The Academy

The Health Management Academy

Strategic Survey Q3 2019: Medicare ACOs

September 2019

Medicare ACOs

Introduction

In December 2018, CMS's "Pathways to Success" final rule established two new tracks within the Medicare Shared Savings Program (MSSP), thereby phasing out the previous Track 1-3 structure. By July 1st, 2019, health systems participating in MSSP had to decide which new track to enter – Basic or Enhanced – or whether to exit the program altogether. Both new tracks incorporate downside risk, posing a new challenge to the 82% of existing MSSP Accountable Care Organizations (ACOs) that were upside-only in 2018.[1]

To better understand the implications of this policy change, The Health Management Academy (The Academy) examines the recent decisions made by Leading Health System (LHS) executives regarding their Medicare ACO strategy.

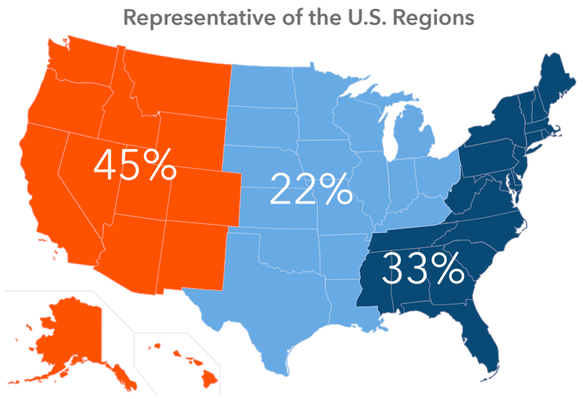
Methodology

In July and August 2019, The Academy conducted the twentieth round of phone interviews for its quarterly strategic survey among LHS executives, including: CEOs, COOs, CFOs, CMOs, CNOs, and CSOs.

The survey for the interview consisted of:

1. A tracking section that provides insight into trends around primary strategic areas; and
2. A special topic area that allows for an in-depth look into a timely developing issue.

Profile of Participating Health Systems



MEDIAN REVENUE

$3.6 BILLION

OWN OR OPERATE **215 HOSPITALS** WITH **45,067 BEDS**

SINGLE-STATE SYSTEMS: **67%**
MULTI-STATE SYSTEMS: **33%**

[1] Verma, Seema. "Pathways to Success: A New Start for Medicare's Accountable Care Organizations." Health Affairs Blog (2018). DOI: 10.1377/hblog20180809.12285

Key Findings

1

Risk Appetite

The introduction of Pathways to Success has largely not affected health systems' ACO strategy, with health systems either already taking or still hesitant to take downside risk for their Medicare population.

2

Market Factors

Most health systems (69%) view ACOs as an effective way to manage risk among their Medicare population, largely due to their desire to capture a significant share of Medicare fee-for-service patients.

3

Synergies

Given that 75% of participating health systems have both Medicare Advantage and Medicare ACO patients, organizations have found synergies by scaling resources and structures between both programs.

