

**REWARD**  
Health Sciences

Developing the Economic Model for a Successful ACO

AMGA ACO Learning Collaborative  
Swissotel, Chicago

Richard E. Ward, MD, MBA  
Reward Health Sciences, Inc.  
July 14, 2011

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**Outline**

- How can ACOs reduce cost
- ACO structure dilemmas
- IT investment priorities
- Using analytic models
  - Population Management
  - Provider Incentives
  - ACO Financial Models

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**The ACO Stack**

People

Process

Technology

Culture

Economics

Leadership

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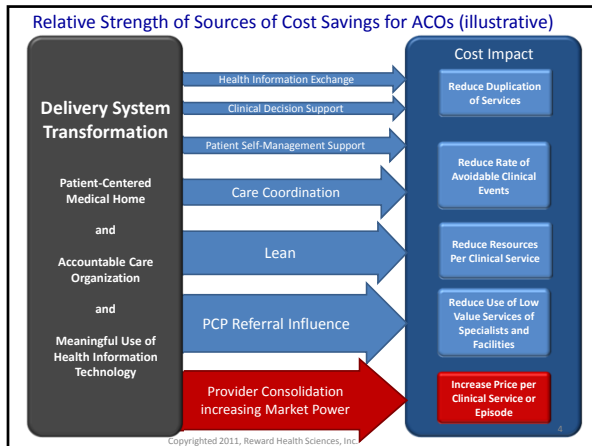
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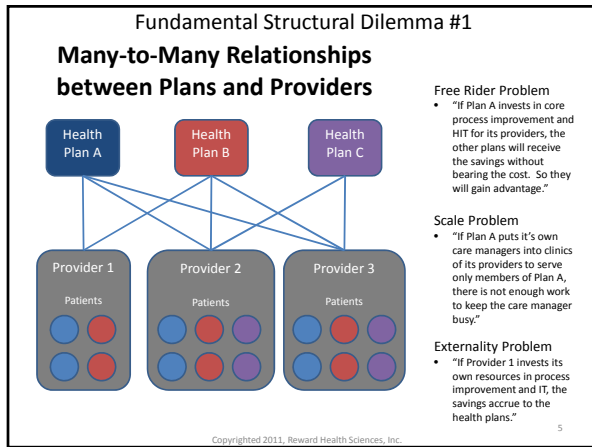
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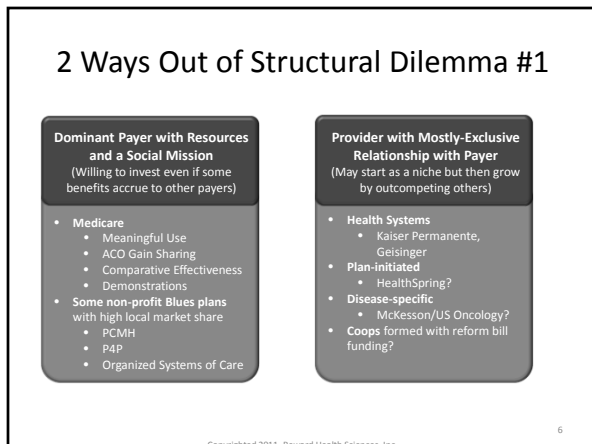
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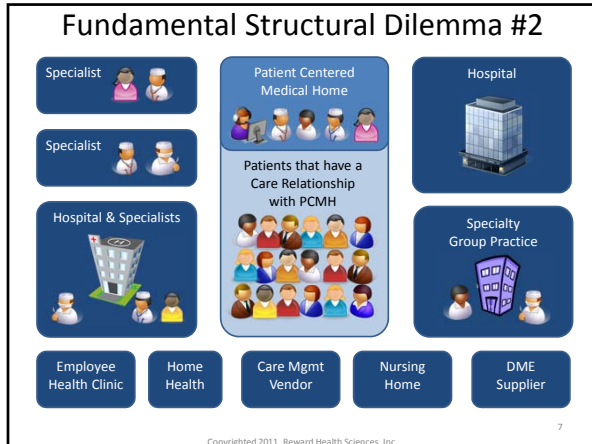
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### Fundamental Structural Dilemma #2

Every party's cost savings  
is another party's revenue loss...

...and they are not going to be happy.

