RECENT ACA's Rate Structure Will Force Agencies to Adopt an Enrollment Platform in 2014 George K. Reese, III CLU CFCI REBC RHU

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ACOs – Are You R.E.A.D.Y?

Many hospitals,physician practices,and health systems are looking to emerging Accountable Care Organization (ACO) models as they evolve to the next generation of care delivery. ACOs hold promise as a hedge against decreasing fee-for-service (FFS) reimbursement, and shift the control away from payers to the health system itself. Ezekiel Emanuel and Jeffery Liebmanof the New York Timessuggest, "By 2020, the American health insurance industry will be extinct. Insurance companies will be replaced by accountable care organizations—groups of doctors, hospitals and other health care providers who come together to provide the full range of medical care for patients."

That bold prediction may not come true but what is certain is that the ACO train has left the station, regardless of the impact of the Supreme Court's ruling on healthcare reform.Is your organization ready for a major shift in its culture as it readies itself for the value-based care delivery model of the future? Are your employees ready to embrace the changes necessary to thrive in this new world? Here are some basic tips for human resource professionals to prepare themselves and their workforces to succeed in this new world of care delivery.

What Is an ACO?

ACOs have been compared tothe elusive unicorn—"Everyone seems to know what it looks like, but noone has actually seen one." Some say that anACO is a recycled idea from the managed care era of the 1980s, like an HMO in drag. But ACOs are fundamentally different from HMOs because the provider compensation is flexible and a primary care physician appointment, the gate-keeper model, is not required.

The ACO model seeks to:

Change provider incentives
Reward quality patient care
Reduce overutilization
Improvecare coordinationamong providers

ACOsbasicallyshift performance and financial risk from purchasers and payersto providers. What characterizes an ACO above all else are doctors who are accountablefor collaboratively working across the care continuum to manage the utilization patterns of patients and who are striving to reduce the total cost of care.

Are you R.E.A.D.Y?

The following acronym serves as a guide to help you as a human resource professional assess the readiness of your organization for the new world of ACOs.

Review current rewards programs
Embrace change
Align incentives
Develop new skills training
You – it's all about you

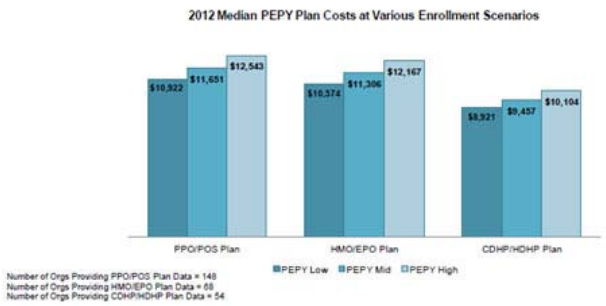
Review: The first step for healthcare HR professionals to prepare themselves for the job requirements and necessary attitude to be part of a successful ACO is to review current rewards programs. As the revenue of the organization moves from FFS to incentive pay based on outcomes, the need for more leveraged compensation models will be greater. A move to lower base salaries or hourly wages and greater opportunities for bonuses may become the norm for ACO organizations. As such, a complete total rewards review will be in order to calibrate pay, benefits, career advancement opportunities, and work environment for each career ladder in the organization.

WithACOs, an opportunity exists for hospitals and health systems to transform their employee benefit health plan to an ACO-like structure that leverages the providers and clinical resources of the health system to provide care to employees and their covered dependents. This employee ACO mirrors that of a true ACO but is part of an employee benefit plan offering and not subject to Centers for Medicare & Medicaid Services rules and regulations. It does,remain governed by ERISA and other regulations for self-funded plans, however.

Ironically, healthcare provider organizationssuffer from high healthcare costs more so than other industries. If health systems can bend the cost trend of their own health plans and make meaningful strides in improving health, then employees will be in a position to deliver ACO services to the Medicare, Medicaid, and commercial markets should their employer decide to become a formal ACO. These employees will have lived the experience and personally benefited from the model, enabling them to become advocates for the same structure in the communities in which they live and work.

An unhealthy workforce in the healthcare sector has numerous and ominous implications. The most obvious is higher direct benefit costs. According to the 2012SullivanCotter/HighRoads
Survey of Employee BenefitPractices in Hospitals andHealth Systems, the costs of providing healthcare benefits alone to healthcare employees and their families is $11,651 per employee, per year (Exhibit 1), for the median PPO/POS plans, the most prevalent plan offered by hospitals.The cost for this groupcan range up to $12,543. This compares to an average annual benefit cost of $10,475 for large companies from all industries, a level below the 25th percentile for health systems.

Exhibit 1: Annual Health Benefit Cost for Health System Employees



Source: 2012 SullivanCotter/HighRoads Survey of Employee Benefit Practices in Hospitals and Health Systems

Exhibit 2—Anticipated Cost Increases

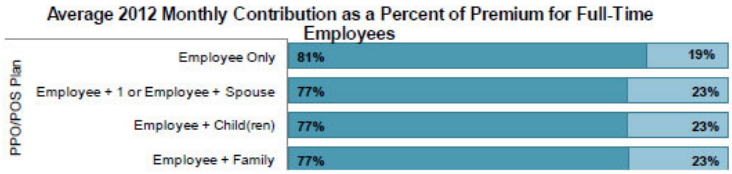
2011 to 2012 Trend Rate	25th Percentile	Median	Average	75th Percentile	Responses
PPO/POS	3.0%	5.2%	6.7%	9.0%	130
HMO/EPO	2.0%	5.0%	5.1%	7.2%	62
CDHP/HDHP	1.2%	6.0%	6.7%	9.5%	48

Source: 2012 SullivanCotter/HighRoadsSurvey of Employee BenefitPractices in Hospitals andHealth Systems

In addition to the high cost, the median cost increase is 6.7 percent for PPO/POS plans(Exhibit 2). Health systems are not all in the same boat from a cost and trend management perspective. The top performing health systems (the 25th percentile) enjoy an average trend of 3 percent compared to the worse performing systems with an average trend of 9 percent (Exhibit 2).