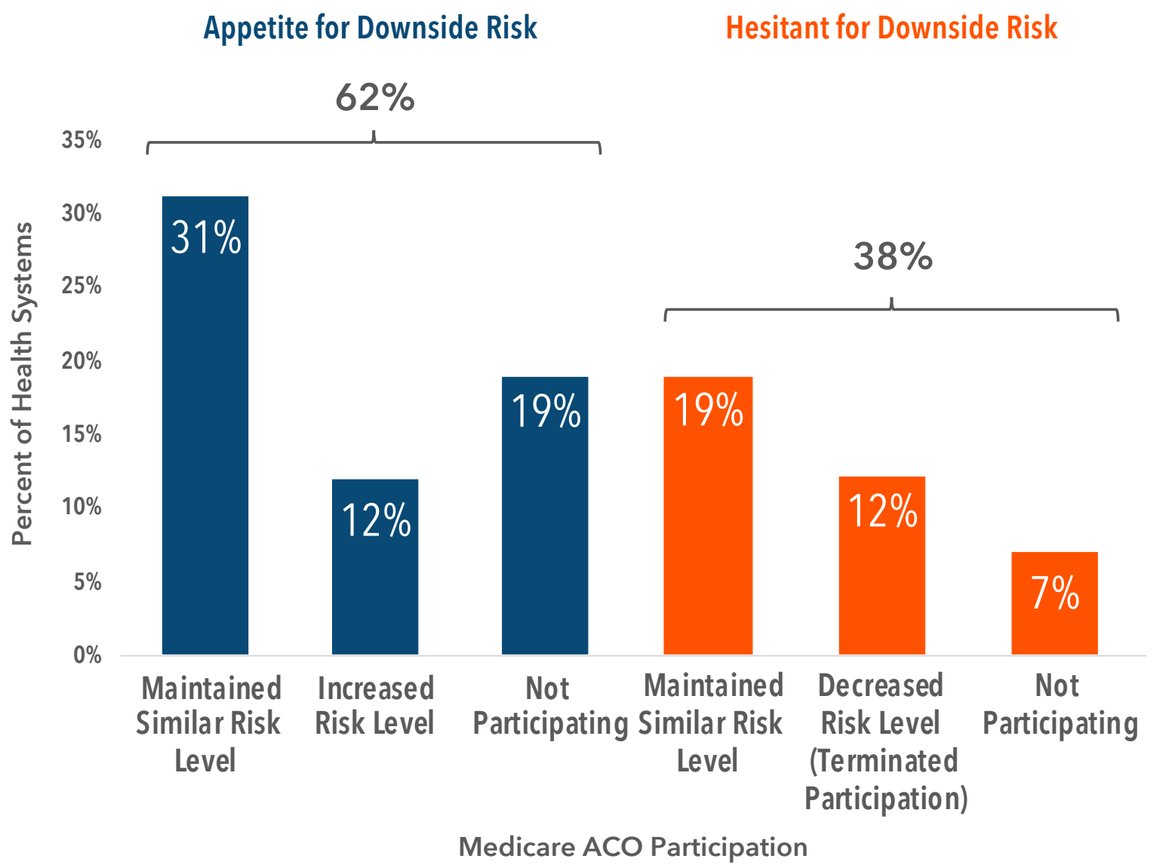
Appetite for Downside Risk Remains Consistent

In general, health system strategies regarding Medicare ACO participation fall into two categories: those who are comfortable taking downside risk and those who are not. Health systems previously participating in MSSP Track 1 or 1+ were more likely to transition their participation to the Basic track under Pathways to Success. Correspondingly, health systems previously participating in MSSP Track 2 or 3 were more likely to transition their participation to the Enhanced track. Notably, no health system previously not participating in MSSP decided to begin participation as a result of the program changes. Moreover, two health systems decided to terminate their MSSP participation to avoid having to take downside risk before they have the necessary capabilities to be successful.

For the most part, health systems that have been participating in the MSSP for longer are more willing to take downside risk. These health systems have made the move to a more advanced track or have transitioned from participating in MSSP to participating in a Next Generation (NextGen) ACO. Health systems with less experience in MSSP were more likely to stay in the Basic track or exit the program entirely upon the introduction of Pathways to Success.

