WHITE PAPER |

Preparing for Payment and Service Delivery Reform:

Aligning Physician Practices for Optimum Performance and Reimbursement

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"...Finding a way to ensure adequate support for primary care will be critical to the design and implementation of ACOs..."

Are your physician practices aligned for maximum reimbursement?

The Patient Protection and Affordable Health Care Act (PPAHCA) encourages the creation of new kinds of provider networks, based on the principle of "accountable care". Under that principle, PPAHCA allows multiple delivery and organizational models: the Accountable Care Organization (ACO), Patient-Centered Medical Home, shared savings, bundling, and others. The common element is that providers will be responsible for improving quality and lowering costs across the continuum of patient care.

With the recently released proposed ACO regulations from CMS calling for these networks to begin contracting with Medicare by January 2012, providers are on a tight timeline to determine what all of this will mean for their organization.

Whatever the details of the model an organization chooses to adopt, accountable care means providers will be accountable for the quality, cost, and overall coordination of care for enrollees. In return, they will be eligible to share in savings, if the cost of care falls below the payer's benchmark. Accountable provider organizations must be able to demonstrate that they meet specific quality, legal, and other infrastructure standards.

The dilemma for hospital and physician executives is how and when to implement these changes while still operating in a predominantly fee-for-service environment.

Because all the models are based on the underlying principle of accountable care, there are some basic foundational steps hospitals and physicians can take now, regardless of the model they may ultimately adopt. Best of all, these steps don't run counter to good fee-for-service operations. The key is aligning physician practices and hospitals so they can maximize reimbursement within an accountable care world.

In this paper, we outline three concrete steps health systems and physician practices can take *now* to apply the principles of accountable care while improving present-day operations:

1. *Manage physician referrals to prevent leakage, track patient outcomes, and monitor utilization*
2. *Implement universal care management across the physician network*
3. *Improve primary care efficiencies*

Manage physician referrals to prevent leakage, track patient outcomes, and monitor utilization

Although providers will be responsible for patient costs and outcomes, patients under accountable care are free to choose their providers. That makes keeping patients within the network a key challenge. Unlike the HMO models of the 1990s, PPAHCA does not specify a mandatory infrastructure to control referrals. Congress intentionally left the legislation "flexible" with respect to implementation, so that provider organizations could develop their own systems. Providers are responsible for developing their own referral strategies, but the end result must still conform to the goals of accountable care.

Why is managing referrals important in an accountable care setting?

Two primary reasons—patient volume and predictive outcomes.

Patient Volume: Despite the hope that accountable care will transform U.S. healthcare from a volume-driven to an outcome-driven system, patient volumes will remain essential to providers' economic viability. The difference will be in how those volumes are defined and achieved. Today, the most important factor in patient volumes is payer mix. In the future, what will matter most is population mix. (Needless to say, if universal health coverage is achieved, population mix will become even more important.) Under most accountable care/shared savings models, providers assume some type of financial risk: for lost reimbursement, a diminished bonus payment, or being left out of a downstream bundled payment. Traditional insurance companies mitigate risk by distributing it across a broad population. A large and diverse pool of patients will allow accountable providers to take an actuarial approach to predicting and offsetting high-cost events.

Predictive Outcomes: Not all volume is good volume. Providers will need a way to closely track, understand, and then predict patient outcomes based on key predictive measures. For the provider organization, this aligns the dual goals of managing financial risk and improving patient outcomes, ultimately controlling the costs associated with delivering effective patient care. The first building block of any outcome-predicting system is strong referral tracking, to capture and measure overall utilization. Accurate utilization indicators that measure not only the frequency of care, but also the type, are critical to predicting the patterns of your patient population.

Three steps to improving operations today:

1 ***Manage referrals***- preventing leakage, track patient outcomes, and monitor utilization

2 ***Implement universal care management***

3 ***Improve primary care efficiencies***

A strong referral management and tracking system also plays a significant role in maintaining and improving patient volumes, whether under fee-for-service or one of the new accountable care models. Only by tracking referrals can an organization begin to understand and manage patient "leakage" and target solutions to retain patients.

In the fee-for-service environment, strong referral management allows an organization quickly to identify where and why it is losing patient volume, as well as to standardize the referral process across the entire network, streamlining operations for physicians and patients.

Implement universal care management across the physician network

Since accountability depends upon adopting and tracking standards of care, care management is an essential tool in establishing consistent patterns of care and reporting on care quality. For hospitals that don't have a physician network yet, care management can also be one of the most effective strategies for building network alignment among physicians. Where "case management" in today's system is often a role assumed by different individuals in each care setting, care management is a function of the organization, centered in primary care. Accountable care is rooted in existing relationships between primary care physicians and their patients, and care management logically begins in those relationships. However, the care management function must extend as well to include specialists, post-acute providers, and long-term services, encompassing all the components of a patient's care.

Why is care management important in an accountable care setting?

Care managers will play a key role in the accountable care world, coordinating patient care to follow established protocols regardless of the setting. That may be as simple as making sure that a patient is making their follow-up visit or as complex as facilitating home telemedicine monitoring for a chronically ill patient in a remote rural location. The care management function will drive clinical integration across the entire network.

Assigned to the patient, rather than the setting, care managers will be responsible for implementing and tracking care beyond the physician office or hospital, including those transitional periods between care settings when patients are at greatest risk for hospital readmission.

