From Physician Group Practice Demonstration (PGP) to ACO

Lessons Learned

David J. Abelson, M.D.
President/CEO Park Nicollet Health Services
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Park Nicollet

Would you accept this offer?

Add non-reimbursed clinic costs for care management reducing revenues in hospital?

Pray

18 months later after losing the first 2 million of revenue (on $100 million) you lose only 50% of each additional $ up to $5 million (assuming you meet quality targets)

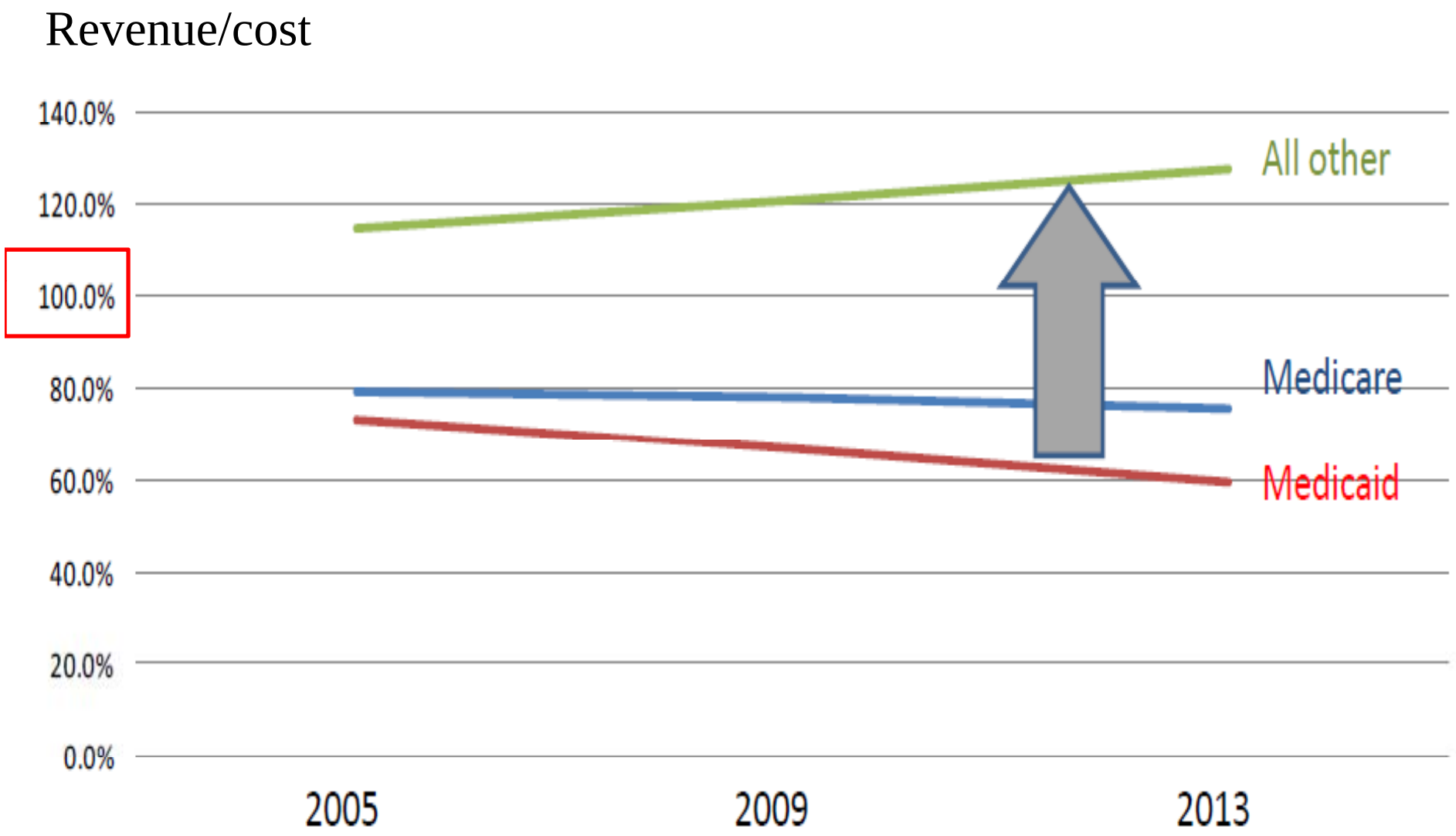
And by the way…

You don’t know which patients are included

You don’t know the target

When you apply the better, non-reimbursed care to non-FFS Medicare, you eat the cost and CMS and health plans reap the savings

Use vacated capacity for commercial



Yet, the right direction

All groups achieved 92% of targets for diabetes, coronary artery, hypertension, congestive heart failure and prevention

Aggregate shared savings = $126 million

Make the direction work by getting the details right

Payment and delivery models need to align

Today they don't

Payment model elements:

- Critical mass
- Cash flow
- Attribution
- Target
- Risk model
- Quality measures

Achieve critical mass

Fee for Service

Performance Risk

Achieve critical mass

Problem:

Managing different processes with different incentives

(e.g. CHF program)

Attention units

Seek:

Treat all programs the same (PMAP, FFS)

Make the cash flow

Problem:

Reducing costs depends on investing in care management
model not currently reimbursed
Inherent with shared savings based on fee for service

Seek:

Payment methodology covering up front costs
Adequate payment to avoid cost shifting

Attribution (who is counted?)

