

**Perspectives on the Regulatory Landscape:  
Local, State and Federal Roles  
*In the World of Value-Based Payment***

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# The Regulatory Landscape and Value-Based Payment...

## From Volume to Value

- Fee-for-service payment is widely regarded as unsustainable

## How the Transition Occurs

- ACOs beget ACOS...change takes place on a market-by-market basis.

## What the Transition Involves

- Transition to value-based payment requires fundamental re-orientation of activity, support systems, and metrics.
- Shifts decision-making to those accepting risk: providers and provider systems.

## Effect on Regulatory Landscape

- Value-based payment involves more local change than national change...disruptive for federal and state-based structures?

## Effect on Education

- Value-based payment requires health professionals to practice at the top of their education, collaboratively...disruptive for current academic structures?

# Accountable Care as a Proxy for Value-Based Payment

- Improve the individual experience of care
- Improve population health
- Reduce the cost of health care for populations

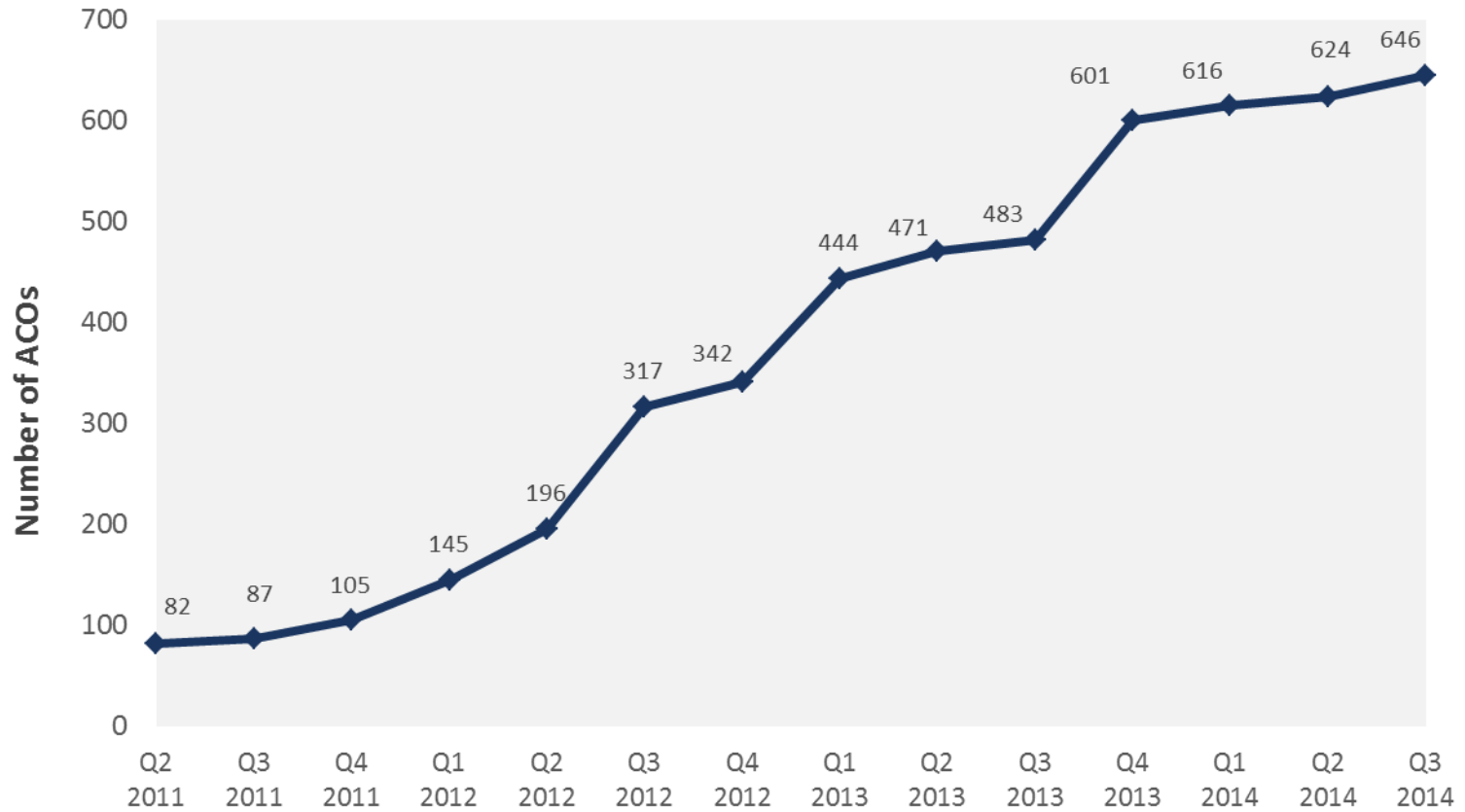
## Outcomes

- Oversee the provision of clinical care
- Coordinate the provision of care across the continuum of health services
- Invest in and learn to use appropriate IT to manage population health

