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HEALTH ACTUARIES & CONSULTANTS

Evaluating ACO Performance

How to avoid getting ripped off in your risk deals!

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Overview

- Background information
- Why measure?
- How could you measure?
- What is best practice ACO performance measurement?
- The ACO checklist
- Q&A

Background Information

- Introduced in PPACA encouraging doctors, hospitals and other health care providers to form networks that coordinate patient care and become eligible for bonuses when they deliver that care more efficiently.
- A 2015 report counted more than 700 such organizations
- Medicare Shared Savings Programs were at the core of this effort
- If the cost of care is less than the “target” cost of care, the ACO earns a bonus payment as a reward.
- Some ACOs achieve the goal, others don’t.
- Oftentimes the goals are tied to the Triple AIM.

Why Measure?

- Generally agreed that some ACOs do better than others, performance varies among ACOs, and we need to know why
- Improvement tends to follow measurement (i.e., accountability)
- “Old world” reimbursement is fee-for-service.
- “New world” reimbursement includes incentives for improving cost profile
- We need to understand who is performing and who isn’t
- This enables ranking of ACOs to see what works and what doesn’t

How Could You Measure?

- What's the yardstick we can use? Is there one? What is the criteria for measurement.
- One approach considers the Institute for Healthcare Improvement's Triple Aim. As stated on the Institute for Healthcare Improvement (IHI) website: The Triple Aim is a framework developed by the IHI that describes an approach to optimizing health system performance. It is IHI's belief that new designs must be developed to simultaneously pursue three dimensions, which we call the "Triple Aim":
  - Improving the patient experience of care (including quality and satisfaction);
  - Improving the health of populations; and
  - Reducing the per capita cost of health care.

How Could You Measure?

continued

- There are many ways programs are measured, most of them focused on financial aspects
  - PMPM cost of care
  - Beating a targeted trend rate
  - Out performing a medical loss ratio
- Important that the target is reasonable, so performance against that target is meaningful
- Geographic differences, network differences, scope of services differences make it hard to compare performance unless appropriately adjusted.

How Could You Measure?

continued

- Risk adjustment is critical: higher risk profile suggests higher costs, need to assure apples to apples comparisons.
- Attribution is often required since patients are not often assigned to providers in an ACO environment
- Attribution analysis needs to be understood before relying on it
  - Risk scores tend to be lower for non-attributed members (healthy people don't use the system very much)
  - Last year's attributed members are different than this year's
  - Need to be careful in defining what the target is.

How Could You Measure?

continued

- If an ACO is already performing well, what should the goal or target be? Shouldn't high performers get credit for their hard work?
- If another ACO is a non-performer it will be easier for them to improve the existing high-performers. How should performance measurement consider this?
- Three levels of drill down measurement
  - Level 1: risk adjusted PMPM comparisons (i.e., the "macro economic" view
  - Level 2: utilization and unit cost performance (i.e., the "micro" view
  - Level 3: clinical performance information (i.e., the clinical view)

What is Best Practice ACO Performance Measurement?

- Begin with a consistent approach that applies to any ACO program
- Steps in process
  - Capture claims and eligibility information in as much detail as possible
  - Build actuarial cost models including billed and allowed payment levels
  - Attribute the population for as many data periods as you have data
  - Determine risk scores on a per member basis (e.g., PRGs, CRGs, DxCGs, etc.) for both attributed and non-attributed members
  - Level 1 analysis: Develop risk adjusted PMPM cost of care in total and by major category of service
  - Level 2 analysis: Develop risk adjusted utilization and unit cost analysis consistent with Level 1 PMPM analysis including benchmark comparisons