Not only are these premiums (or equivalents for self-funded plans) expensive for the employer, they are burdensome for employees and their families as well. Full-time employees pay, on average, 19 percent,and families 23 percenttoward these premiums

(Exhibit 3)Exhibit 3—Employee Share of Health Care Costs



Source: 2012 Sullivan/CotterSurvey of Employee BenefitPractices in Hospitals andHealth Systems

With healthcare costs at an all-time high, and hospital budgets continually squeezed,now is the time to review health plans in light of total rewards with the view to the future of organizations becoming focused on the delivery of value-based patient care.

Embrace:The old adage that the only constant is change rings true as the healthcare provider industry undergoes yet another sweeping transformation. HR professionals should embrace this change as an opportunity to be part of the solution in the way we deliver healthcare in America, in a manner that provides better coordination of care and quality clinical outcomes.

Align: As we discuss the need to review total rewards with an eye to developing more leveraged compensation and health plans centered in an ACO-like model, incentives must be aligned across the spectrum of all rewards. These incentives range from cash compensation incentives designed to drive new behaviors to wellness incentives to drive healthy lifestyle choices.

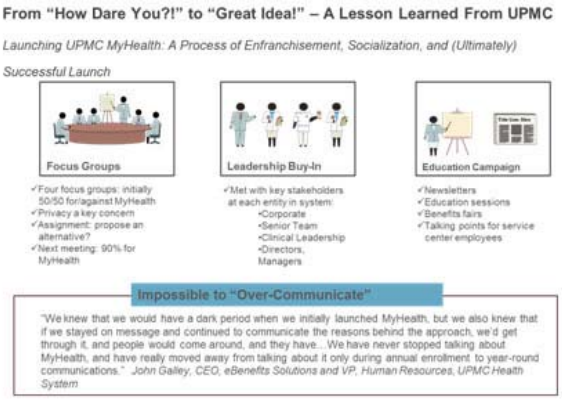
Develop: The review of the total rewards programs should include all skills training to ensure that employees are equipped with the necessary tools to deliver care in a new environment. ACOs require proficiency in electronic medical records, improved communication skills, the ability to collaborate, and new clinical skills.The training curriculumof the past may not serve the needs of the workforce of the future and new and enhanced programs, from internal and external sources, may be needed for associates to have all the tools needed to perform at optimal levels in an ACO environment.

You:Are you as an HR professional ready to develop new skills, to design incentivesthat motivate new behaviors from your workforce, and to embrace the change needed to equip employees to thrive in an ACO world? Are you prepared to review all the rewards programs and drive changes that leverage talent to achieve favorable results?

Case Study

One snapshot of a successful ACO cultural shift is the University of Pittsburgh Medical Center (UPMC). UPMC is a $9 billion global health enterprise with 54,000 employees headquartered in Pittsburgh, PA, and is transforming healthcare by integrating 21 hospitals, 400 doctors' offices and outpatient sites, 3,000 employed physicians, international and commercial services, and a health insurance division. UPMC has redefinedits delivery of healthcare, including its employee health plan, using innovative science, technology and medicine to invent new models of accountable, cost-efficient and patient-centered care. Approximately seven years ago, UPMC moved to an ACO-like structure with its employee health plan and, not surprisingly,some employees were reluctant to take on new behaviors. Within two years,the new approach was broadly embraced by employees as depicted in the illustration below in Exhibit 4.

Exhibit 4 – Change Management Success at UPMC



Source: UPMC All rights reserved. Reprinted with permission

The results over the past seven years have been a health plan cost trend of 1.1 percent in 2011 compared to benchmarks of 8.5 percent. The five-year compounded savings over benchmarks for UPMC is in excess of $65 million.UPMC experienced significant improvement in overall health as demonstrated by fewer smokers, improved risks from high to medium to low risk, as measured by health risk assessment, claim, and biometric screening data, and a lower prevalence of chronic disease.UPMC enjoys superior patient engagement, winning the J.D. Power and Associates highest ranking for overall satisfaction in the Pennsylvania Region in 2011. The UPMC's "MyHealth" wellness program has earned UPMC the National Business Group on Health "Best Employers for Healthy Lifestyles" award.

Conclusion

ACO structures promise a new paradigm to achieve this renewed focus on improved health, for patients and employees alike.The winning health care organizations of the future will be those who make human capital investments to ensure that the workforce is R.E.A.D.Y. for the challenges of delivering care in a value-based ACO structure.

About the Author:

Eric M. Parmenter is Vice President of Employer Services for Evolent Health. He specializes in designing total rewards and benefit programs for large health systems in the United States. He holds a master's degree in business from the University of Chicago and a bachelor's degree in psychology from the University of Illinois. Eric is a frequent speaker at the ASHHRA annual conference.