In the fee-for-service environment, the financial benefits of care management may be harder to realize. Care management/case management can be very fragmented, and serves different goals depending on setting and payer: discharge planning for hospitals and extended-care facilities, office visit follow up for physicians, and visit authorization for insurers. Consequently in the course of one hospital stay or episode of illness, patients may have three separate representatives with three different agendas claiming to be managers of their care. Since the costs of poorly managed care are also fragmented, it can be hard to capture the benefit of a more cohesive approach.

However, there are a number of ways for health systems to begin coordinating care management that will help prepare for accountability without taking a major hit to the bottom line. Most significantly, the care management function can be centralized across the entire system by tracking patient encounters including inpatient, outpatient, physician office, pharmacy, health plan, and any post-acute services owned or managed by the system (e.g., home health, nursing home, etc.). Regardless of where care managers practice, ideally they will all have access to information from all patient activities and report to a system director or senior-level leader who is experienced in multi-setting patient outcomes and utilization. By structuring the care management function in this way, the organization can begin to build consensus around care protocols while simultaneously developing ways to document the path of each patient's care. As protocols evolve on topics such as medication management, post-discharge follow up, and patient-centered care planning with input from all of the stakeholders, the system will also be developing data on their effectiveness.

Leaders can adopt elements of existing best practice care management programs. At the Colorado Foundation for Medical Care, a CMS Care Transitions Demonstration Site, the care management approach is whole-system based and includes both hospital and community measures. The measures include redesigning system-wide discharge protocols and adopting system-wide interventions that impact readmissions for specific diseases such as acute myocardial infarction, congestive heart failure, and pneumonia. Recently, the Agency for Healthcare Research and Quality (AHRQ) released its Care Coordination Measures Atlas, a guide that identifies more than 60 measures and provides a framework for assessing the coordination of care.

Improve primary care efficiencies

Primary care will be the linchpin of any effort to contain healthcare costs, and is at the heart of accountable care. Simply put, accountable care will not succeed without primary care. Researchers, writing in the New England Journal of Medicine, observed:

"Regardless of the organizational structure, an ACO will not succeed without a strong foundation of high-performing primary care. The current shortage of primary care capacity and the outdated infrastructure of most primary care practices could limit the successful implementation of ACOs…Because it is widely recognized that increased investment in primary care is needed to slow the overall rate of growth in spending, finding a way to ensure adequate support for primary care will be critical to the design and implementation of ACOs."[1]

But healthcare executives are challenged to meaningfully address the issue of primary care in a fee-for-service environment where specialty care is still the primary revenue driver.

So how do you best achieve high-performance primary care within the current payment infrastructure? By ensuring that primary care practices are measuring, tracking, trending, and communicating key practice performance metrics to identify critical expense and revenue opportunities.

This step has two components: establishing performance metrics that are relevant (i.e., that measure the right things) and communicating those metrics back to physicians and practice managers in a meaningful and concise manner. Physicians generally want to have a better understanding of their operational performance metrics, but need information presented quickly and succinctly, with clear next steps. Currently, the data often come to them in ways that are both cumbersome and irrelevant to daily operations.

Leaders will need to develop or obtain tools that support primary care physicians in using performance metrics as a routine part of practice operations. The long-term objective is to prepare primary care to practice successfully within an accountable care model. That will require performance measurements that are reliable and become progressively more sophisticated, including quality metrics such as timely access to care, coordination of care, and patient engagement. In the shorter term, leaders can improve the tools for financial metrics, strengthening the overall bottom line, and acclimating primary care to metric-driven practice.

Summary

Throughout the industry, providers are focused on the end product of accountable care—what model (ACO, Patient-Centered Medical Home, etc.) they will adopt or join. Although this is an important strategic consideration, many organizations aren't ready to put any model into effect. They lack the tools to track, measure, and coordinate patient care.

Hospital and physician leaders must focus on building the foundational infrastructure that will support accountable care, regardless of the model they may eventually implement. By making basic, yet significant, changes that enhance referral management, primary care efficiencies, and care management, healthcare organizations and their leaders can begin to set the stage for a successful transition to accountable care—whatever form it takes.

| The principles of Accountable Care |

1. Provider-led organizations with a strong base of primary care that are collectively accountable for quality and total per capita costs across the full continuum of care for a population of patients.[2]
2. Payments linked to quality improvement that also reduces overall costs.
3. Reliable and progressively more sophisticated performance measurement, to support improvement and provide confidence that savings are achieved through improvements in care.

2 McClellan, Mark. A National Strategy to Put Accountable Care Into Practice *Health Affairs*, March 2010. Available at: http://content.healthaffairs.org/content/29/5/982.abstract

About the author

Lori Barrett is Director at Think First. Think First is a team of healthcare executives and consultants working with physician organization's to achieve operational excellence and superior financial performance. Think First unlocks the potential of organizational performance with deep understanding of how to access and use data and years of experience successfully implementing best practice solutions in complex environments. Lori can be reached at (978) 887-0880 or lbarrett@thinkfirst.us

1 Rittenhouse, Diane, R., MD, MPH, Shortell, Steven M., PhD, MPH, MBA & Fisher, Elliott S., MD, MPH. Primary Care and Accountable Care - Two Essential Elements of Delivery-System Reform *New England Journal of Medicine, Health and Policy Reform*, October 2009.