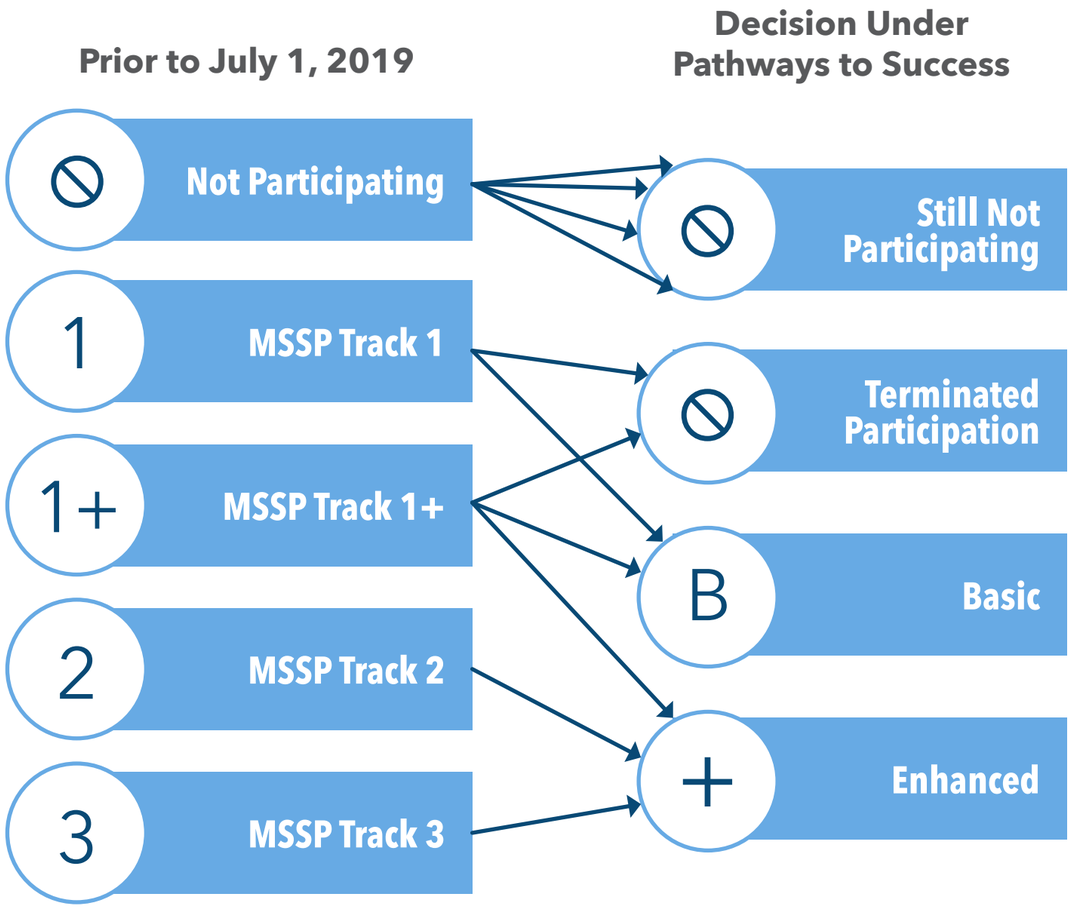
"We were in the 2012 MSSP cohort and switched to a NextGen ACO several years ago. Since we're already in NextGen, we have already moved towards the downside risk that they're trying to nudge everyone toward. We saw NextGen as a way to adopt a model that was going to be consistent with our commitment to transforming healthcare." – CSO

Changes to Medicare ACO Strategy



MSSP Changes Not Drastically Affecting ACO Strategy

Individual Changes to Medicare ACO Participation



"We're not afraid of downside risk, but we think we're way beyond the model of ACOs. It would be a step backward for us to do that." –CFO

"We are more focused on what we view as the next generation with the commercial payer. So there is less priority to focus on Medicare because there is limited upside and too much downside in those models." –CFO

"We decided to electively terminate MSSP and defaulted to MIPS instead." –CMO

"We assessed which 'pathway' was best suited for our physicians and system given our ACO experience to date. Having participated in Track 1, we felt the Basic track would enable us to continue participation in a one-sided model and incrementally phase in risk/reward over time." –COO