## Processes

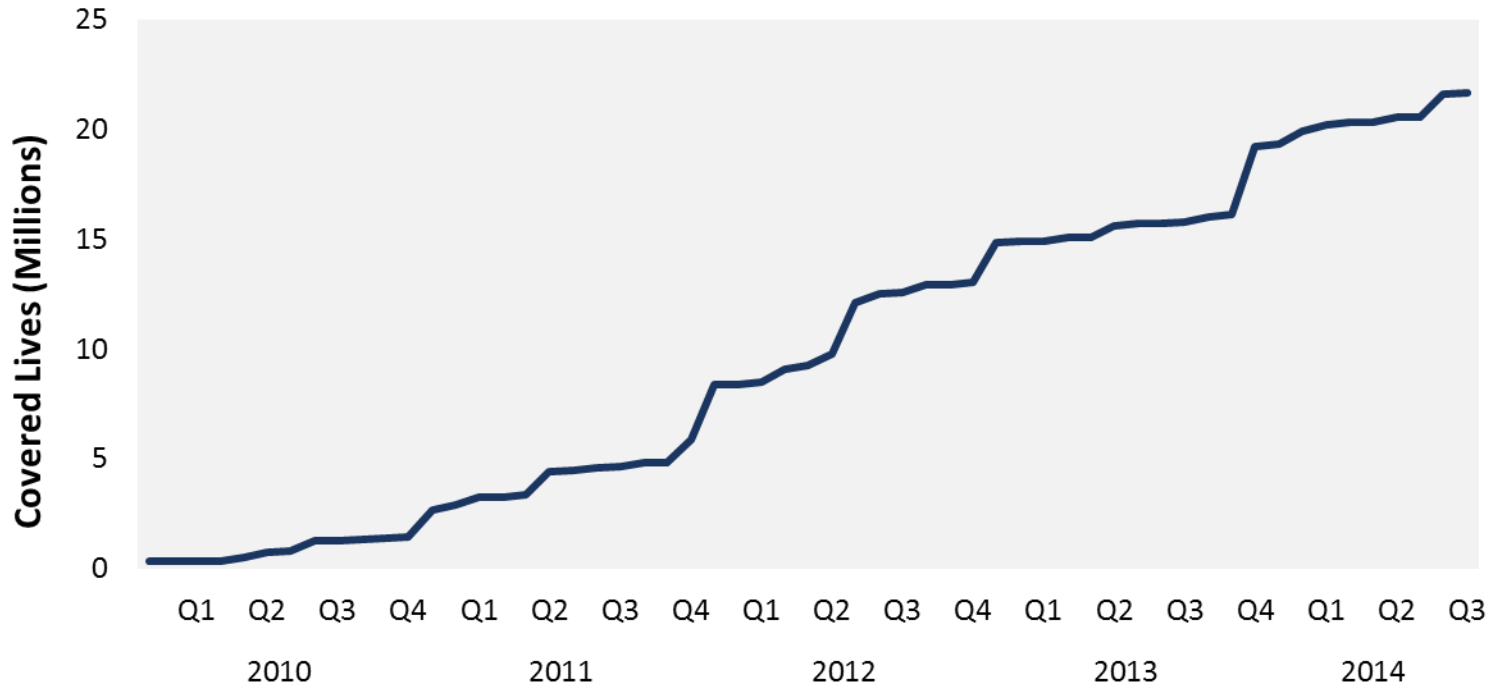
- Bear financial risk for the measured health of a population
- Align incentives to encourage the production of high quality health outcomes

## Structure



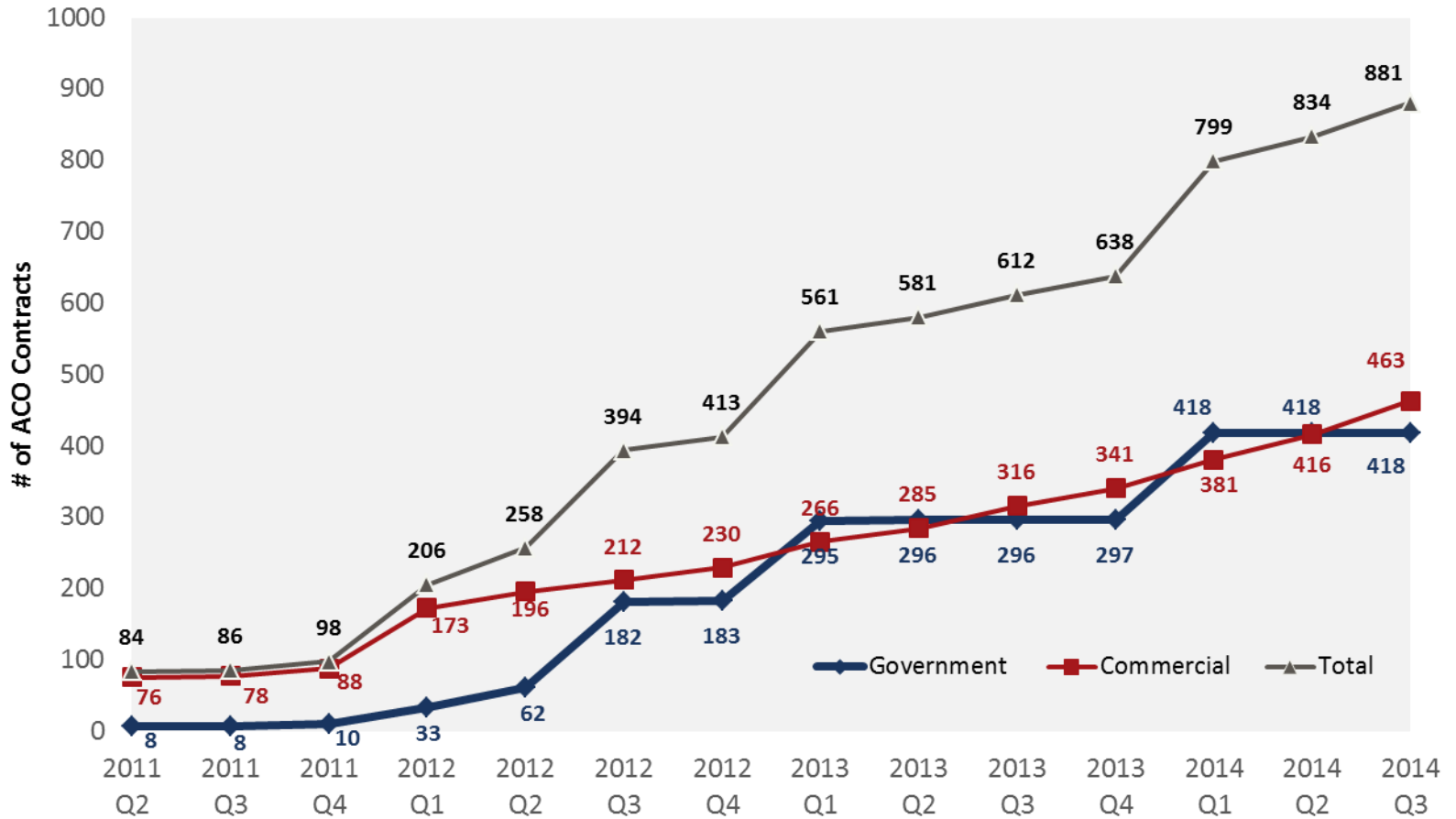
## ACO GROWTH

Overall Trajectory



# ACCOUNTABLE CARE LIVES

Growth over Time



## GROWTH OF COMMERCIAL & GOVERNMENT CONTRACTS

For New and Existing ACOs

# FINANCIAL & QUALITY RESULTS

# COMMERCIAL RESULTS

## Self Reporting

- Results from 40 ACOs
- 4 payers release program results (account for 20 ACO results)
- Financial descriptions vary
- Financial and quality outcomes (not always both)
- Quality metrics vary
- All positive