Example of Attribution Analysis

		Regional Experience				Adjusted to PCP Risk Score				PCP Experience				Adjusted Budget - PCP Actual			
		Utilization Per 1,000	Average LOS/Other[1]	Unit Cost	Allowed PMPM	Utilization Per 1,000	Average LOS/Other[1]	Unit Cost	Allowed PMPM	Utilization Per 1,000	Average LOS/Other[1]	Unit Cost	Allowed PMPM	Utilization Per 1,000	Average LOS/Other[1]	Unit Cost	Allowed PMPM
Total	Facility - Inpatient (Days)	344	4.7	$2,436	$70	377	4.7	$2,439	$77	309	4.7	$2,580	$66	69	(0.0)	($141)	$10
	Facility - OP ER (Visits)	240	4.3	$1,070	$21	263	4.3	$1,068	$23	198	4.4	$1,166	$19	65	(0.1)	($98)	$4
	Facility - OP Other (Visits)	1,624	3.2	$677	$92	1,794	3.2	$676	$101	927	3.0	$1,011	$78	867	0.2	($335)	$23
	Facility - LTC (Visits)	45	4.7	$1,312	$5	50	4.7	$1,307	$5	50	4.1	$1,212	$5	0	0.6	$95	$0
	Facility - Other (Visits)	218	2.3	$573	$10	240	2.3	$573	$11	249	2.1	$686	$14	(9)	0.3	($113)	($3)
	Professional - PCP (Visits)	4,275	1.2	$118	$42	4,715	1.2	$118	$46	4,389	1.2	$120	$44	326	0.0	($2)	$2
	Professional - Specialty (Visits)	4,025	1.4	$158	$53	4,435	1.4	$158	$58	5,184	1.5	$143	$62	(748)	(0.1)	$15	($3)
	Professional - Other (Visits)	3,870	2.4	$138	$45	4,263	2.4	$138	$49	4,148	2.4	$142	$49	116	(0.0)	($3)	$0
	Rx (Scripts)	11,676	34.9	$109	$106	12,867	34.9	$109	$117	11,598	37.0	$108	$104	1,269	(2.0)	$1	$13
	Total				**$444**				**$489**				**$442**				**$47**
Attributed Members	Facility - Inpatient (Days)	394	4.6	$2,476	$81	437	4.6	$2,476	$90	347	4.6	$2,649	$77	90	0.0	($173)	$14
	Facility - OP ER (Visits)	277	4.2	$1,046	$24	307	4.2	$1,046	$27	222	4.3	$1,151	$21	85	(0.1)	($106)	$5
	Facility - OP Other (Visits)	2,031	3.2	$673	$114	2,252	3.2	$673	$126	1,118	3.0	$1,032	$96	1,134	0.3	($360)	$30
	Facility - LTC (Visits)	57	4.6	$1,253	$6	64	4.6	$1,253	$7	63	4.0	$1,155	$6	0	0.6	$98	$1
	Facility - Other (Visits)	264	2.3	$573	$13	292	2.3	$573	$14	304	2.1	$694	$18	(12)	0.3	($121)	($4)
	Professional - PCP (Visits)	5,269	1.2	$117	$52	5,843	1.2	$117	$57	5,417	1.2	$120	$54	426	0.0	($2)	$3
	Professional - Specialty (Visits)	4,918	1.4	$156	$64	5,455	1.4	$156	$71	6,434	1.6	$141	$76	(979)	(0.1)	$15	($5)
	Professional - Other (Visits)	4,716	2.4	$139	$55	5,230	2.4	$139	$61	5,079	2.5	$143	$60	152	(0.0)	($4)	$0
	Rx (Scripts)	14,234	35.3	$110	$130	15,786	35.3	$110	$145	14,132	37.5	$108	$128	1,654	(2.2)	$2	$17
	Total				**$538**				**$597**	**0**	**0.0**	**$0**	**$535**				**$62**
Non-Attributed Members	Facility - Inpatient (Days)	185	5.1	$2,157	$33	185	5.1	$2,157	$33	185	5.1	$2,157	$33	0	0.0	$0	$0
	Facility - OP ER (Visits)	120	5.1	$1,251	$12	120	5.1	$1,251	$12	120	5.1	$1,251	$12	0	0.0	$0	$0
	Facility - OP Other (Visits)	306	2.8	$762	$19	306	2.8	$762	$19	306	2.8	$762	$19	0	0.0	$0	$0
	Facility - LTC (Visits)	6	7.0	$3,122	$2	6	7.0	$3,122	$2	6	7.0	$3,122	$2	0	0.0	$0	$0
	Facility - Other (Visits)	69	2.5	$568	$3	69	2.5	$568	$3	69	2.5	$568	$3	0	0.0	$0	$0
	Professional - PCP (Visits)	1,052	1.2	$131	$11	1,052	1.2	$131	$11	1,052	1.2	$131	$11	0	0.0	$0	$0
	Professional - Specialty (Visits)	1,127	1.4	$180	$17	1,127	1.4	$180	$17	1,127	1.4	$180	$17	0	0.0	$0	$0
	Professional - Other (Visits)	1,126	2.3	$125	$12	1,126	2.3	$125	$12	1,126	2.3	$125	$12	0	0.0	$0	$0
	Rx (Scripts)	3,245	29.3	$100	$27	3,245	29.3	$100	$27	3,245	29.3	$100	$27	0	0.0	$0	$0
	Total				**$137**				**$137**				**$137**				**$0**

Example of poorly performing ACO

- Poorly performing provider group:
  - Member Months:

	2013	2014	2015
Attributed MMs	134,652	148,725	168,939
% Attributed	78.0%	77.6%	76.4%

  - Performance:

Surplus/(Deficit) Budget Performance Dollars			
Facility - Hosp Inp	$1,894,992	-$636,911	$61,872
Facility - Hosp Out.	-$2,428,511	-$6,297,263	-$5,166,516
Facility - Hosp LTC	$294,013	$370,637	$307,294
Facility - Other	-$242,601	-$478,148	-$518,816
Prof - PCP	-$105,941	-$216,558	$64,885
Prof - Specialty	$76,098	-$371,807	-$359,137
Prof - Other	$1,205,224	$1,286,143	$1,436,101
Rx	-$661,219	-$686,701	$23,859
Total	$32,054	-$7,030,606	-$4,150,459
Surplus/(Deficit) Budget Performance PMPM			
Facility - Hosp Inp	$10.98	-$3.32	$0.28
Facility - Hosp Out.	-$14.07	-$32.85	-$23.38
Facility - Hosp LTC	$1.70	$1.93	$1.39
Facility - Other	-$1.41	-$2.49	-$2.35
Prof - PCP	-$0.61	-$1.13	$0.29
Prof - Specialty	$0.44	-$1.94	-$1.63
Prof - Other	$6.98	$6.71	$6.50
Rx	-$3.83	-$3.58	$0.11
Total	$0.19	-$36.67	-$18.78