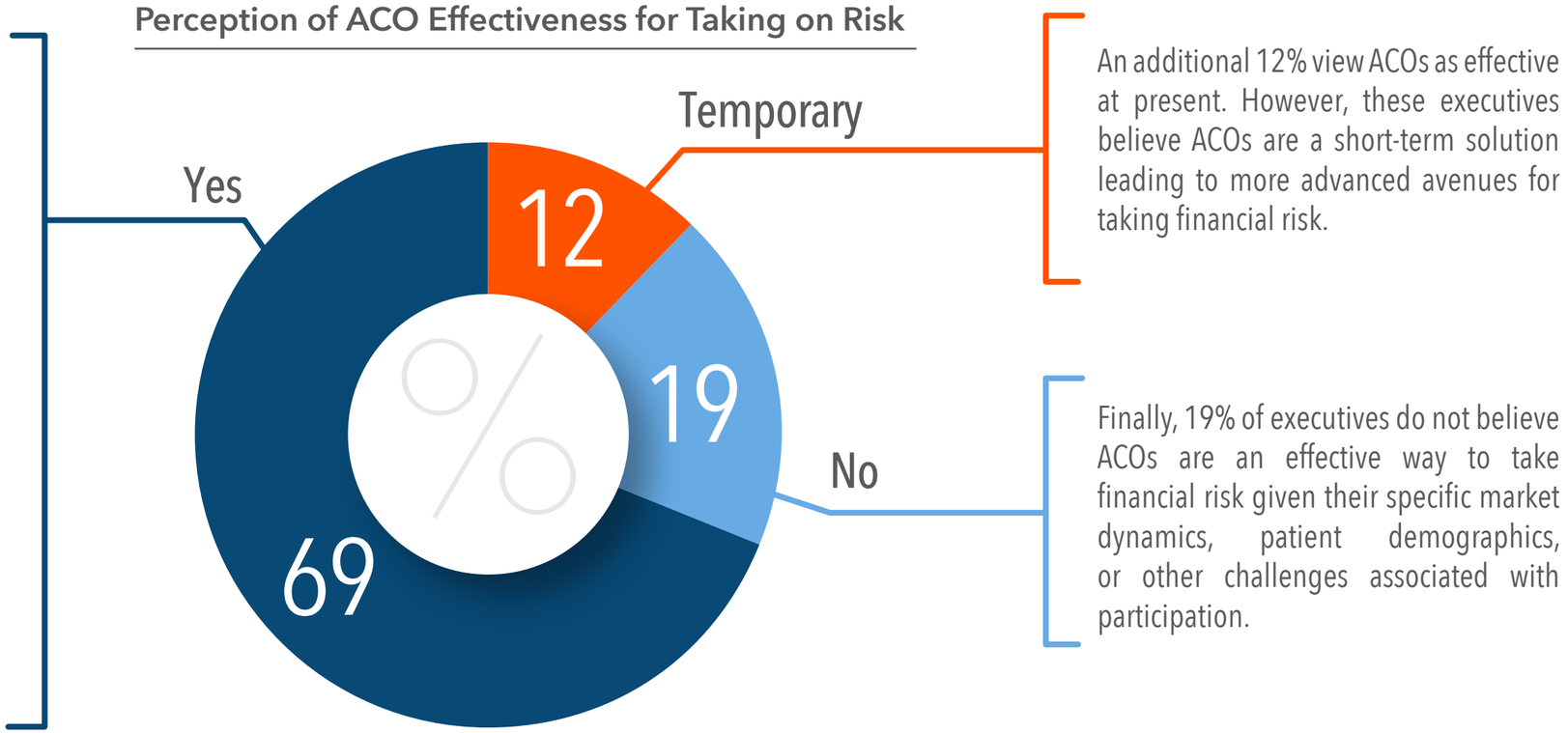
"We were in Track 1 for five years, then went to 1+ for two years. We are moving forward with respect to being more at risk, so we selected the Enhanced track. We realize that the move to downside risk is going to happen eventually." –CFO

ACOs Viewed as an Effective Way to Take Risk

The primary market factors underlying health system participation in Medicare ACOs are the growing demographic of patients age 65 and older and competitors that are also participating in the MSSP and NextGen programs. Considering that a large portion of Medicare beneficiaries still elect traditional FFS Medicare and some geographies have much larger FFS Medicare than MA populations, some health systems must engage in ACOs in order to take a meaningful amount of risk on this population and maintain a diverse risk portfolio.

