RELIANCE CONSULTING GROUP

ACCOUNTABLE CARE CONTRACTING: NEGOTIATION PRIORITIES & STRATEGIES

Medical Group Management Association
MGMA®
Ohio
A State Affiliate

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Presented by :
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RCG Managing Director

AGENDA

- **Introduction: ACO Airline Goal**
- **Reposition for Value-based Contracting**
- **Assess Trust Level of Contracting Payers**
- **Align Payer-Provider Goals**
- **Establish Contracting Priorities and Strategies**
- **Q & A**

ACO AIRLINES:GETTING PASSENGERS

Goal: filling the seats through ACO Payer Contracting

ACO PAYER CONTRACTING: 4 STEPS

I. **Reposition for value-based contracting**

II. **Assess the trust level of each ACO contracting payer**

III. **Identify criteria to use in aligning payer-provider goals and values**

IV. **Establish contracting priorities and develop negotiation strategies**

ACO PAYER CONTRACING: STEP I

I

Reposition for Value-Based Contracting…

VALUE-BASED CONTRACTING DIFFERENCES

Taking The Plunge Into Value-Based Care

Action Step	Process	Goal
Develop a strategic vision for VBC	Transform culture & reward performance	Team-based, patient-centric care delivery with shared returns among stakeholders
Align to the Triple Aim	Develop a business model with quality and financial metrics	Align outcomes to improve population health, lower utilization & reach quality targets
Establish sustainable payer partnerships	Shift payer relationships from volume to value	Long term, meaningful and profitable joint outcomes
Create IT system to support VBC	Develop analytic capabilities that receive, exchange & report data	Capabilities to identify at-risk populations & actionable treatment protocols
Coordinate resources to impact pt care	Maximize payer and provider data resources	Joint initiatives and efficiencies that improve patient care & reduce costs

VALUE-BASED CONTRACTING DIFFERENCES

ACO Contracting Features:
Traditional FFS vs. Value-Based

Feature	Traditional FFS	Value-Based Methods
Payment	Retrospective reimbursement	Prospective payment w/ rewards & penalties
Risk	None	Shared savings & gain-sharing
Quality of Care	Assumed- P4P incentives	Measured & reported w/ rewards & penalties
Provider Integration	Not required/optional	Hospital, physician, & ancillary providers
Competition	Non-exclusionary; supply & demand driven	Patient Channeling and provider exclusions
Data Reporting	None required/P4P	Cost & quality metrics, utilization; patient satisfaction

Source: MGMA Webinar "Payer Contracting Strategies to Boost Your Bottom Line While Preparing for Value Based Contracting" presented by Reliance Consulting Group Nov. 11, 2012

VALUE-BASED CONTRACTING CULTURE POSITIONING

Cultural Repositioning:

Traditional FFS vs. Value-Based

Issue	Traditional FFS	Value-Based Methods	Required Repositioning Competency
Trust Level Among payers, hospitals & other providers	**Low** Arms -distance contracts	**Med-High** Joint commitments, data sharing, payment distributions	**Building Trust** (next slide)
Goal Alignment Clinical, financial, & admin.	**Low** Goal conflicts: payers & hospitals	**Med-High** Protocol standards; common reports; savings distribution, shared risk	**Meaningful Collaboration**
Risk Disposition Upside & downside	**Risk Adverse** No risk	**Low-High** Shared savings; gain Sharing; capitation	**Medical Expense Management & Care Management**
Inter-Communication Payers, providers, & patients	**Minimum** Administrative (EOB); practice silos	**Med-High** Joint payer meetings; referral protocols, patient engagement	**Feedback & Assessment**
Technology Usage Real time capture, reporting & reconciliation	**Low** Paper; emails; etc.	**Med-High** Electronic; EMR, EHR, RHIO, dashboards	**Accepting & Embracing Technology**
Physician Behavior	**Physician-Centric** Change resistant, Independent, minimum compliance, reactive	**Other-Centric** Medical Home, payer collaboration, team leader oriented, engaged, pro-active	**Collaborative Attitude with Triple Aim Perspective**

Source: MGMA Webinar "Payer Contracting Strategies to Boost Your Bottom Line While Preparing for Value Based Contracting" presented by Reliance Consulting Group Nov. 11, 2012

ACO PAYER CONTRACING: STEP 2

II

Assess the trust level of each ACO contracting payer…

Provider & Physician Partnerships…

Then & Now:

- **THEN:** "Traditionally, hospitals have thought as payors as competitors, or the enemy," says John Halamka, MD, senior VP and CIO of Beth Israel Deaconess Medical Center in Boston. With Mounting pressure from healthcare reform to coordinate patients' care throughout the continuum of care, hospitals and health systems will need to partner with payors to access healthcare analytics and manage population health.

- **NOW:** Dr. Halamka says "Establish relationships so you trust each other as collaborators," he says. "Suddenly it isn't you against the world; it's the community working to solve problems collectively."