### Abington Health (PA)

Accountable Care Alliance and Nebraska Medical Center  
 Advocate Health (IL)  
 AllCare & DMC of Modesto (CA)  
 Aria Health (PA)  
 AtlantiCare (NJ)  
 Aurora (WI)  
 Baptist Health South Florida  
 Central Valley (CA)  
 CPMC and Brown & Toland (CA)  
 Delaware Valley ACO (PA)  
 Dignity Health, Hill Physicians & UCSF (CA)  
 Emory (GA)

Fairview Health (MN)

Genesis (IA)

### Granite Healthcare Network (NH)

Greater Newport Physicians & Hoag Memorial Presbyterian (CA)  
 Gundersen Lutheran (WI)  
 Healthcare Partners (CA)  
 Hill Physicians (CA)  
 John Mui Health (CA)  
 Kelsey-Sebold (TX)  
 Key Physicians (NC)  
 MaineHealth  
 Memorial Health Care System (FL)  
 Mercy Medical Center (IA)

MissionPoint Health Partners (TN)

NewHealth Collaborative (OH)

Noble Health Alliance (PA)

North Shore LIJ (NJ)

Penn Medicine

### Sacramento ACO

Santa Clara IPA (CA)

Sharp Community Medical Group (CA)

Sharp Rees-Stealy Medical Group (CA)

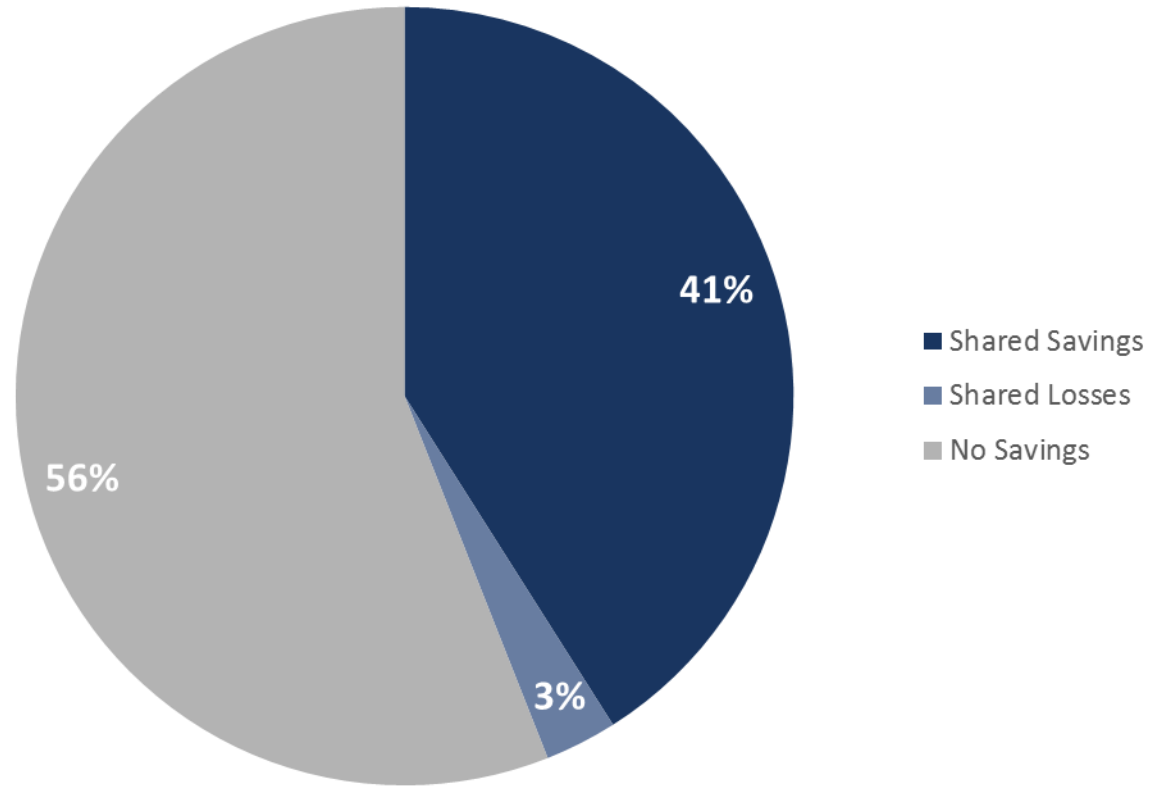
St. Joseph Health (CA)

UnityPoint (IA)

University Hospital Case Medical Center (OH)

Waterloo Health (IA)

Wheaton Franciscan (IA)



