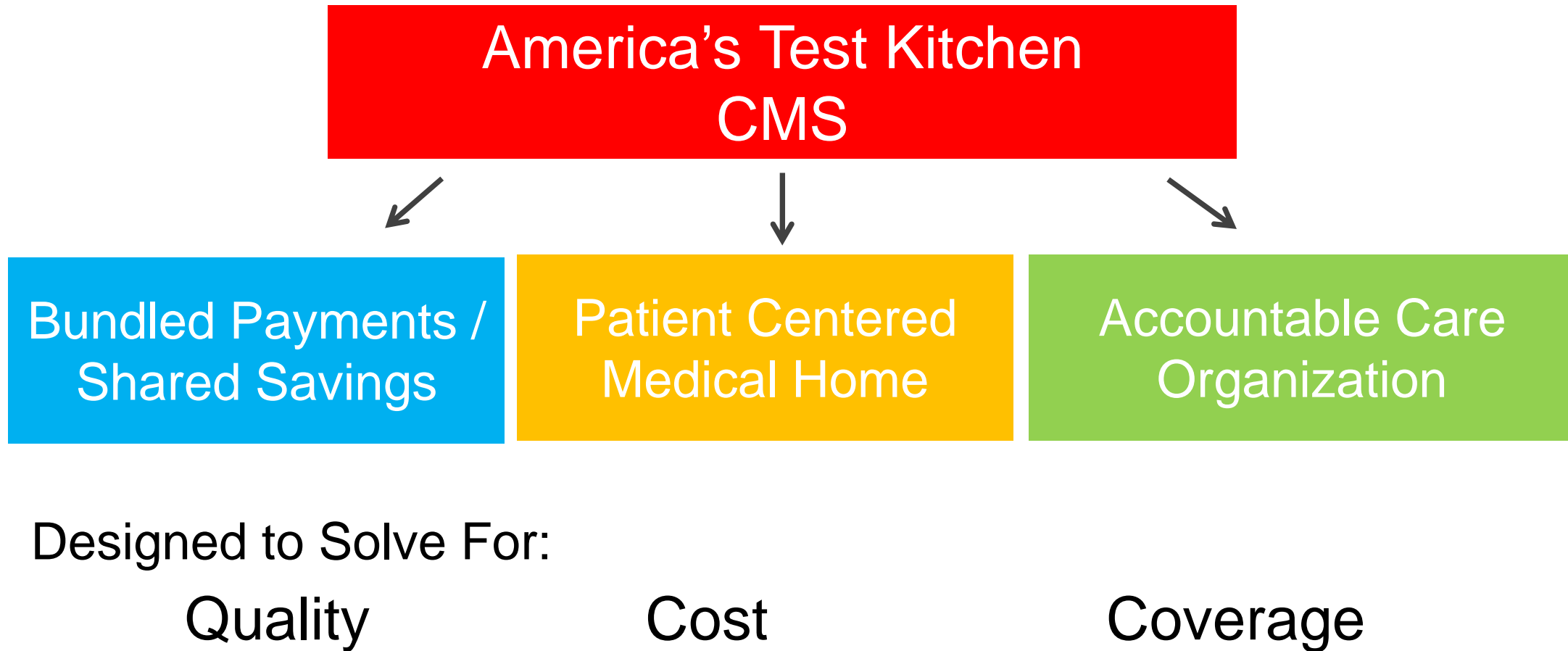
- Affordable Care Act
  - Title III: Improving Quality and Efficiency of Health Care
    - Subtitle A: Transforming Health Care Delivery System
      - Part III: **Encourage** Development of **New** Patient Care **Models**

“Encourage NEW”

Pay for Value; Pay for Quality; Pay for Outcomes

Patient Protection and Affordable Care Act, 42 USC 18001

# NEW WORLD OF OPTIONS ACA SOLUTIONS



# ACCOUNTABLE CARE ORGANIZATIONS

“ACOs take responsibility for the overall health of their patients – not just treating their diseases – and are **paid based on their success in controlling costs.**”

Niyum Ghandi, Partner Oliver Wyman

[www.oliverwyman.com](http://www.oliverwyman.com) Oliver Wyman: Our-expertise / insights/ 2013 / October

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# ORGANIZATION TYPES

## COMMON BUSINESS ARRANGEMENTS



### Integrated Delivery Systems:

- Includes hospital and physician and **may** involve a health plan



### Multispecialty Physician Group Practices

- Physician group with strong relationship with a hospital contract with **multiple health plans**:



### Physician-Hospital Organizations:

- Subset of hospitals and similar function to multispecialty groups.



