

Accountable Care NEWS

Accountable Care's Move to Two-Sided Risk

by Richard A. Royer, MBA

Thanks to the pioneers that participated in the first few years of Medicare's Shared Savings Programs (MSSP), the healthcare industry has learned a lot about what it takes to be successful in an accountable care organization (ACO). Of course, just when it finally felt like the rules of accountable care were becoming clear and providers were beginning to feel comfortable, a new element emerged: risk. Right now, healthcare is entering into a new phase of accountable care—a phase that involves two-sided risk. As ACOs transition into risk-bearing entities, healthcare providers must learn to adapt. In other words, they need to take steps to protect themselves from losses by making improvements in key areas.

For years, the Centers for Medicare & Medicaid Services (CMS) has been hinting about plans to move accountable care toward risk. In fact, CMS has repeatedly stated that its objective is to guide ACOs to accept greater risk over time. At the beginning of this year, CMS took a step closer to that objective when it introduced its newest ACO model. The program, known as the Next Generation Accountable Care Organization Model (NGACO), builds on earlier government ACO models. However, unlike previous programs, this new model offers experienced participants the opportunity to assume significant risks—up to 100%.

The birth of the NGACO model is a sign of what is ahead for accountable care. At the start of 2016, there were a total of 477 government-backed ACOs. That number includes all ACOs in MSSP, the Pioneer ACO Model, NGACO and the Comprehensive ESRD (End-Stage Renal Disease) Care Model. Of those 477 ACOs, 64 are already on a risk-bearing track. The expectation is that even more ACOs will take on risk in 2017, and in successive years. The outlook is similar for private ACOs: As Medicare continues to revise existing ACO programs and introduces more programs that steer providers toward risk, private ACOs will follow. Without a doubt, there will be many more organizations participating in shared-risk programs five years from now.

Today, only a handful of healthcare programs are capable of handling risk well. Because of the many risk-driven changes that are happening and the fact that the financial stakes are rising for ACO participants, now is a crucial time for provider organizations to roll up their sleeves and get to work.

Healthcare providers that are new to ACOs, and even those that have been with accountable care for several years, can prepare for downside risk by focusing on a few key areas: Information technology (IT) systems, capital, data, leadership and culture. These five fields have the biggest impact on the overall success of ACOs:

1. **IT systems.** A majority of hospitals and physicians have adopted electronic health records (EHRs) and are using them at least at a basic level. The move to EHRs is a step in the right direction; however, there is still a big issue to face—interoperability. Providers within ACOs need to be able to easily communicate and collaborate so they can deliver high-quality care that is safe, appropriate and coordinated. To achieve this, many more improvements are needed when it comes to efficiency and data sharing across systems.

Therefore, as organizations prepare for risk, they should evaluate their IT infrastructure and the systems they have in place. If there are any issues with efficiency, or systems are not supportive of data sharing and receiving, upgrades to more modern systems are in order.

2. **Capital.** There is no way around it; putting in place the systems, training, processes and leadership necessary for an ACO to be successful takes money. Without capital, it is impossible to make facility improvements, train staff on new clinical procedures and make additional upgrades. Unfortunately, a lot of ACO participants run into money woes at one point or another and can't afford to make needed improvements. In fact, many find out too late that they don't have enough funding—either because they did not have enough capital to begin with or they simply don't have spending under control.

It is critical that organizations pay close attention to budgets and work to obtain capital before they get into high-pressure, risk-bearing contracts. After all, just as with any type of business, not having enough capital is a recipe for failure.

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3. **Data.** Because accountable care is dependent upon data, one of the best things healthcare organizations can do to prepare for the demands of two-sided risk contracts is become proficient at managing and using data. ACO members need to be able to use clinical data to understand how to best manage the health of individuals and groups within their patient populations. They also need to be able to leverage financial data so they can contain care costs. Outsourcing data mining and analysis can be a good solution for healthcare providers that do not have the know-how or resources to handle these efforts. The bottom line is that an accountable care organization's ability to meet performance measures is linked to data so that investing in data management is a must.
4. **Culture.** The most successful ACOs tend to have cultures that pursue progress and are accepting of change. ACO leaders need to focus on developing the right culture, while providers need to ensure that everyone buys into that culture.
5. **Leadership.** For those looking ahead toward two-sided risk, a final area of focus should be leadership. Strong leadership is necessary for guiding an ACO toward success. Managers need to foster innovation and flexibility. Organizations need to have people in charge that not only possess the expertise to lead quality improvement efforts, but who also can break out of routine and embrace change. A rigid culture can defeat a good strategy, but putting the right leaders in place is one way to ensure that does not happen. Who are the "right" leaders? For starters, they are people who are not afraid to break away from old habits when data indicate a need for change.

A few years from now, the accountable care landscape will look considerably different than it does today. There will be many more contracts that involve healthcare providers sharing risk compared to today's contracts that mostly share savings and limit risk. When it comes to taking on risk, every ACO will face challenges.

Organizations that step forward now and make necessary changes are the ones that will be most prepared to accept two-sided risk. They will be the ones earning rewards, while others get stuck paying for losses. Identifying what improvements to make is not difficult, especially for organizations that direct their focus toward IT systems, capital, data, leadership and culture.

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