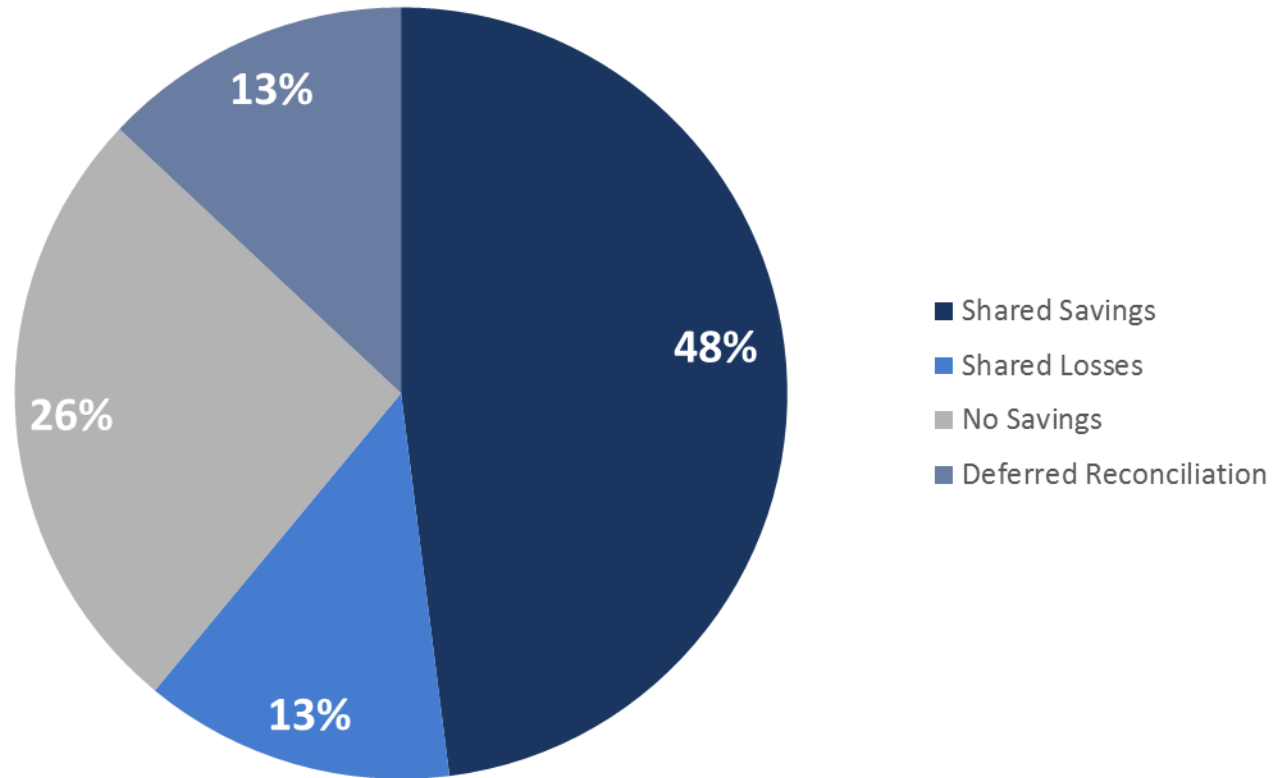
Total Savings: \$110 Million

ACOs: \$76 Million

CMS: \$33 Million

## PIONEER PROGRAM

PY1 Financial Results



Total Savings: \$110 Million

ACOs: \$68 Million

CMS: \$41 Million

## PIONEER PROGRAM

PY2 Financial Results

# PIONEER PROGRAM

## Quality Results

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### **PY1 Highlights**

60<sup>th</sup> percentile for all measures

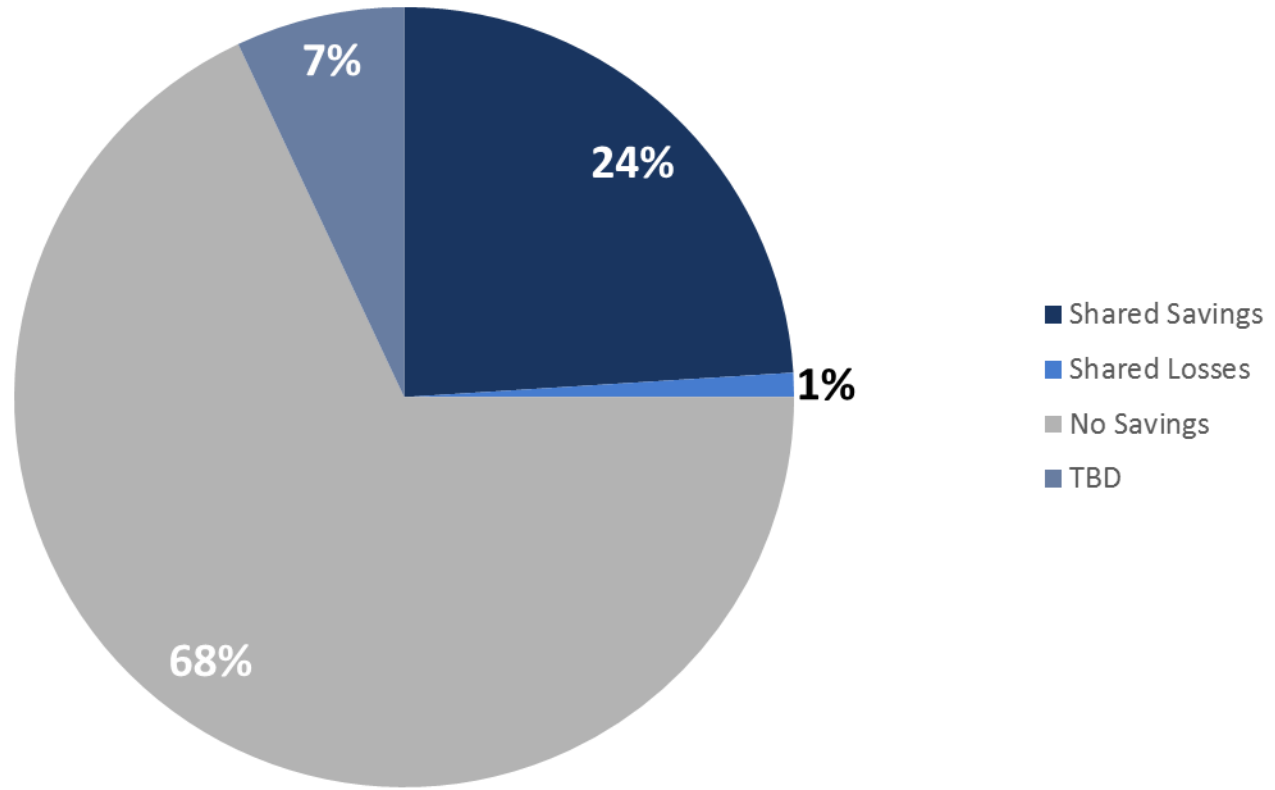
Above 50<sup>th</sup> percentile for 22 of 33 measures

