

# SECOND OPINION

SMALL DOSES OF HEALTHCARE INSIGHT



## ACO Challenges

Following a [general overview](#) of Accountable Care Organizations (ACOs), this issue explores some of the challenges ACOs face. Over four years since the first ACOs were created, the model is still very much in its infancy. There are over 400 ACOs in the United States, most as participants in the Medicare Shared Savings Program (MSSP).

With the increasing growth in this new healthcare delivery model, let's take a look at the challenges ACOs must overcome in order to succeed:

- **Shifting Physician Behavior:** Physicians have to change the way they've been doing business and delivering care for years – and do it at a profit. Due to shared savings and/or risk arrangements, doctors are now charged with improving patient care WHILE reducing costs.
- **Investment in IT:** The adoption of Electronic Medical Records (as well as increased data collection, storage and dissemination), is crucial not only to coordinating care, but also mandated for participation. This is very capital intensive and creates new liability exposures.
- **Engaging the Patient:** Since patient participation is voluntary, there are two hurdles that must be overcome. First, providers strive to keep patients in network (as care coordination with out of network providers is difficult to achieve). ACOs must also encourage patients to take greater ownership of their health (making/keeping appointments, taking medication appropriately, etc.). Wellness programs, sound consumer education measures, and personal attention from staff help patients feel invested in their care and connected to their providers.
- **Medical Staff:** An ACO's success necessitates an emphasis on Primary Care Providers (PCPs) who serve as patient advocates and assume greater roles in managing individual patient care as well as population management.
- **Management Structure and Leadership:** With focus on operational efficiencies and an overhaul of the delivery of care, hospital administrators will increasingly rely on physician leadership to successfully adapt an ACO model. This requires clear physician leadership that emphasizes reporting channels and individual accountability.
- **Financial Benchmarks:** Our in-depth analysis reveals:
  - ACO models in the MSSP (2012/2013) have experienced limited savings success – only a small portion actually received shared savings payments. If ACO models do not contribute to improved value, the concept could be abandoned.
  - Quality metrics need to be improved; systems that capture clinical based evidence of improved care would be more meaningful than the "bonus by target" model currently in place.
  - Current CMS benchmarks should be studied more closely. ACOs are choosing to take on less risk because it becomes progressively harder to meet the threshold in subsequent years.
- **Collaboration:** One of the most critical components to ACO success can also be one of the largest barriers. With providers (including former competitors) pooling resources to create ACOs, the issue of antitrust comes into question. ACO formation could inadvertently reduce competition, raise prices and harm competition through its ability to exercise market power.

### Can ACOs be Successful?

In order for an ACO to succeed, the above challenges must be met. This will in turn lead to a payment system that creates incentives for physicians to participate and motivates patients to stay within the ACO. Providers also need to partner with their payer (whether CMS, private insurer) to ensure that the plan design is delivering the expected results. This will include the promotion of cost saving opportunities, appropriate disease risk management related to chronically ill patients, robust wellness services and consumer education.

CONTINUED >

**AUTHOR:**

Michael Fasanella , CPCU, ASLI, RPLU  
Assistant Vice President  
Healthcare Management Liability Division  
Allied World Insurance Company

**QUESTIONS?**

Contact your local Allied World Underwriter.

**[alliedworldinsurance.com](http://alliedworldinsurance.com)**