However:

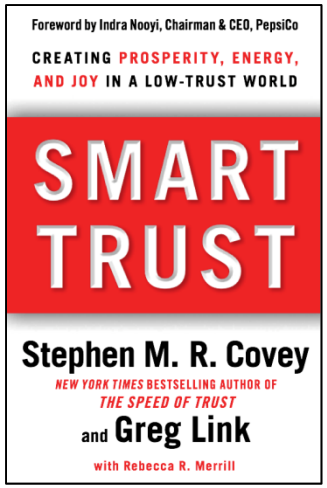
- "Provider groups seeking to partner with commercial insurers on accountable care projects first and foremost want actual collaborative partners, not payers that dictate how the ACO is run and insist the providers deliver care 'their way' "

Source: "Providers Want Partner, Not Dictator, in Potential Insurer ACO Relationships", ACO Business News, March 2013; "*Hospitals Partnering With the 'Enemy': How Payors Can Held Coordinate Care*", Becker's Hospital Review, November 15, 2012

ASSESSING TRUST LEVELS

"SMART TRUST"

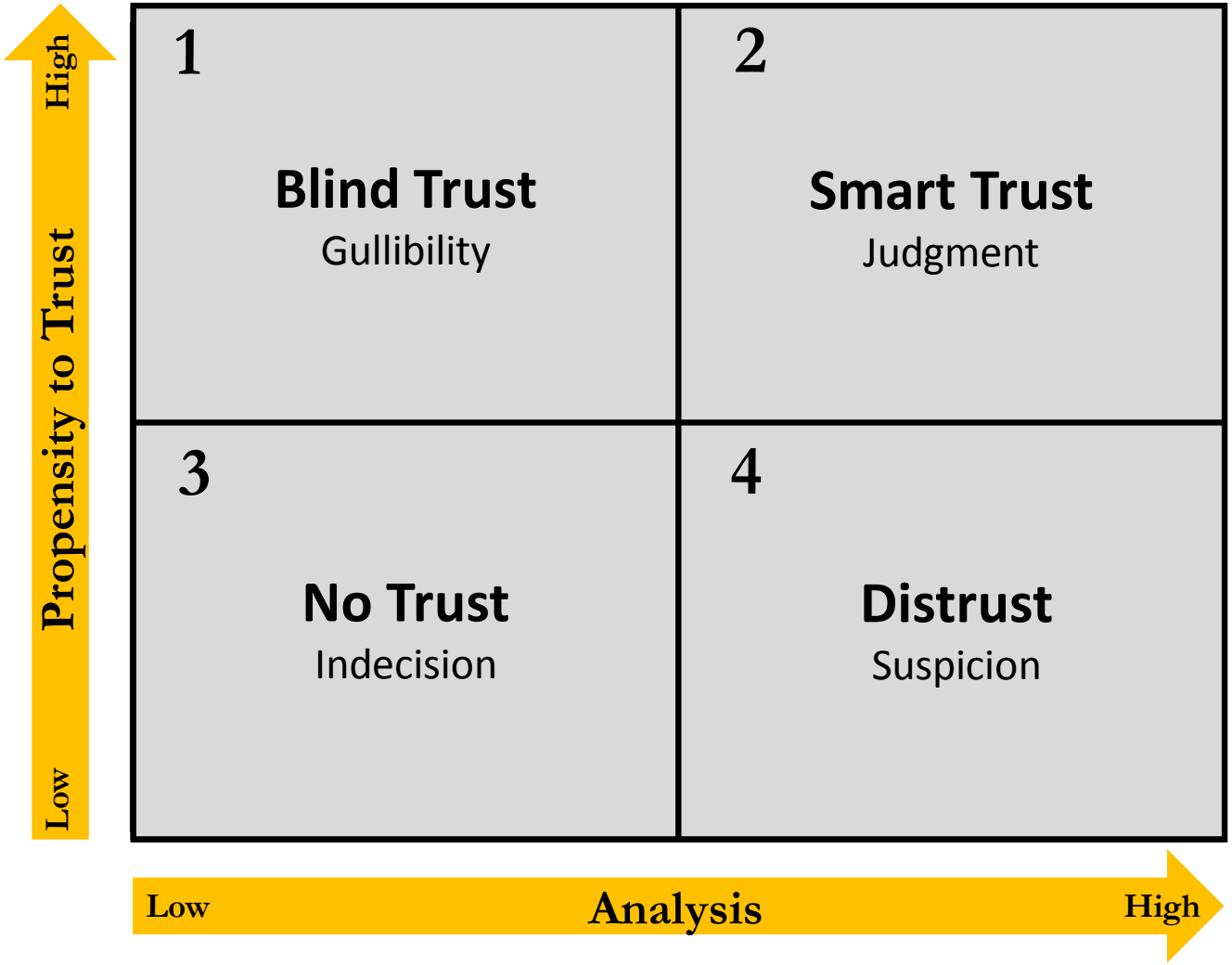
1. **"Smart Trust is judgment. It's a competency and a process that enables us to operate with high trust in a low-trust world."**
2. **Smart Trust optimizes two key factors: (1) a propensity to trust, and (2) analysis: of the opportunity, the risk and the credibility of the people involved.**
3. **Consider the "Stranger Danger" program taught to children by parents and teachers.**
4. **How to move to "Smart Trust" (next slide)**



Source: Smart Trust, Stephen M.R. Covey, Pg. 57-65, 2013

ASSESSING TRUST LEVELS

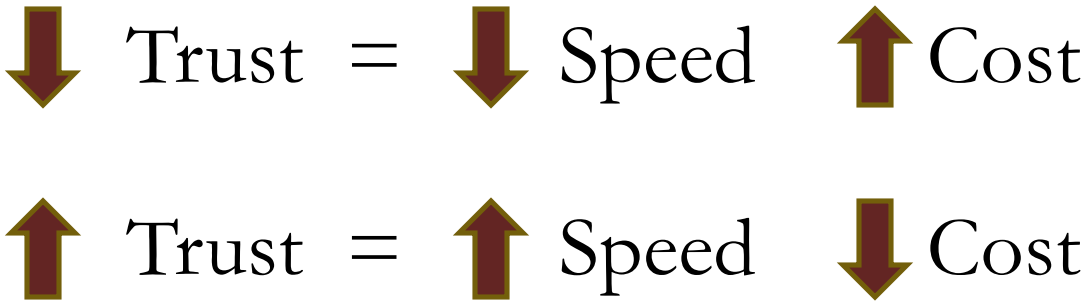
"SMART TRUST"