A majority (69%) of health system executives see ACOs as an effective way for taking risk. Generally, these systems are in markets that are predominantly FFS, and they are still learning to adjust to a value-based orientation. Alternatively, some of these systems are already participating in a NextGen ACO, so their perception of effectiveness is relative to a more advanced program incorporating more financial risk.

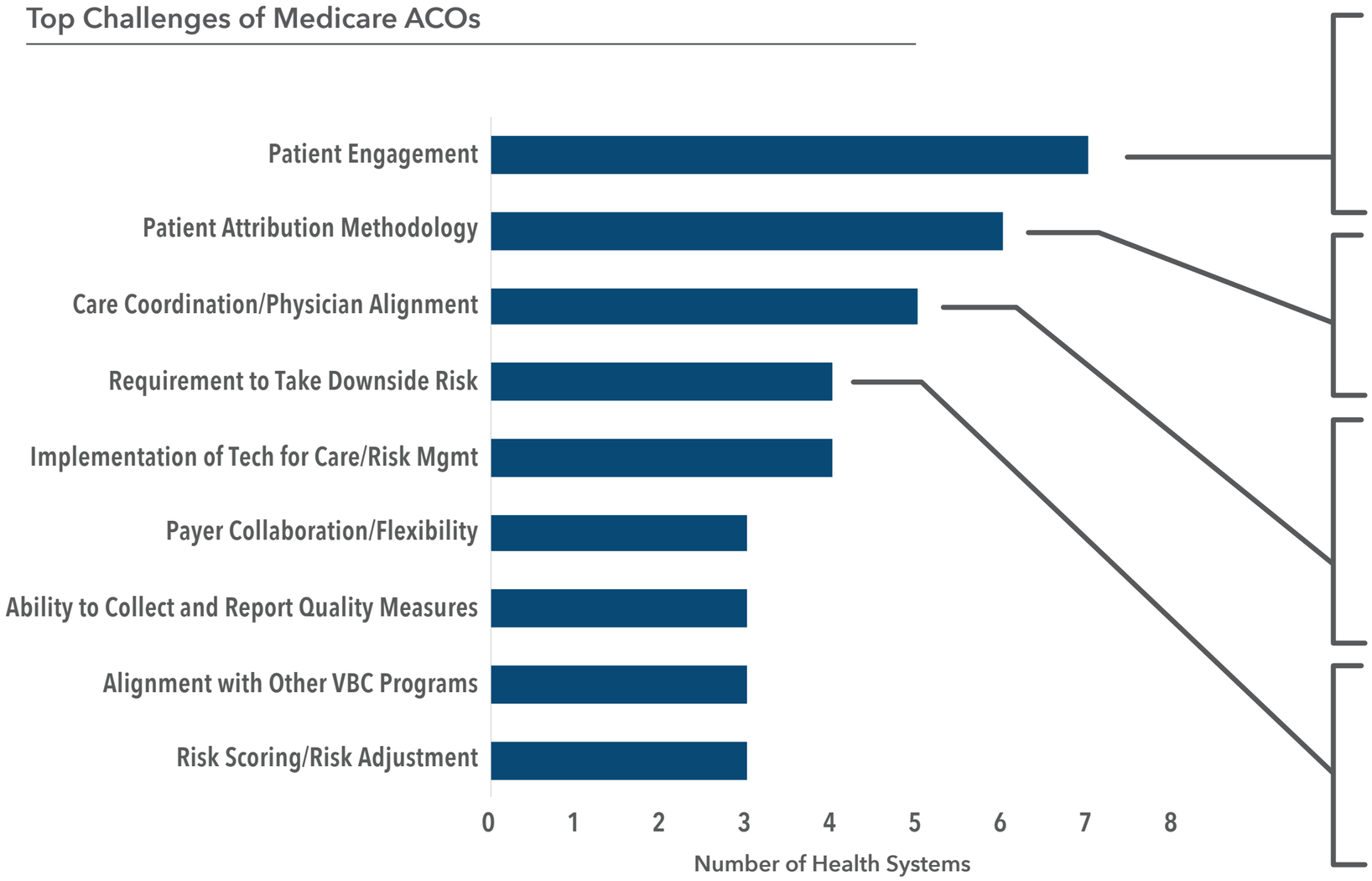
"Participation in the ACO allows providers the ability to satisfy MIPS reporting requirements under MACRA as well as providing them with population health management and the support they need to be successful as reimbursement shifts from FFS to value-based payment." – COO



