WiscRisk

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Accountable Care Organizations Impact on Health Care Risk Managers

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Healthcare reform puts Accountable Care Organizations (ACO) front and center during the next few years of expected mergers, acquisitions and contracting activities by health care organizations. While hospitals have had risk managers, as mandated by the Joint Commission, there is no requirement for an ACO to have a risk manager. Therefore, risk managers in hospitals and clinics should be prepared to participate in the management of the ACO's risk.

The development of Risk Management Programs improved quality and safety, and helped prevent and control malpractice claims. The general purpose of today's healthcare risk management program is to identify, evaluate and reduce the risk of patient injury associated with clinical care. However, the healthcare risk manager of the new millennium is seeing the profession constantly change and requires identifying, managing, controlling and monitoring ALL risk, not just clinical, to the organization.

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In the past, risk management concerned itself primarily with such issues as high-risk clinical services having credentialed physicians, trained staff, state of the art equipment and other resources regardless of re-imbursement. Today, risk managers are more likely to lie awake wondering what would happen if the organization lost its deemed status with CMS or how safe is the hospital's supply of medications.

Although high-risk clinical services have always been capable of striking fear into healthcare risk managers, the ever increasing demand for regulatory compliance, consumer-driven initiatives in reaction to expectations of safer patient care has increased the visibility, requirements and expectations of the healthcare risk manager.

An Accountable Care Organization (ACO) as defined by Kaiser Family Foundation is: *A network of health care providers that band together to provide the full continuum of health care services for patients.* Originally proposed with the goal of incentivizing Medicare providers toward more efficient and cost-effective care – and not charging for hospital-acquired illness or deviation from expected outcomes – Accountable Care has become a permanent part of The Patient Protection and Affordable care Act (PPACA), H.R. 3590 and The Health Care & Education Reconciliation Act (HCERA) of 2010.

ACOs as defined in Section 3022 of the PPACA (the Act), bring together primary care providers, specialists and other providers to manage the full continuum of patient care and assume accountability for the total costs and quality of care for a defined population. And while we know from the Act who can own an ACO as well as participate in one, the Act does not contain detailed information on how they must operate. ACOs will change an organization's risk profile and affect the revenue flow of hospitals. Healthcare risk managers must anticipate these changes in order to have the most effective risk control and risk financing strategies for dealing with ACOs.

Creating an ACO is similar to a complex hospital merger or acquisition. Unfortunately, healthcare risk managers are often among the last in an organization to find out about recent mergers, acquisitions and divestitures of operations. One strategy is to create effective communication networks by continuously reaching out senior leadership and others in the health care organization that can help keep risk managers up to date and avoid being the last to know about corporate changes.

A comprehensive due diligence checklist can help health care risk managers identify potential risks and areas of concern. According to McDermott Will & Emory, the top five pitfalls in health care mergers and acquisitions transactions are:

- In-depth due diligence
- Increased regulatory scrutiny
- Complexity of governmental regulation
- Licensing
- Accreditation
- Increased antitrust scrutiny

Developing and implementing an ACO goes beyond getting the reimbursement right. To succeed, it will require profound changes in culture, structure, and operating procedures – the ways in which providers and payors work together to deliver high quality healthcare services and in which their patients/customers interact with them. ACO related risks vary by organization taking into account its role in the ACO and its preparation work already underway.

ACO related risks can include:

- **Capital management**—The need for sufficient capital and financial management capabilities to support the assumption of risk and a plan to transition from fee for service to lower-risk payment models.
- **Care management**—the need to provide individual patient care management and disease management against clinical standards and medical necessity.
- **Clinical integration/excellence**—the coordination of patient care, consolidation of activity pertaining to diagnosis and treatment of patient.
- **Competition**—need open, clear and trusting communication channels among participants without the fear of anti-trust related allegations.
- **Continuum of Care Partnership**—developing a network of providers across the entire care continuum.
- **Cultural integration**—the need to proactively manage cultural differences so they don't disrupt or destroy what would otherwise be a strong ACO strategy
- **Economic/reimbursement alignment**—the alignment of financial incentives consistent with ACO's strategic goals while addressing issues of cost, access, quality and choice.
- **Measurement Infrastructure**—the need to expand IT needs in order for standardized data to be collected, measured, analyzed, reported, and stored in a reliable manner.
- **Patient experience & engagement**—the need to focus on patient satisfaction while engaging patients via shared decision making & prevention strategies.
- **Physician compensation**—providing appropriate compensation based on fair market value and productivity
- **Primary care model**—an effective scope of primary care clinicians to provide primary care services from prevention to end of life.
- **Quality alignment**—involve physicians to achieve quality goals that are integral to healthcare initiatives.
- **Regulatory compliance**—address HIPAA, EMTALA, JVs, STARK and tax issues; AG inquires; CMS's ACO regulations; FDA requirements; NCQA requirements; and legal and financial accountabilities.

Financial Challenges

As the producer of the “singular” bill for an entire “episode of care, the ACO will also be the responsible recipient for all provider revenue and ultimately, therefore, responsible for dispersing any contracted third-party revenue based on services, performance and gain sharing stipends earned. Planning for business interruption as well as preserving and providing critical information related to continuity of operations will be critical.

Operational Challenges

Risk managers should look for ways to control risks related to supply chain interruptions, data backup protocols and off-site storage, payroll continuation during an interruption as well as consideration for emergency and temporary relocation to another site to continue operations. Putting together an ACO emergency response team early in the creation of the ACO and doing a few drills together will assist in preserving and providing critical information related to the continuity of operations.

Human Capital Challenges

As ACOs are formed, more hospitals, health care systems and physician groups will be competing to hire primary care physicians, nurse practitioners, physician's assistants, and hospitalists. Continued shortage of these professionals will require risk managers to monitor staffing levels, training programs, competency, and compliance with scope of practice, best practices and use of data management software.

Technology Challenges

The cost of implementing electronic medical records (EMR) systems, along with recent changes to legislation within HITECH (which require higher standards of privacy and security of data) and the evolution of meaningful use provisions will continue to drive the transformation of health care information systems. Meanwhile, the pressure to fully implement an electronic medical record system that comprehensively integrates and shares data remains an ongoing challenge for healthcare organizations and providers.

While we have only touched on a few of the risks associated with the formation of an ACO, it is a starting point for risk manager. Once new strategies are identified to address the risk associated with ACOs, the principles of enterprise risk management and lean process improvement methodologies can be applied to mitigate risks and improve performance. Health care organizations should focus on quality of care, patient safety, and reducing inefficiencies. Risk Managers should also work to ensure their organizations employ sound compliance programs to prevent fraud, waste and abuse.

About WiscRisk

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