### Independent Practice Associations:

- Individual practices jointly contract with health plans



### Virtual Physician Organizations:

- Small independent usually rural

# NEW REVENUE ARRANGEMENTS

## FOCUS ON FEES

BP / SS

Bundled  
Payments

Shared Savings

**First step** into risk / reward for performance:

Pay a “global” fee for designated service

OR

Share in actual savings

(Medicare Shared Savings Program (MSSP))

- Surgical Hip and Femur Fracture Treatment (SHFFT)
- Cardiac Rehab (CR)
- Coronary Artery Bypass Graft (CABG)



# NEW REVENUE ARRANGEMENTS FOCUS ON FEES AND CARE

PCMH

## Patient Centered Medical Home

Designed as a possible bridge to Accountable Care Arrangements:  
Focus on providing care based on a  
personal provider / patient relationship

- Tend to be clinic based
- Focus on select patients
- Able to adapt to quality / risk based arrangement

# NEW REVENUE ARRANGEMENTS FOCUS ON QUALITY AND RISK SHARE

ACO

Accountable Care  
Organization

Designated as the “future” of risk / reward

Providers at “risk” for overall health of their patients

Providers may achieve “rewards” for success measures

# NEW REVENUE ARRANGEMENTS FOCUS ON QUALITY AND RISK SHARE

ACO

“ACOs were designed to create a new kind of competition in healthcare, with **providers taking responsibility** for the patient’s **total health** and competing on the basis of **cost and quality**”

Niyum Ghandi, ACO Update; Accountable Care at a Tipping Point  
[www.oliverwyman.com](http://www.oliverwyman.com) Oliver Wyman: Our-expertise / insights/ 2014 / April

# NEW REVENUE ARRANGEMENTS FOCUS ON QUALITY AND RISK SHARE

ACO

CMS establish arrangements through Affordable Care Act for Medicare populations:

Pioneer ACOs: initial programs – limited in US (17)

Next Generation ACOs: beginning in 2017

# NEW REVENUE ARRANGEMENTS FOCUS ON QUALITY AND RISK SHARE

ACO

Insurance carriers / Provider Groups / Hospital Systems  
Evolving ACOs:

## **Provider Groups and Hospital Systems:**

Based on Medicare model

- Goal to achieve Medicare rewards
- Changing practice patterns and standards
- Funding of Rewards – requires investment
  - Reliance on Medicare / Medicaid

# NEW REVENUE ARRANGEMENTS FOCUS ON QUALITY AND RISK SHARE

ACO

Insurance carriers / Provider Groups / Hospital Systems  
Evolving ACOs:

## **Insurance Carriers:**

Based on Data Sharing and Quality Outcome measures

- Focus on disease specific patients
- Expanding to include “all” patients being treated by selected physicians
- Outside carriers have more income to “invest” in bonus payments
  - Open to commercial patients

# NEW REVENUE ARRANGEMENTS FOCUS ON QUALITY AND RISK SHARE

ACO

## Key Elements for Success:

- Risk Element
- Reward Element
- Quality Measure
- Data Sharing (Electronic Records)
- Population Health Management
- Standard Practice Behaviors

# NEW REVENUE ARRANGEMENTS FOCUS ON QUALITY AND RISK SHARE

ACO

Example:

## Baseline / Agreements

Health Plan (Insurance) contracts with Physician Group

Establish current measures of quality for selected population

Establish data utilized in measures (e.g. HEDIS, claims, readmission rates)