An additional 12% view ACOs as effective at present. However, these executives believe ACOs are a short-term solution leading to more advanced avenues for taking financial risk.

Finally, 19% of executives do not believe ACOs are an effective way to take financial risk given their specific market dynamics, patient demographics, or other challenges associated with participation.

Patient Engagement and Attribution are Top Challenges



Patient Engagement

As with other value-based care (VBC) programs, patient engagement is a crucial element of successful patient management. Technology solutions used to overcome this challenge in other populations are not always ideal for the Medicare population.

Patient Attribution Methodology

Health systems find retrospective attribution methodologies to be problematic. When providers aren't aware of the population in the ACO prospectively, it is much more difficult to coordinate care.

Care Coordination/Physician Alignment

While not unique to ACOs, poor alignment can result in poor performance and lead to financial penalties under this model. LHS are seeking to align incentives and culture throughout their physician network in order to ensure care continuity and improved outcomes.

Requirement to Take Downside Risk

Whereas the requirement to take downside risk is a major hurdle for health systems that are less experienced in risk management, others that are farther along in their transition from FFS to VBC do not find this to be a challenge.

ACOs Benefit from Synergies with Other VBC Programs

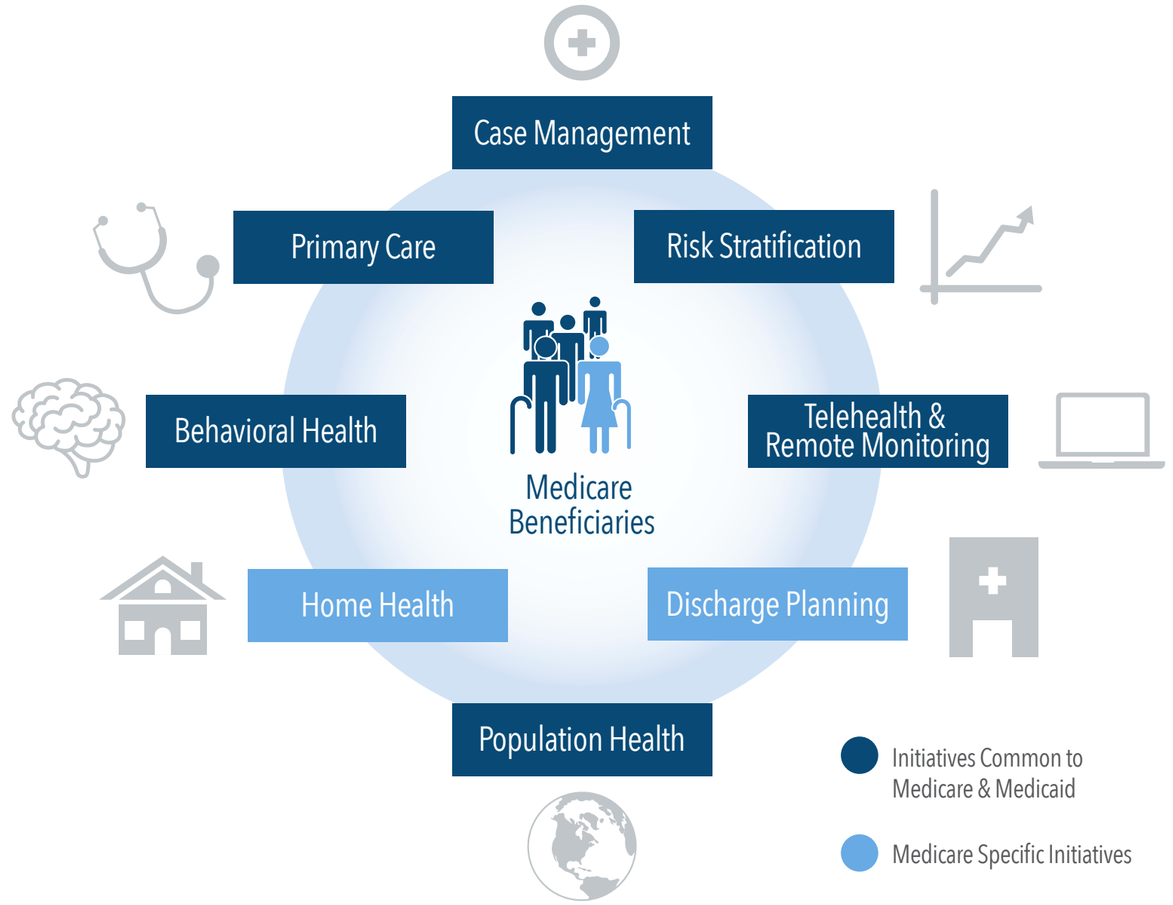
Many health systems share resources and structure across their VBC programs to achieve alignment throughout their diverse books of business, particularly when it comes to Medicare Advantage (MA) and ACOs. In fact, 75% of participating health systems have both MA and ACO patients, and they leverage a similar set of capabilities for both populations. There is also notable overlap in initiatives between health systems' Medicare and Medicaid populations, as reported in The Academy's Q2 2019 Medicaid Managed Care report. Initiatives specific to the Medicare population focus on the age demographics unique to this population, such as home health and post-discharge planning.