Example of high performing ACO

- High performing group:
  - Member months:

	2013	2014	2015
Attributed MMs	117,793	111,269	96,136
% Attributed	78.0%	77.6%	76.4%

  - Performance:

Surplus/(Deficit) Budget Performance Dollars			
Facility - Hosp Inp	$4,134,190	$3,076,033	$4,445,379
Facility - Hosp Out.	$4,368,514	$6,597,247	$6,294,526
Facility - Hosp LTC	$330,443	-$226,252	-$150,492
Facility - Other	-$395,211	$166,136	$39,888
Prof - PCP	$504,019	$990,329	$1,192,327
Prof - Specialty	-$25,254	$40,694	$421,228
Prof - Other	-$1,658,813	-$1,514,014	-$519,623
Rx	-$2,707,824	-$3,029,879	-$3,309,021
Total	$4,550,063	$6,100,294	$8,414,211
Surplus/(Deficit) Budget Performance PMPM			
Facility - Hosp Inp	$27.38	$21.45	$35.35
Facility - Hosp Out.	$28.93	$46.00	$50.05
Facility - Hosp LTC	$2.19	-$1.58	-$1.20
Facility - Other	-$2.62	$1.16	$0.32
Prof - PCP	$3.34	$6.90	$9.48
Prof - Specialty	-$0.17	$0.28	$3.35
Prof - Other	-$10.99	-$10.56	-$4.13
Rx	-$17.93	-$21.12	-$26.31
Total	$30.14	$42.53	$66.91

What is Best Practice ACO Performance Measurement?

continued

- Level 3 analysis: Develop clinical episode of care analysis for comparison purposes.
- Payors should complete for each ACO for profiling and ranking comparisons based upon normative data
- ACOs should complete for their own program and compare with best practice norms to determine future opportunity
- Breakdown analysis by PCP provider and all related costs of care associated with patients attributed to each PCP provider, complete risk adjustment and compare with overall performance and/or individual PCPs.
- Complete analysis by PCP specialty type
- Analyze referral patterns and relative cost of care for specific care patterns

What is Best Practice ACO Performance Measurement?

continued

- Compare both unit cost performance and utilization performance
- Develop site of service analysis to determine whether appropriate location is being used (i.e., free-standing vs. hospital based)

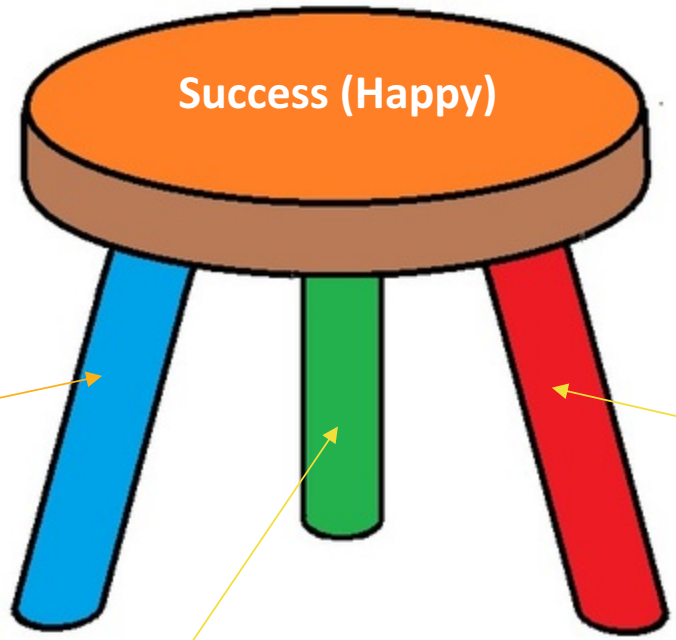
The Provider's ACO Checklist

- Is my ACO incentive model fair and unbiased?
- Am I confident that my physician partners (i.e., CIN and Medicare Groups) have the ability and knowledge to effectively reduce utilization and cost?
- Do I have confidence that my ACO has the ability to use data and health care analytics to identify opportunities to reduce cost of care
- Do I have the confidence that we are getting the market share shift we expected or were promised?
- What is the end goal or expectation of having this ACO arrangement? Are we meeting it? Why or why not?

The Health Plan's ACO Checklist

- Why do I have an arrangement with this ACO? (e.g., better performer vs. they were willing)
- Which ACOs are succeeding? Which ones are failing? Why? What distinguishes this performance?
- What has been the impact on cost of care?
  - Have costs been contained?
  - Have we bent the trend?
  - How do costs compare to other programs or competitors?
- What has been the direct impact on membership growth?

“The Three Legged Stool”



Reimbursement and Provider Incentives

Appropriate Benefit Design

Care Management

Q&A