Source: Smart Trust, Stephen M.R. Covey, Pg. 66, 2013

ASSESSING TRUST LEVELS

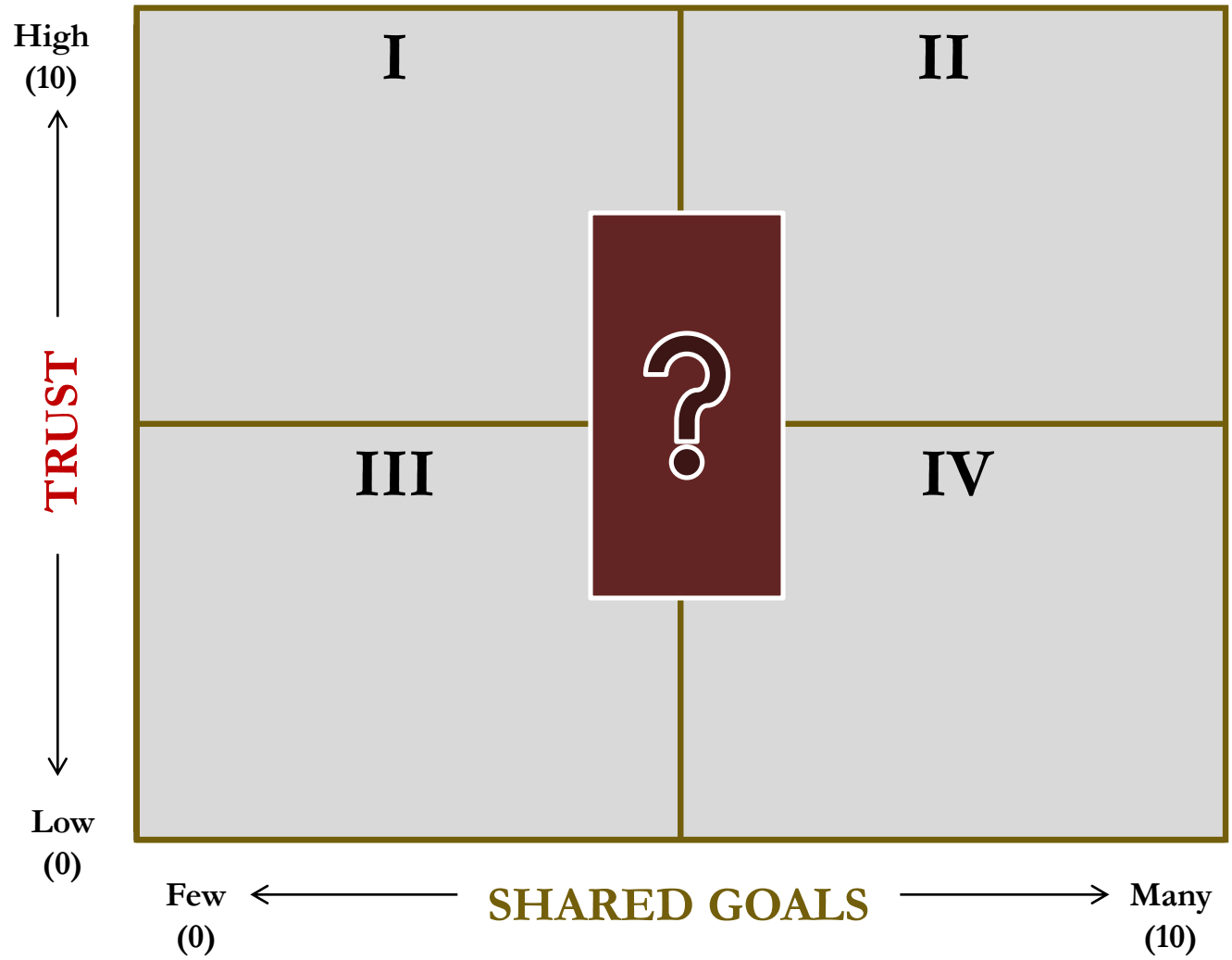
- Payer Contracting is two-fold: **1) Tactical**- contract/fee adjustments; **2) Strategic**- payer relationship building
- Low trust causes friction and slows negotiations e.g. hidden agendas, win-lose thinking, defensive communication.
- High trust produces speed- e.g. transparent data, kept commitments, win-win-win solutions.



Source: The Speed of Trust, Stephen M.R. Covey

ASSESSING TRUST LEVELS

ACCOUNTABLE CARE CONTRACTING MATRIX



ASSESSING TRUST LEVELS

TRUST ASSESSMENT CRITERIA

WHICH PAYERS HAVE INTEGRITY?

- Do they have a reputation of respect and trust?
- Do they have a culture of honesty?
- Do they listen to concerns and ideas?
- Do they admit to mistakes when they occur?
- Do they work through tough issues?
- Do they make and keep commitments?

ASSESSING TRUST LEVELS

TRUST ASSESSMENT CRITERIA

WHICH PAYERS HAVE GOOD INTENT?

- Do staff care about the quality of their work?
- Do payer systems reward competition (win-lose) or cooperation (win-win)?
- Is information shared freely or withheld?
- Do communications prove to be honest and sincere?

ASSESSING TRUST LEVELS

TRUST ASSESSMENT CRITERIA

WHICH PAYERS ARE CAPABLE?

- Do staff work effectively with others?
- Have they committed financial resources to achieve stated goals?
- Do they attract and retain knowledgeable and talented staff?
- Do they have a history of successful competition in the market?

ASSESSING TRUST LEVELS

TRUST ASSESSMENT CRITERIA

WHICH PAYERS GET RESULTS?

- Do they deliver what they promise?
- Does their track record promote confidence?
- Do they take responsibility for successful results?
- Would you recommend them to other practices?