### **PY2 Highlights**

67<sup>th</sup> percentile for all measures

Above 50<sup>th</sup> percentile for 30 of 33 measures

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Total Savings: \$642 Million

ACOs: \$296 Million

CMS: \$346 Million

## MSSP PY1

Financial Results

# MSSP QUALITY RESULTS

## Quality Results

64<sup>th</sup> percentile for all measures

Above 50<sup>th</sup> percentile on 28 of 33 measures

Consistency varied by measure

### Performed well on:

- Diabetic quality measures
- Patient satisfaction measures

### Performed poorly on:

- Heart failure admissions
- COPD admissions
- % of PCPs qualifying for EHR incentive payment

# TAKEAWAYS

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Growth in payment arrangements and lives will outpace growth in ACOs

ACOs have performed well on quality, but quality is not linked to savings

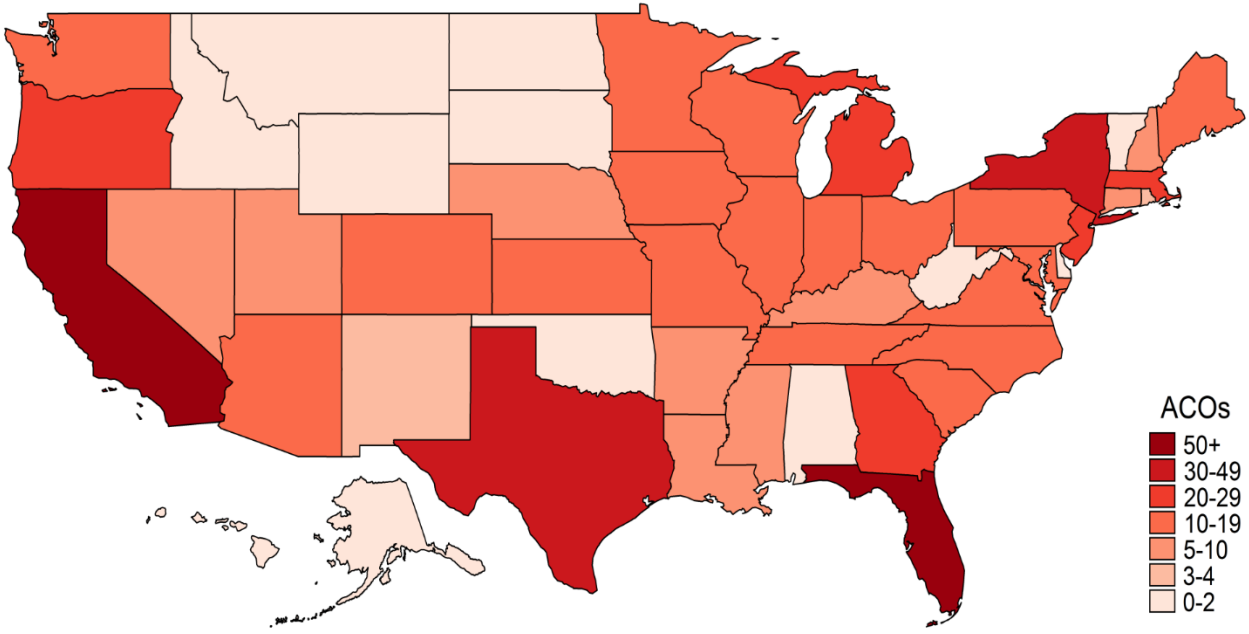
A minority receive savings, but savings are substantial

Accountable care is driving changes in purchaser roles, insurance product distribution, consolidation and partnerships

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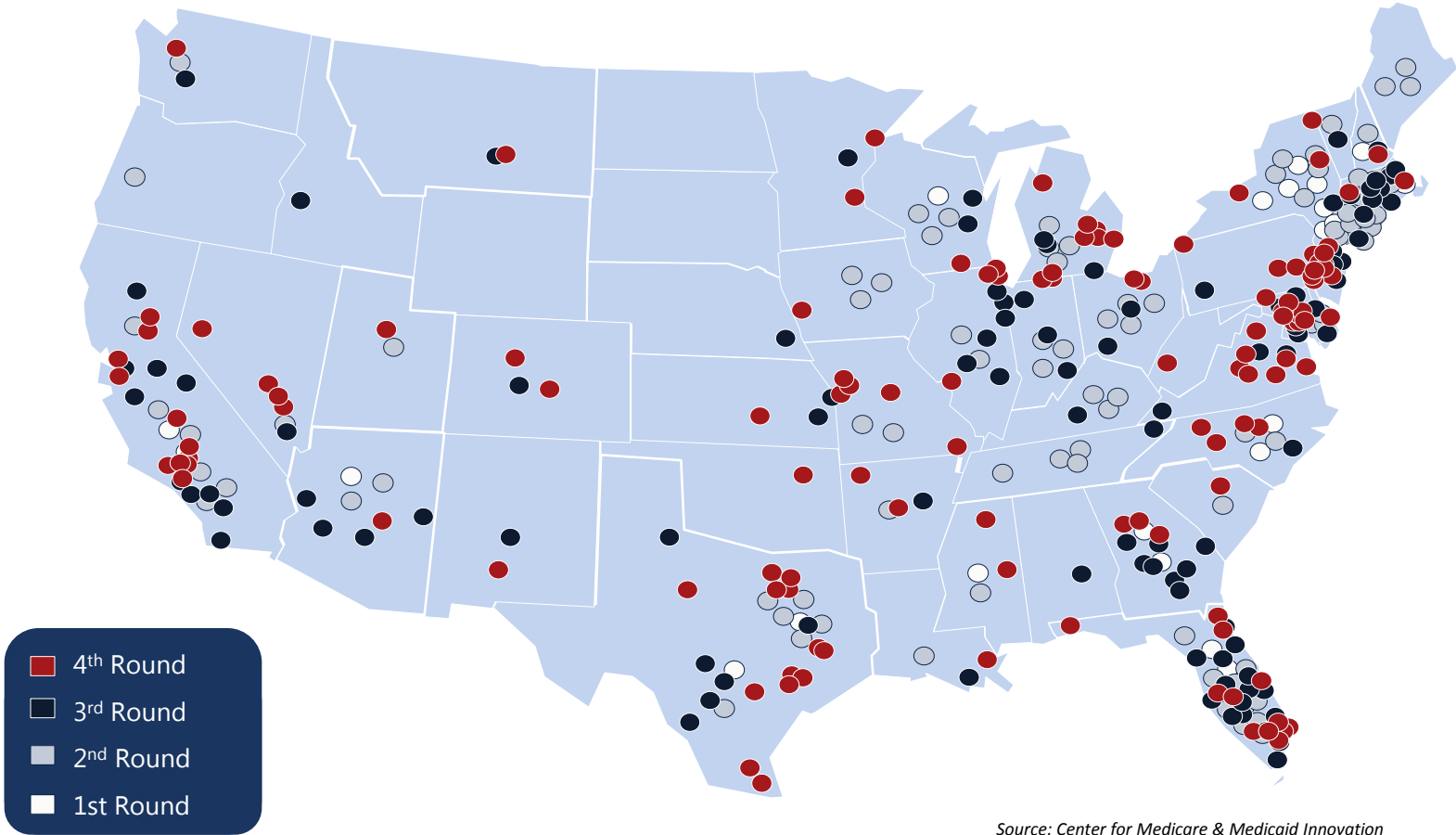
# HOW THE TRANSITION OCCURS...