While there is a general preference for MA over ACOs, health system executives realize the need to maintain a diverse risk portfolio and be able to capture patients in FFS Medicare. Even health systems without both MA and ACO patient populations have case management strategies that apply to all of their at-risk populations.

While a majority of executives indicate their system's physicians are able to use the benefits of ACOs as a means to engage patients and encourage in-network care, they are generally not using them as a mechanism to generate referrals into the system.

"We have some strategies specific to our ACO but also look across the whole continuum. We use risk stratification tools to identify individuals with a high risk of readmission. We also have skilled care coordinators that focus on the patients centers where we have our at-risk insurance product, and we have seen a marked improvement in outcomes among those patients." –CNO

Initiatives for Managing the Medicare Population



About the Academy

The Health Management Academy (The Academy) is a membership organization exclusively for executives from the country's Top-100 Health Systems and most innovative healthcare companies. The Academy's learning model identifies top priorities of health system leaders; develops rich content based on those priorities; and addresses them by convening members to exchange ideas, best practices, and information. The Academy is the definitive trusted source for peer-to-peer learning in healthcare delivery with a material record of research and policy analysis. Offerings include C-suite executive peer forums, issues-based collaboratives, leadership development programs, research, advisory, and media services. The Academy is an accredited CE provider. More information is available at hmacademy.com.

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About Lumeris

Lumeris is a value-based care managed services operator for health systems and providers seeking extraordinary clinical and financial outcomes. Lumeris aligns providers and payers across populations with technologies, processes, behaviors and information to achieve high-quality, cost-effective care with satisfied consumers – and engaged physicians. For the past eight years, Lumeris with Essence Healthcare, its inaugural client with more than 63,000 Medicare members in Missouri and Illinois, has received 4.5- to 5-Star Ratings from the CMS and produced the highest consumer and physician satisfaction scores in the industry along with significantly better clinical outcomes and lower costs. For more information, go to www.lumeris.com.

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