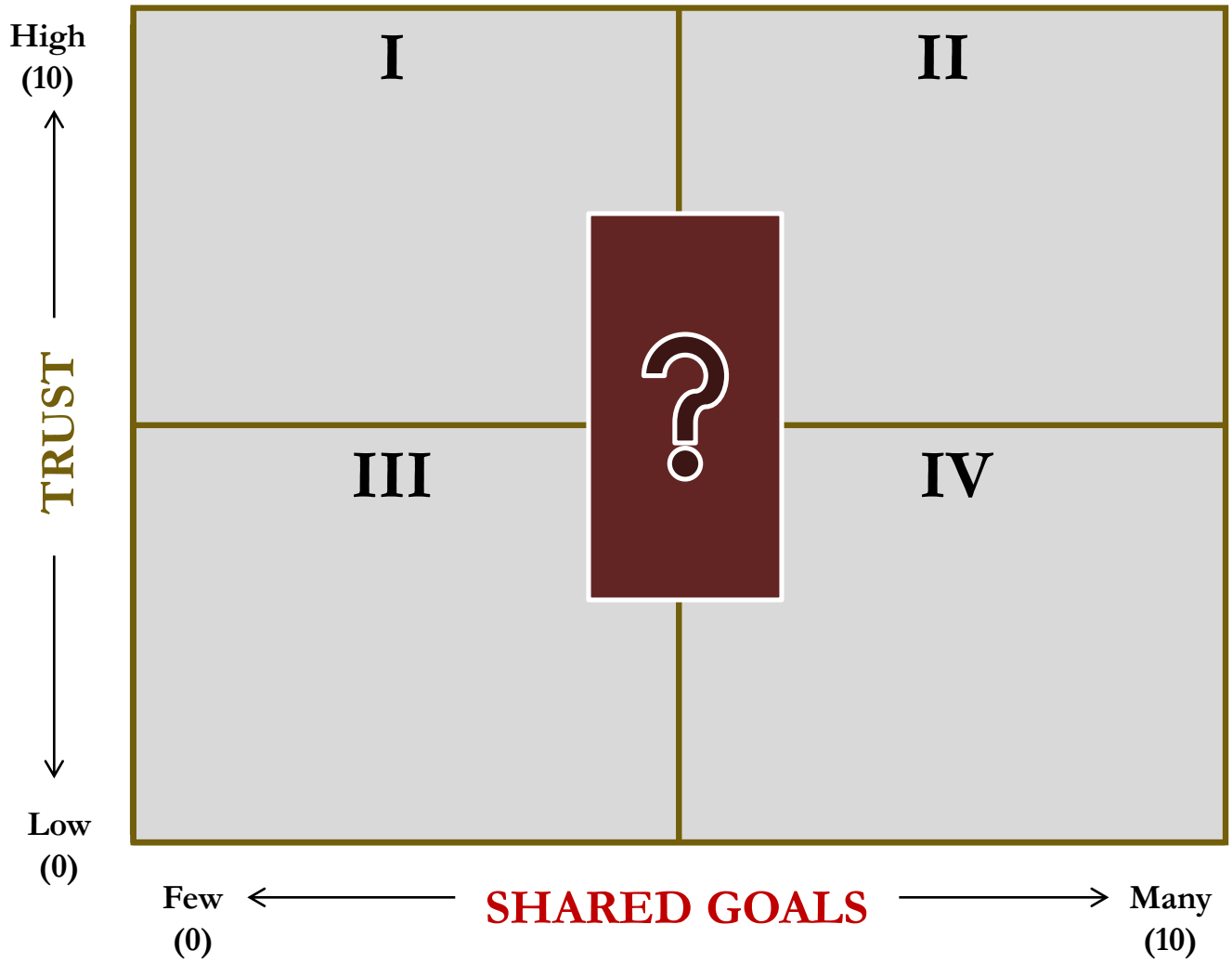
ACO PAYER CONTRACING: STEP 3

III

Align payer-provider goals and values…

ASSESSING TRUST LEVELS

ACCOUNTABLE CARE CONTRACTING MATRIX



GOAL ALIGNMENT

"It is time to stop shifting cost and align payers and providers around their common goals. Now is the time to bring together the two major constituents that affect cost, quality and outcomes. Payers and providers must collaborate in a meaningful way to truly manage the care and costs for our patients. And it all comes down to the need for alignment in three basic areas: clinical, economic and administrative."

Emand Rizk, The New Era of Healthcare, *Practical Strategies for Providers and Payers*, HCPro, 2009, pg. 11

CLINICAL GOAL ALIGNMENT

PAYER-PROVIDER AGREEMENT ABOUT:

- Definitions of clinical areas to be pursued as pilots e.g. orthopaedic procedures, cardiology episodes, …
- Best practice clinical guidelines that accommodate geographic variations, population differences, etc.
- Meaningful data extracted from payer claims and provider records to determine measures, targets, baselines & reconciliation processes
- Definitions of patient populations and attribution processes, e.g. age, condition, Medicare, Medicaid, Commercial enrollment

ECONOMIC GOAL ALIGNMENT

PAYER-PROVIDER AGREEMENT ABOUT:

- Reimbursement methods and amounts
- Financial incentives for cost, quality, and utilization e.g. gain-share terms
- Payment for support of care management programs e.g. care coordinators, case managers, quality tracking & reporting tools
- Population management program payments e.g. patient-centered medical home (PCMH) certification

ADMINISTRATIVE GOAL ALIGNMENT

PAYER-PROVIDER AGREEMENT ABOUT:

- Patient eligibility and benefit design e.g. payer information portals
- Availability of EHR portals for data sharing for patient's history, medications and tests
- Capabilities of electronic conveyance of patient data e.g. reporting and reconciliations
- Auto-adjudication, feedback and transparency to reduce claim rejections