# Number of ACOs (by State)



Estimated ACO Penetration by State, Leavitt Partners Center for Accountable Care Intelligence, 2014

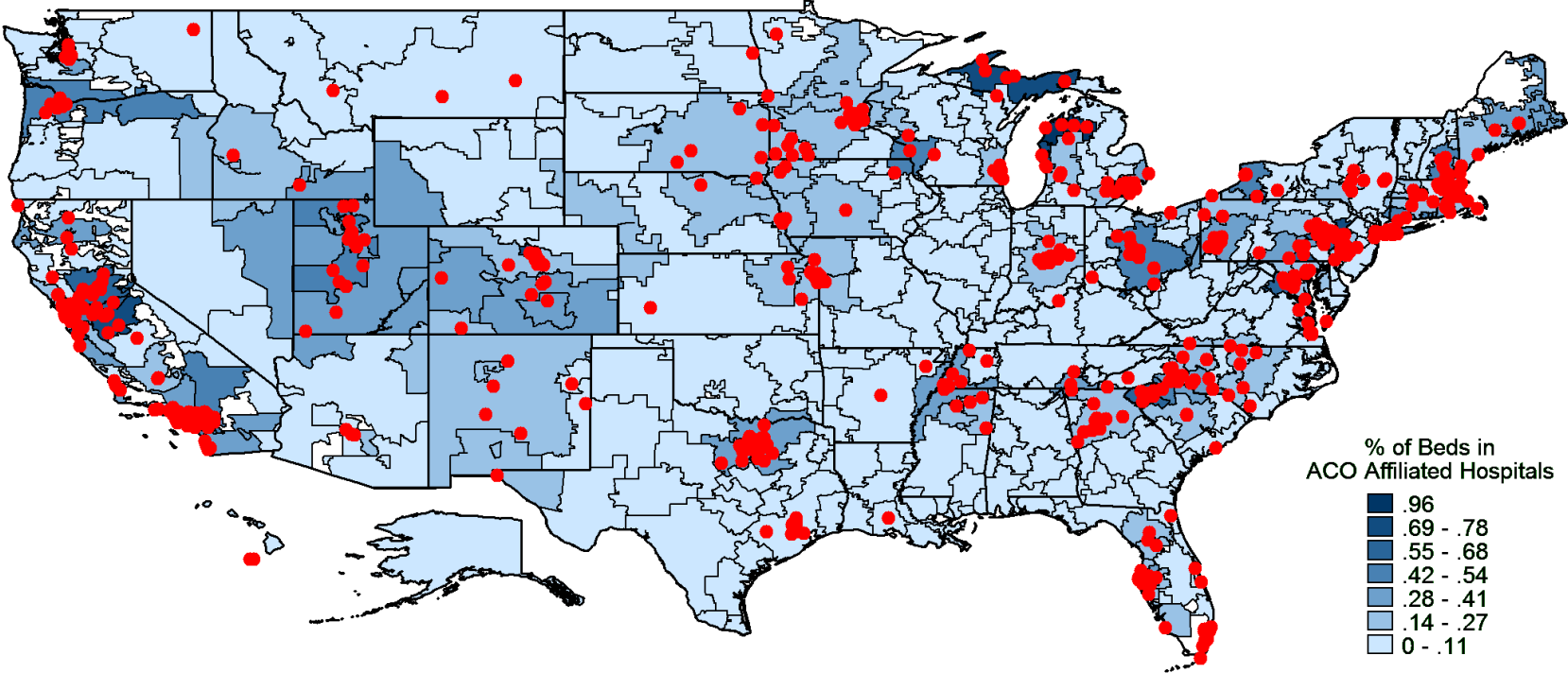
# Medicare Shared Savings Program



Source: Center for Medicare & Medicaid Innovation

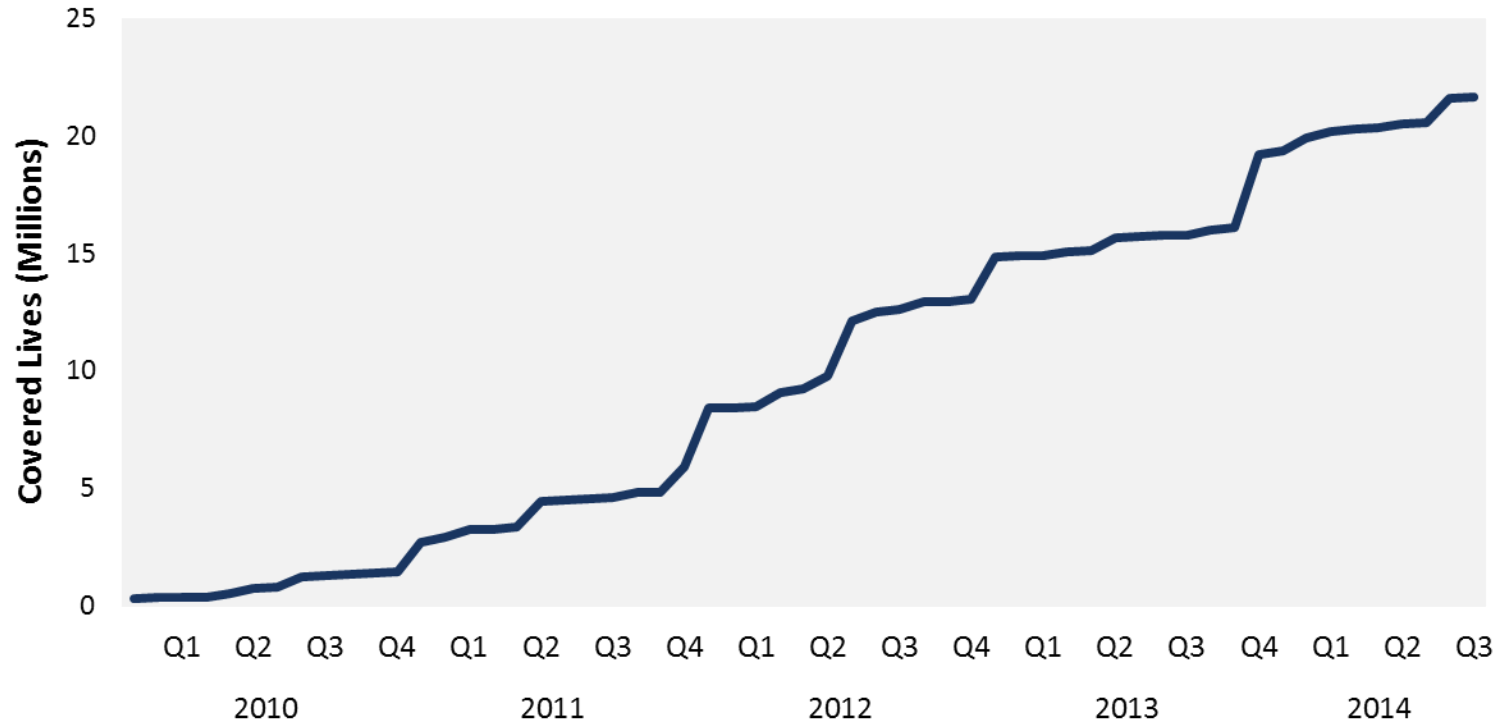
# Commercial ACOs

## Location of Hospitals Affiliated with Private ACOs



Leavitt Partners Center for Accountable Care Intelligence 2014

# FUTURE OF THE ACCOUNTABLE CARE MOVEMENT



# ACCOUNTABLE CARE LIVES

Actual

# DRIVERS OF EARLY GROWTH

1

**Belief that accountable care represents a better way of delivering care**

2

**Preparation for future risk-bearing**

3

**Attempt to increase market share**

4