Problem:

You don’t know the patients or where they seek care with retrospective assignment

Seek:

Prospective patient assignment

Targets (what is counted?)

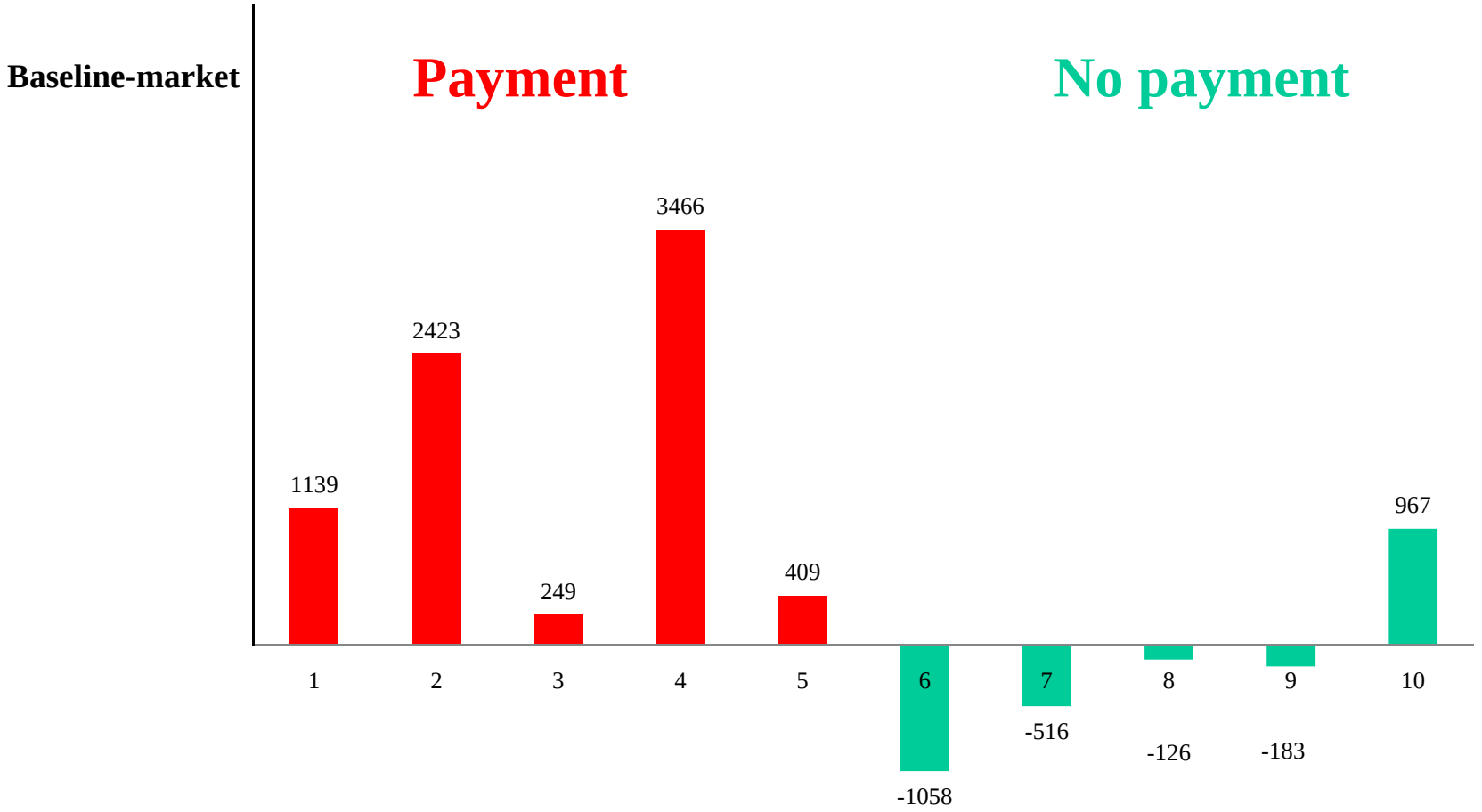
Problem:

Compared to what? Self? Others? Absolute? Threshold?
Compared to self and others punishes good performers
“Statistical threshold” creates win/lose and punishes small

Seek:

Prospective targets
Reward good baseline performers
Don’t punish small groups

PGP “winners” started with higher costs compared to market



Risk adjustment model

Problem:

Risk adjustment important but methods early and varied
Creates new management task (already mastered by Medicare Advantage plans)

Seek:

Prospective, accurate, timely, consistent method and data

Reward quality

Problem:

Rewarding quality as % of “earned savings” only works when previous problems fixed

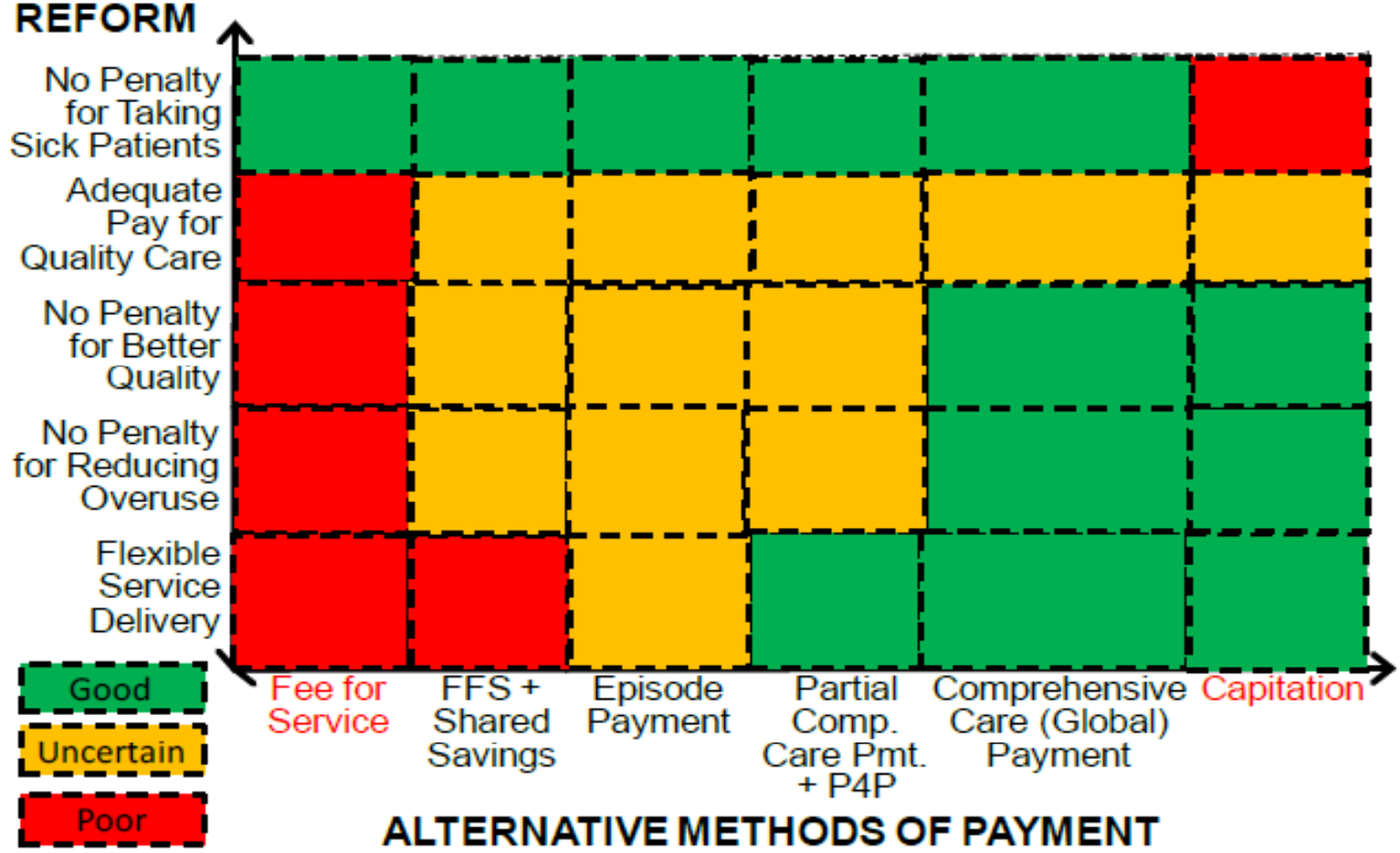
Seek:

Uniform measures

Attend to problems of earned savings

(critical mass, cash flow, attribution, target, risk)

HOW DIFFERENT PAYMENT MODELS PERFORM ON THE GOALS OF PAYMENT REFORM



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Attend to the details

Payment model

Care model