MGMA SURVEY: GOAL ALIGNMENT

KEY PERFORMANCE INDICATORS: MGMA PERFORMANCE SURVEY

Results from this study on a scale from 1 to 5, with 5 being completely satisfied and 1 completely dissatisfied, reflect on the following:

1. **Payer Communications:** How satisfied are you with the amount of time it takes the payer to respond to your questions? *Avg: 2.5*
2. **Payer Communications:** How satisfied are you with the accuracy and consistency of the payer's response to your questions? *Avg: 2.58*
3. **Fee Disclosure:** How willing is the payer to disclose the fee schedule used to reimburse your practice under the terms of your contract? *Avg: 2.95*
4. **Claims Appeal Process:** How satisfied are you with the claims appeals process? *Avg: 2.4*
5. **Prompt Payment:** How satisfied are you with the promptness of the claims payments? *Avg: 2.96*
6. **Rating System Transparency:** How transparent to you are the cost and quality measures used by the payer for its physician rating and/or pay-for-performance programs? *Avg. 1.89*
7. **Contracting:** How satisfied are you that the payer conducts two-way, good-faith negotiations during the contracting process? *Avg: 1.87*
8. **Innovated Payment Methods:** How willing is the payer to engage in innovative payment models or offer/innovate contracts based on concepts such as accountable care, shared savings, medical homes, or payment bundling? *Avg: 1.56*
9. **Overall current Satisfaction with Payer:** *Avg: 2.68*

Source: MGMA 2012 Payer Survey Results

ACO PAYER CONTRACING: STEP 4

IV

Establish contracting priorities and develop negotiation strategies…

CONSTRUCTING CONTRACTING MATRIX

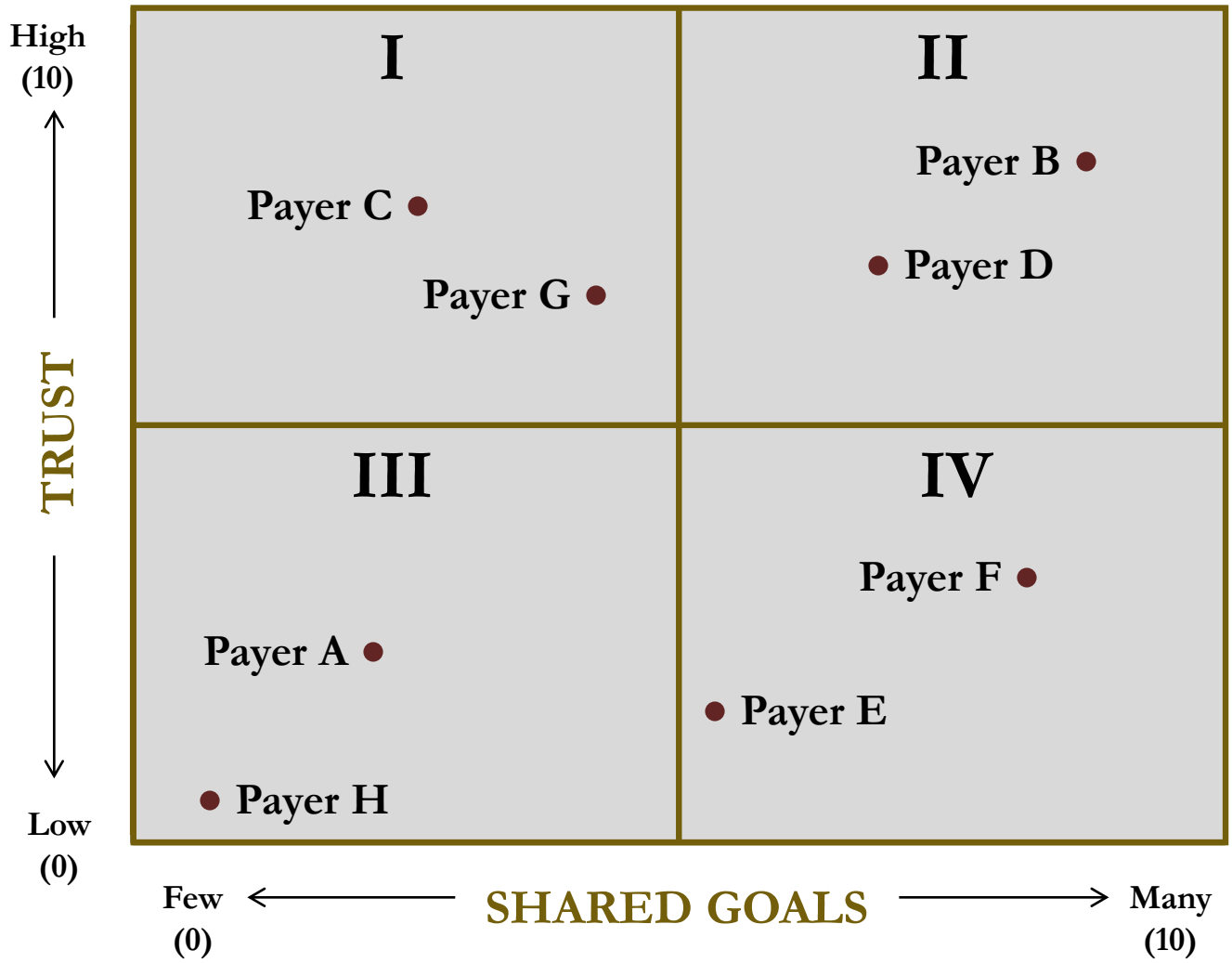
IDENTIFYING DESIRABLE BUSINESS PARTNERS:

- **PAYERS**
  - Claims histories
  - Actuarial models
- **MEDICAL GROUPS**
  - Trust assessment
  - Goal alignment evaluations