**Response to accountable care activities of market competitors**

5

**Inability to stay competitive with traditional payments**

# DRIVERS OF FUTURE GROWTH

1

Success of current ACOs

2

Mandated/Incented adoption by government payers

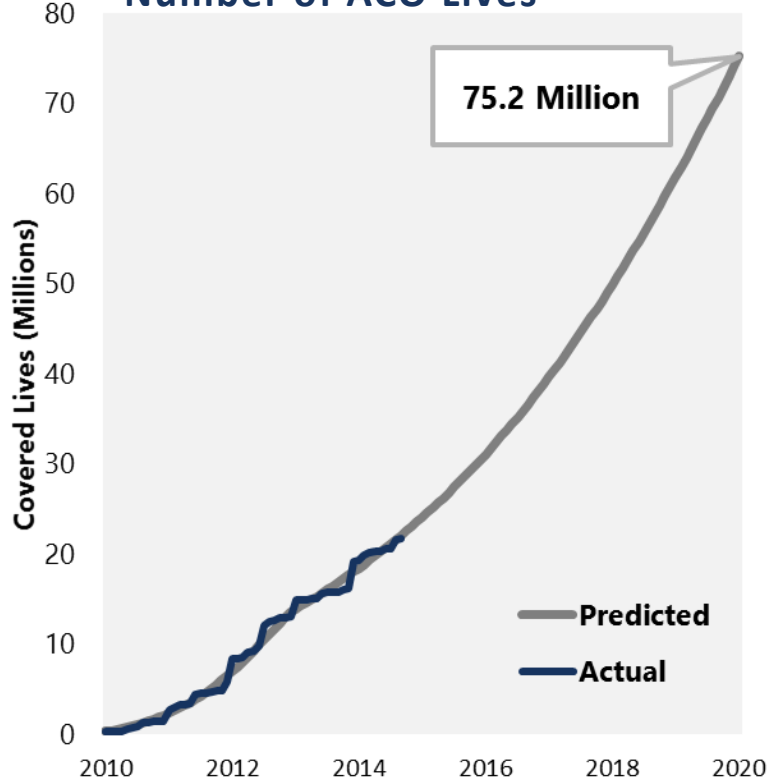
3

Belief that providers are going to be forced to bear risk in the future

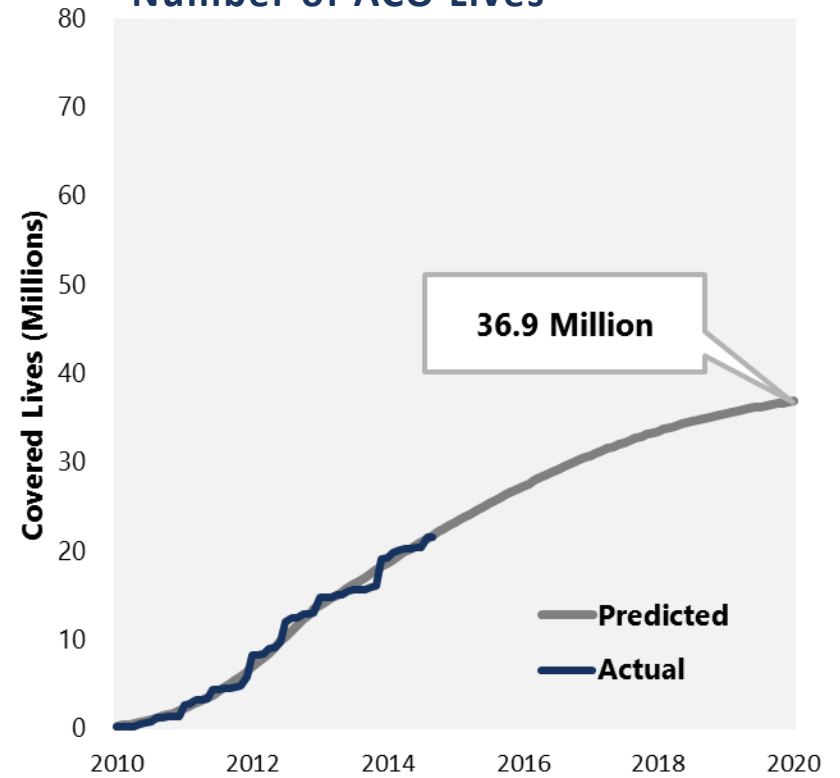
4

Response to accountable care activities of market competitors

**Continued Growth:  
Number of ACO Lives**



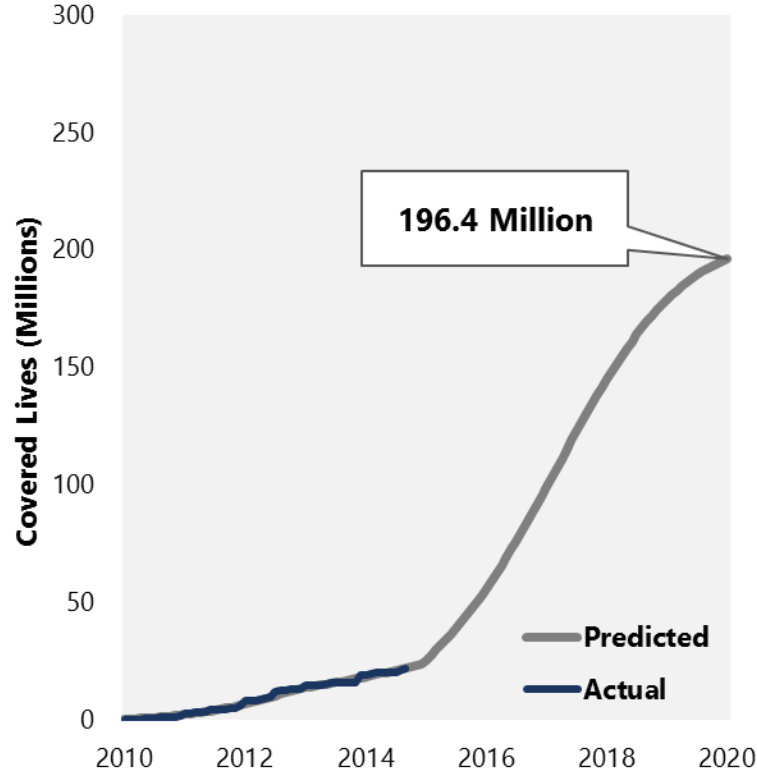
**Slowed Growth:  
Number of ACO Lives**



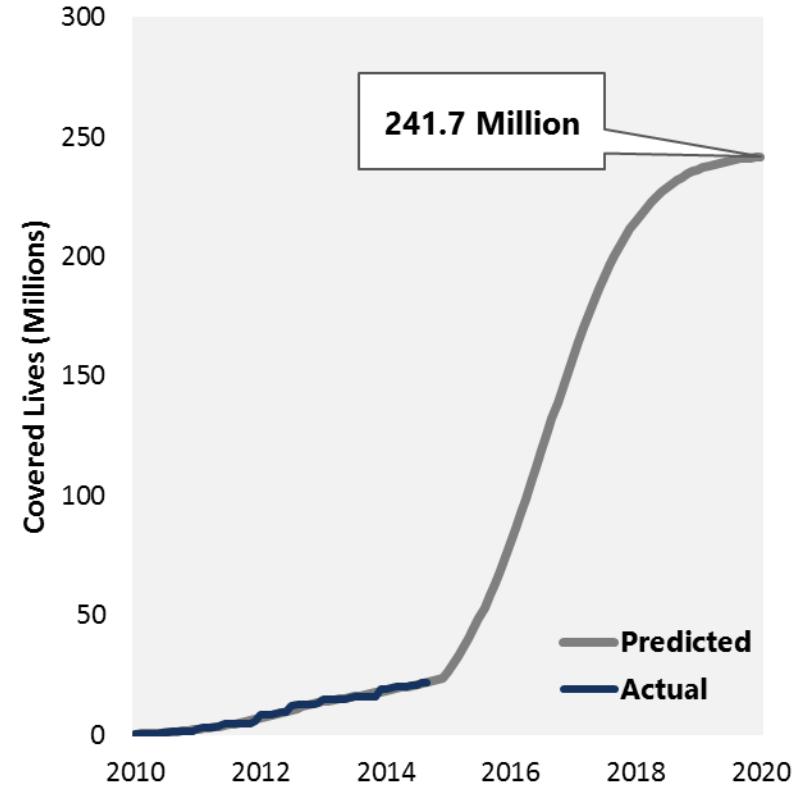
## COMPARISON

Continued growth compared to slowed growth

### Federal Mandate and Financial Challenges: Number of ACO Lives



### Federal Mandate: Number of ACOs



## COMPARISON

Federal mandate and ACOs financially unsuccessful compared to federal mandate alone

# ACO TREND IMPLICATION

**As accountable care grows, the practice of delivering care will evolve which will affect all health care sectors**

**Accountable care will continue to exist as a viable payment model for the foreseeable future**

**The organic growth of ACOs will be relatively slow**

**External pressures, particularly those from government payers, could significantly accelerate the growth**

# WHAT DOES THE TRANSITION MEAN...

**For Providers...**

**For Regulators...**

**For Educators...**