Establish baseline and target improvements

## One Year Measure

Retro or Prospective arrangement

Measure outcomes based on baseline and targets

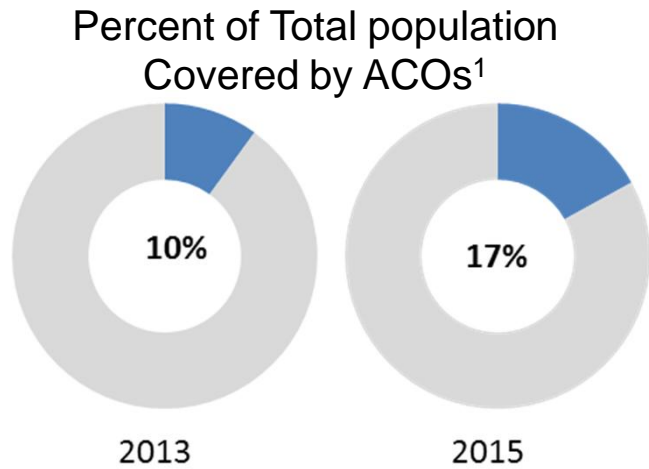
**Pay Bonus:** Quality scores are in range AND cost is in range

CMS penalties in future if targets missed

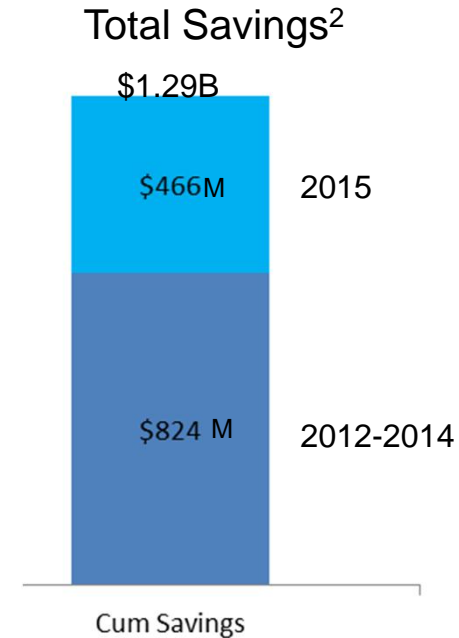


# NEW REVENUE ARRANGEMENTS FOCUS ON QUALITY AND RISK SHARE

## Results:



69% of population has access to at least 1 ACO  
In Utah, < 50% have access to 1 or more ACOs



Pioneer ACO and Medicare Shared Savings Program

<sup>1</sup>Niyum Ghandi, ACO Update; A Slower Pace of Growth

[www.oliverwyman.com](http://www.oliverwyman.com) Oliver Wyman: Our-expertise / insights/ 2015 / April

<sup>2</sup>CMS

# ACCOUNTABLE CARE ORGANIZATION EARLY RESULTS ARE PROMISING

ACO

- Participants in the *Pioneer Accountable Care Organization Model* improved their **quality scores . . .** by more than **21 percentage points**.
- Overall **quality scores** for nine out of the 12 Pioneer participants were **more than 90%**.
- Accountable Care Organizations in the *Medicare Shared Savings Program* [between 2014 and 2015] average **quality scores** improved by **more than 15%**

CMS Press Release: 08-25-2016

Available at [CMS.gov/newsroom](https://www.cms.gov/newsroom)

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# ACCOUNTABLE CARE ORGANIZATION FOCUS ON QUALITY AND RISK SHARE

ACO

“Accountable Care Organizations were created to change the **incentives** for how medical care is delivered and paid . . . moving away from a system that rewards the quantity of services to one that **rewards the quality of health outcomes.**”

CMS Press Release: 08-25-2016

Available at [CMS.gov/newsroom](https://www.cms.gov/newsroom)

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# CONTINUING EVOLUTION HEALTHCARE LANDSCAPE DRIVES DECISIONS

## Past

- Fee for Service
- Pay for Volume

## Current

- Transition between models
- Fee for Service
- Quality
- Test Programs for success

## Future

- Pay for Quality
- Pay for Outcomes
- Reward Healthy

**MAKE**  **MERCER**  
**TOMORROW,**  
**TODAY**