(Source: John P. Schmitt, "Who Do You Trust" MGMA Connexion, February 2013)

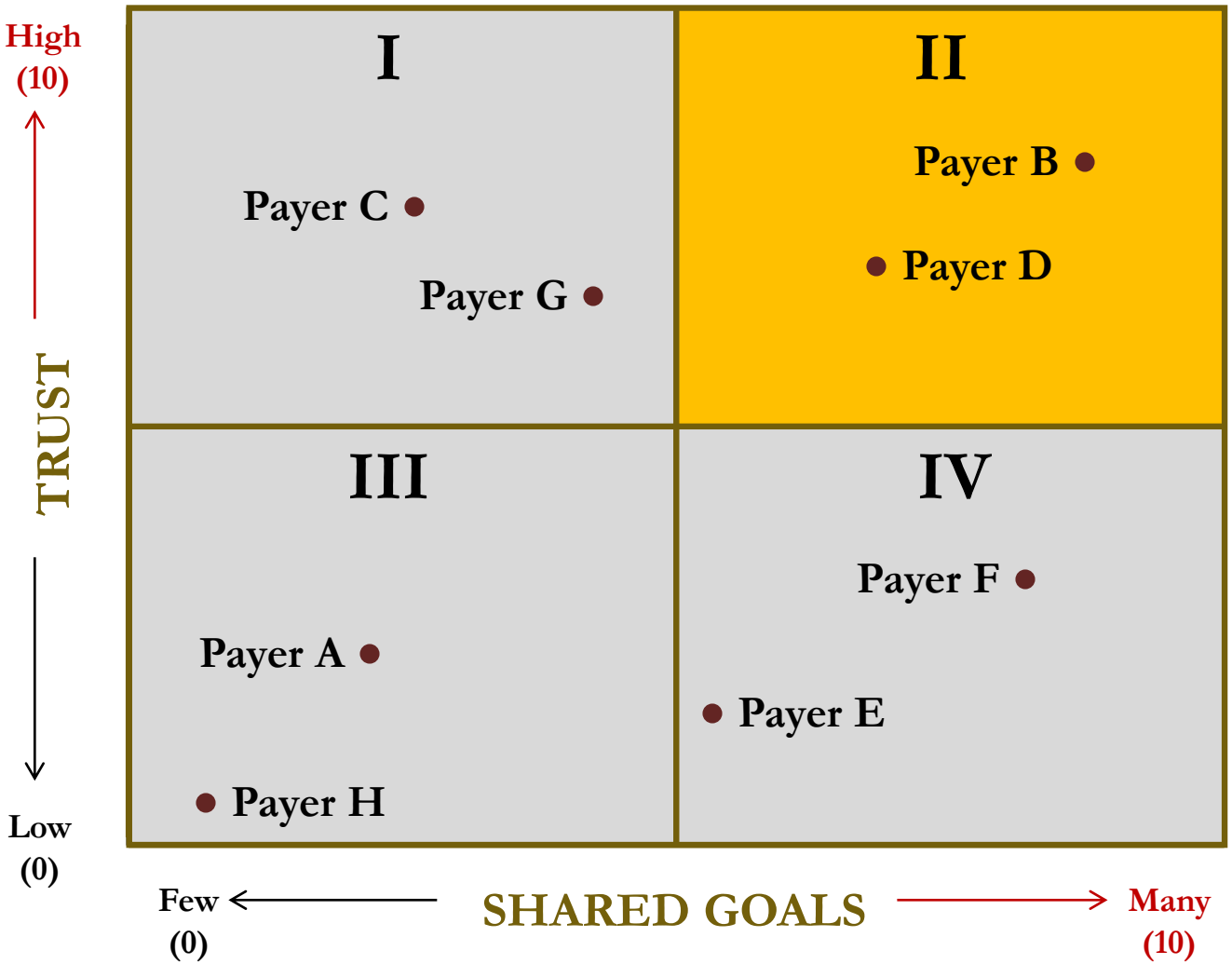
CONTRACTING PRIORITIES BY QUADRANT

ACCOUNTABLE CARE CONTRACTING MATRIX



CONTRACTING PRIORITIES BY QUADRANT

PRIORITY #1: QUADRANT II

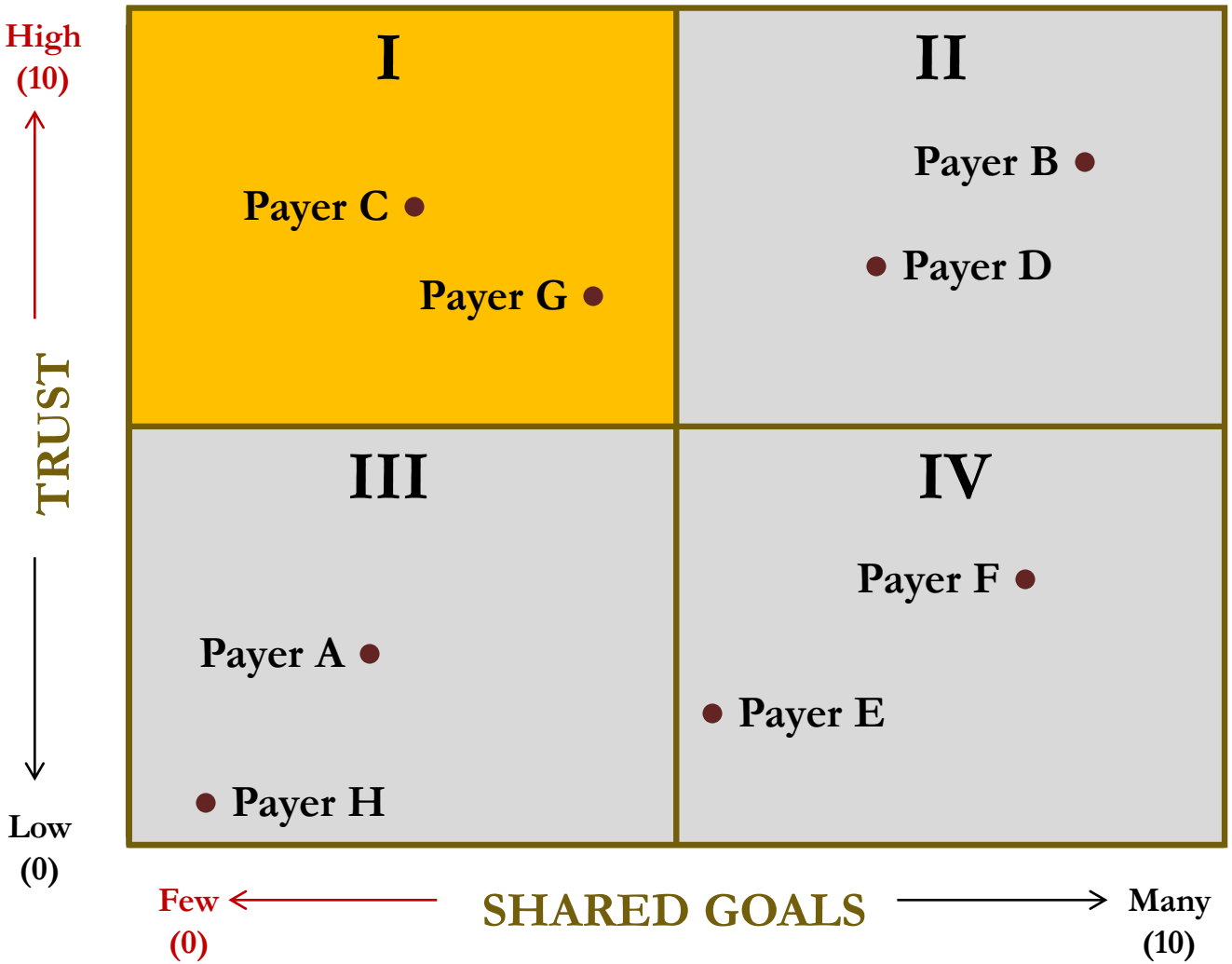


+ Negotiations can be quick and confident

+ Shared values and competencies

CONTRACTING PRIORITIES BY QUADRANT

PRIORITY #2: QUADRANT I

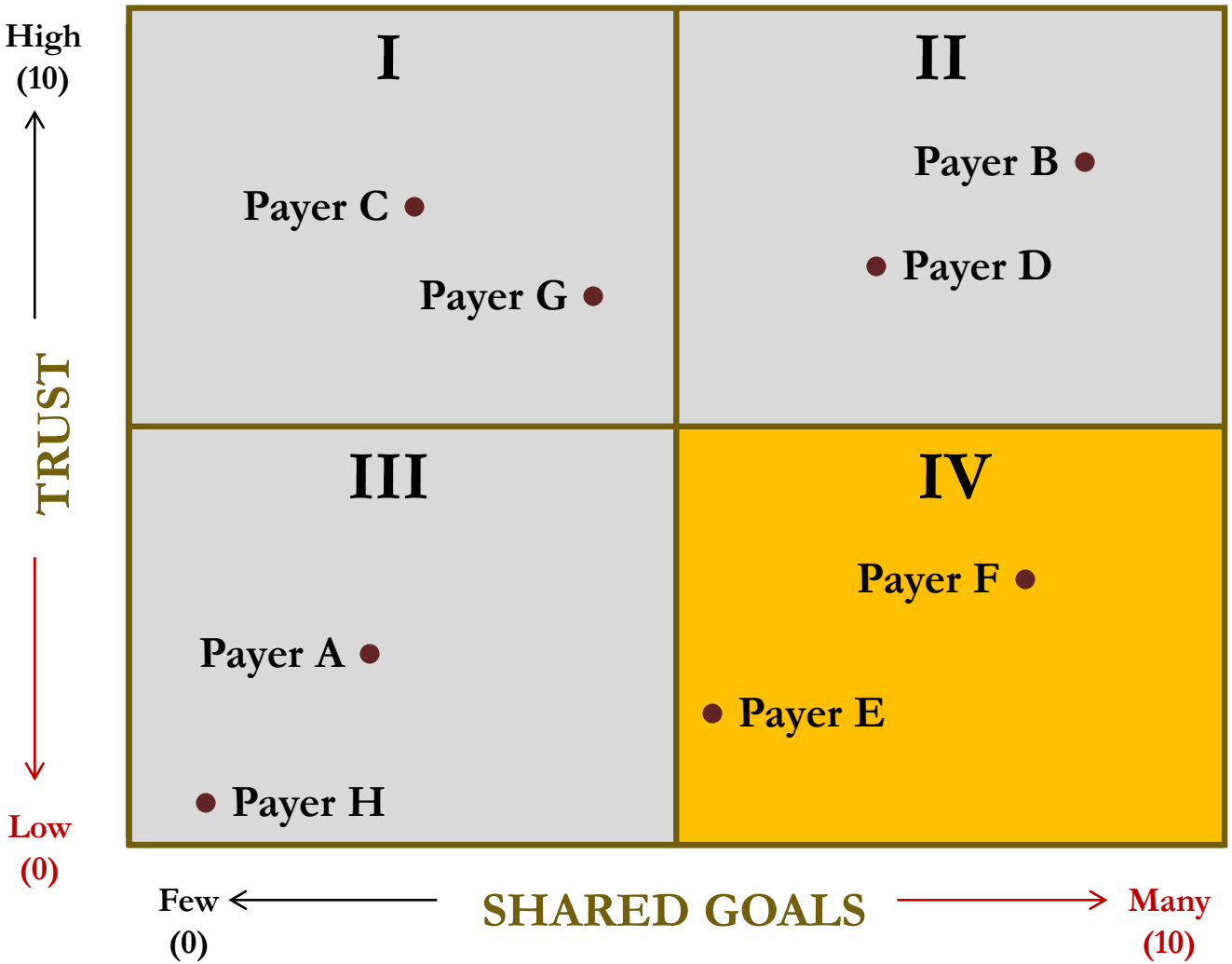


+ Good business history- high trust

- Needs to improve organizational processes

CONTRACTING PRIORITIES BY QUADRANT

