Preparing Your ACO for Success with Increased Risk, Reward

One often-unrealized avenue for preparing for downside risk and maximizing savings is closing the loop on referral coordination. Too often, ACO physicians refer patient to specialists – and assume they follow through. That often isn't the case. ACOs that don't track referrals are handing off work to outside providers.

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If you are part of an Accountable Care Organization or Clinically Integrated Network, you have begun the value-based care journey. As payment models continue to change, the question of how and when to increase appropriate risk and reward requires careful consideration. With the recent release of the final rule for Pathways to Success, the Centers for Medicare & Medicaid Services is increasingly pushing ACOs towards two-sided risk – and most commercial payers aren't far behind.

The success of the 2017 Next-Generation ACO Model from CMS, an initiative that provides experienced ACOs a higher level of reward for taking on higher levels of financial risk, is strong evidence that ACOs with more at stake financially generate more savings. According to an article published in *Health Affairs*, in just the second year of the program's existence, the 2017 cohort of Next-Generation ACOs generated $164 million in savings, an average of $3.7 million per ACO. In comparison, MSSP ACOs achieved a net savings of $314 million during the same time period, an average of $668,000 per ACO.

MODEL	MSSP ACO 2017 (Year 6)	One Sided Risk Track 1	Two Sided Risk Tracks 2 & 3	Next Gen ACO 2017 (Year 2)
Number of Participants	472	433	39	44
Net Savings	$313M	$103M	$156M	$164M
Percentage of ACOs Generating Savings	84%	33%	51%	73%

Source: Health Affairs

Many commercial payer contracts already provide a path toward some form of two-sided risk, and are beginning to move more aggressively in that direction. For example, Blue Cross Blue Shield of North Carolina recently announced Blue Premier, a "joint accountability" program incorporating increased risk and reward with five of the largest health system ACOs in NC, covering about 25% of all BCBSNC members. Patrick Conway MD, the former Chief Medical Officer, Deputy Administrator and Director of CMS' Center for Medicare & Medicaid Innovation and now CEO and President at BCBSNC, noted in a press release that within one year, 50% of all BSBSNC members will have a provider who is jointly responsible for the quality and total cost of their care.

That figure will reach 100% within five years.

Healthcare reimbursement is not only shifting away from fee-for-service payments, but is now increasingly asking providers to put some "skin in the game" for total quality and total cost of care. The question is this: How can you best prepare your ACO for this reality? You have probably already invested in governance, clinical standards, quality reporting and care management

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to get to this point. What additional actions are needed to ensure you have a performance cushion that enables your ACO to accept the increased accountability while maintaining confidence that you will gain increased financial returns and avoid downside risk payments?

Real-World Risk Uncovered

For most ACOs and CINs, it takes several years of experience to recognize the importance of a vital missing link when it comes to effectively managing risk in value-based reimbursement: proactively guiding patients to your highest-value referral partners and coordinating their care. Tracking and managing leakage outside of your high-value network is a critical make-or-break factor in controlling total cost.

The reality – as noted in a report from the Engelberg Center for Health Care Reform at Brookings – is that primary care physicians are "one of the biggest drivers of accountable care activity." Although they represent a small percentage of total care, they indirectly control a large percentage of healthcare spend through referrals, diagnostic tests and other services.

In fact, a May 2014 article published in the *Journal of the American Medical Association* reported that PCPs' decisions have "important implications for downstream medical care. A group of 100 adult PCPs could potentially influence almost $1 billion in healthcare spending."

Today, most organizations have not focused efforts on coordinating care within a high-value referral network. Individual practices tend to send referrals via e-fax or paper and their coordination tool is the phone, often resulting in a "fire and forget" approach to referrals. Seldom does a practice realize the actual impact of its referrals from a total quality and total cost perspective.

In a risk-based world, ACOs and CINs that aren't taking a proactive approach to referral network management put themselves at risk of "outsourcing" clinical work to other providers who have no clinical or financial alignment with their ACO. The effectiveness of your primary care providers in placing and coordinating the care of their patients with high-value specialists is a vital success factor in preparing for increased accountability.

Risk Reduction Begins with Managing Downstream Costs

Risk-bearing organizations can no longer afford to leave physician referrals unmanaged, given their very significant impact on downstream cost, quality and revenue. Preparing for success requires us to proactively focus on physician referrals. Optimizing referrals doesn't happen overnight, but it's very actionable when you identify your goals and put the operational pieces in place to get you there.

To develop and manage a high-value referral network, the Engelberg Center for Health Care Reform at Brookings suggests the following six components:

- Understand existing referral patterns.
- Reduce unnecessary referrals by leveraging referral guidelines.
- Improve care coordination between primary care and specialists.
- Identify and partner with cost-effective specialists and other providers.
- Avoid unnecessary facility fees.
- Build partnerships with long-term and post-acute care facilities.

The good news: You don't have to change your existing organizational structure to optimize referral placement and coordination. Whether your ACO does or doesn't have participating specialists within the ACO, you can be very successful through high-value referral co-management agreements. The key is communicating to your specialist partners within and/or outside your ACO the goals and expectations regarding coordination of referred care, and then measuring how they perform.

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If your answer is "No" to any one of the following questions, consider that optimizing your referrals within a high-value referral network may be the best thing your ACO can do today to improve quality and cost to prepare for increased accountability.

- Do you know how many referrals your PCPs made last year?
- Do you know who your highest-value referral partners are and how often you refer to them?
- Can you measure and reduce referral leakage to non-high-value providers?
- Do you know the financial impact of referral leakage on your ACO?

Patient referrals are a perfect indicator of patient health issues and increasing cost. With a high-value network in place and a shared common referral technology platform measuring and tracking referral activity, you'll quickly be able to identify opportunities to manage downstream cost and quality. Rather than looking at retrospective claims analysis and seeing what's happened after the fact, you can begin to use your referral process as a mechanism to:

- optimally place patients with high-value providers
- exchange clinical information
- coordinate care
- ensure patients are seen promptly
- recognize patients who should be referred to appropriate care management programs

- avoid unnecessary costs

Better care at a lower cost is not just your vision for the future. It becomes a reality by taking actionable steps to optimize referred care. The immediate benefits to your ACO and its stakeholders – providers, patients and payers – make the effort worthwhile, while also preparing your ACO for greater success and growth under increased accountability in the future.

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