PRIORITY #3: QUADRANT IV

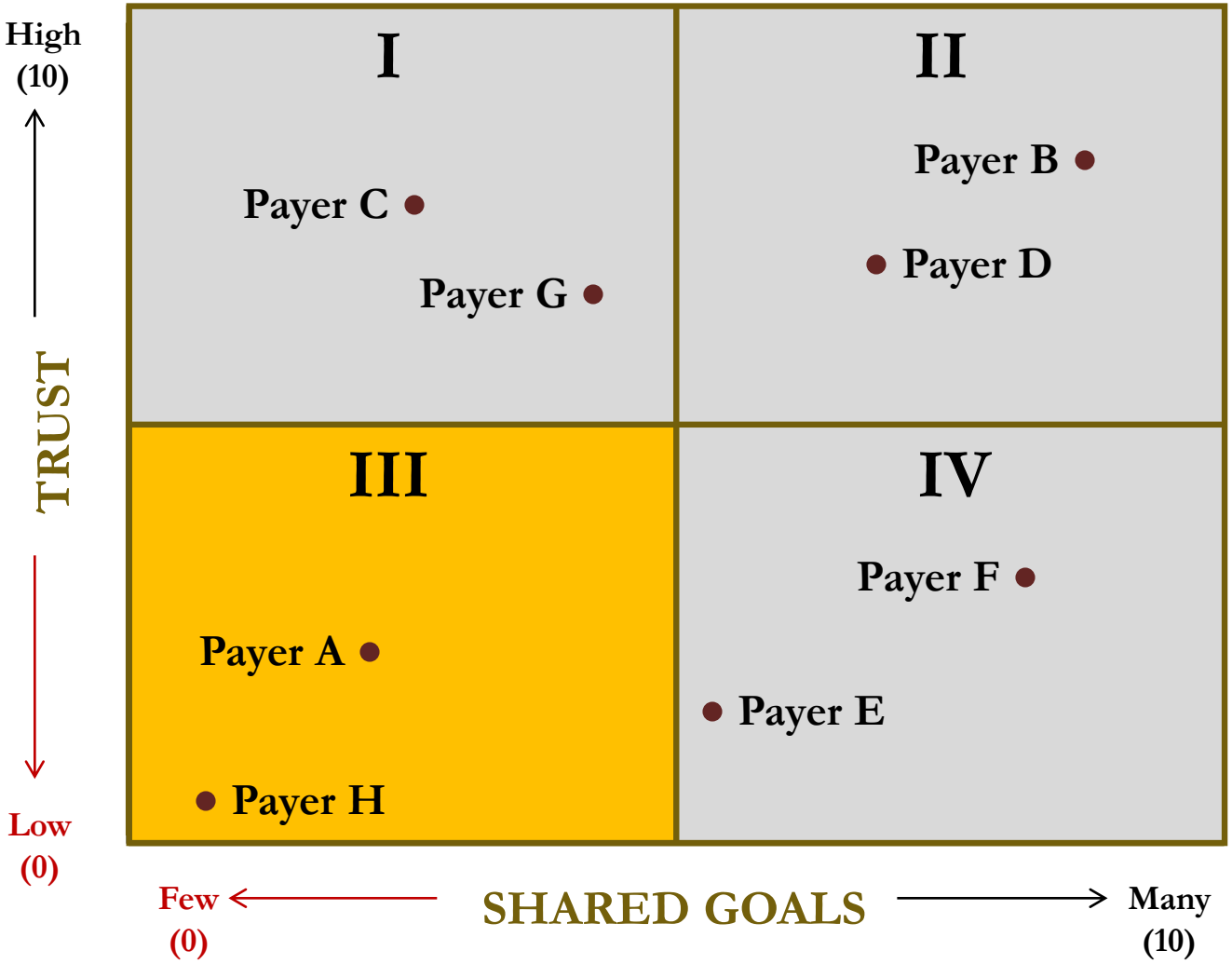


+ Accountable Care competencies in place

- Organizational cultures are in conflict

CONTRACTING PRIORITIES BY QUADRANT

PRIORITY # 4: QUADRANT III



- Cultures and processes not aligned

- Contract history not satisfactory

*** Consider Contract Termination**

SUMMARY

- **Reposition for Value-based Contracting**
- **Assess Trust Level of Contracting Payers**
- **Align Payer-Provider Goals**
- **Establish Contracting Priorities and Strategies**

NEXT STEPS

- **Assess internal capabilities & resources**
  - Time availability
  - Internal expertise
  - Analytic tools & resources
  - ACO Readiness Assessment results
- **Determine what should be outsourced**
  - Readiness criteria development
  - Strategic payer negotiations
  - Payer relationship evaluations
  - Contracting priorities and strategies

Q & A

ACCOUNTABLE CARE CONTRACTING:

NEGOTIATION PRIORITIES & STRATEGIES

For more information about Accountable Care Organizations (ACOs), visit Reliance Consulting Group at:
www.RelianceCG.com and click on the **'ACO Toolkit'** tab
Or
Contact Dr. Schmitt directly: **jschmitt@reliancecg.com**