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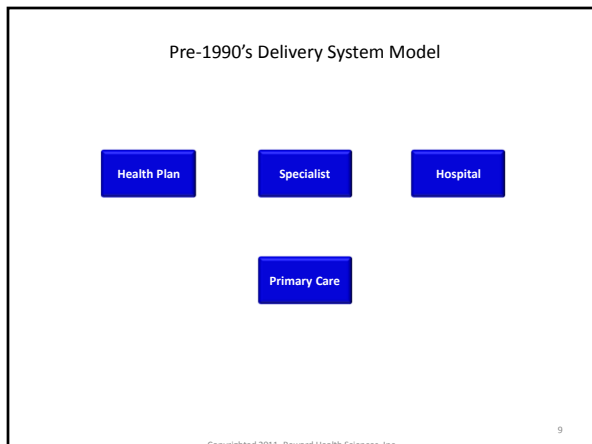
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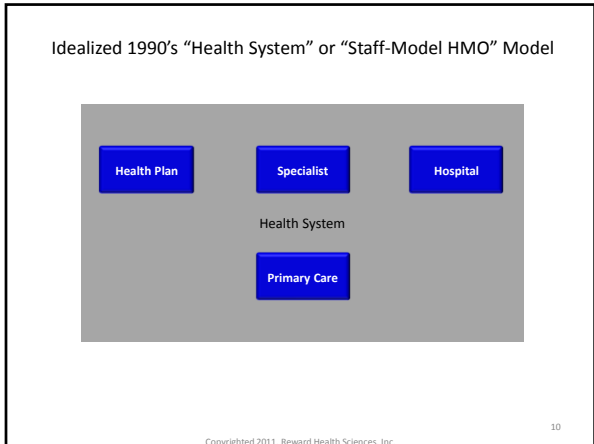
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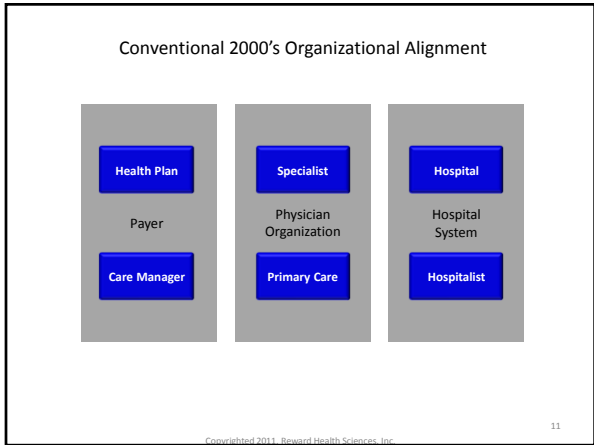
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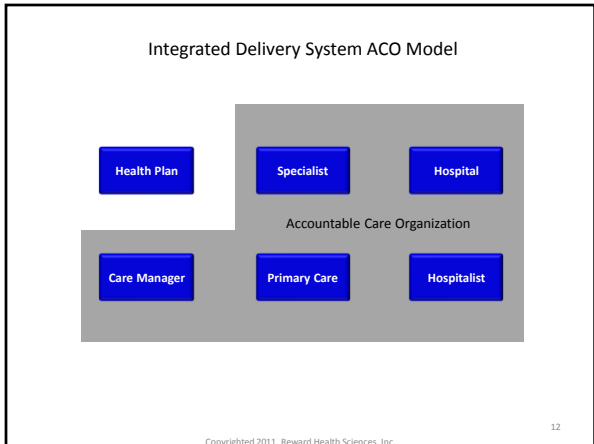
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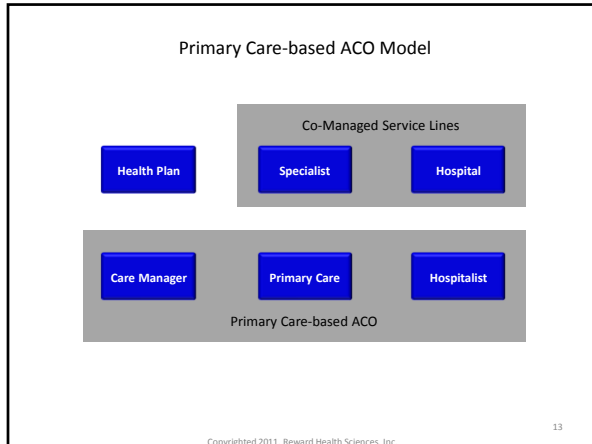
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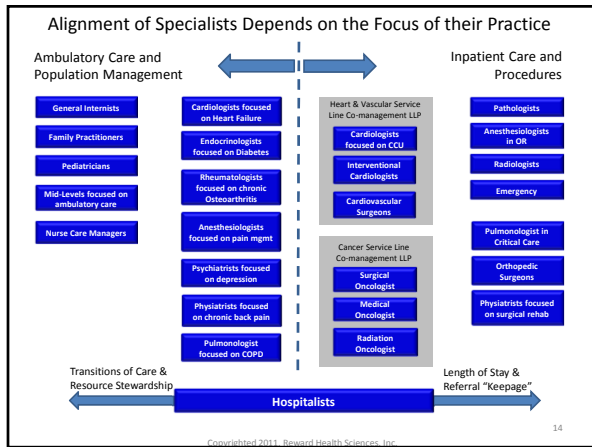
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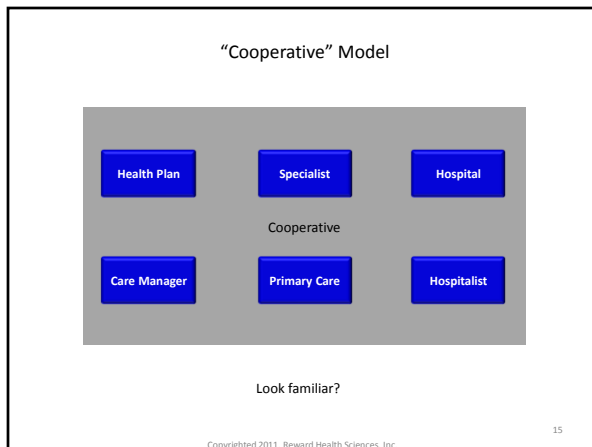
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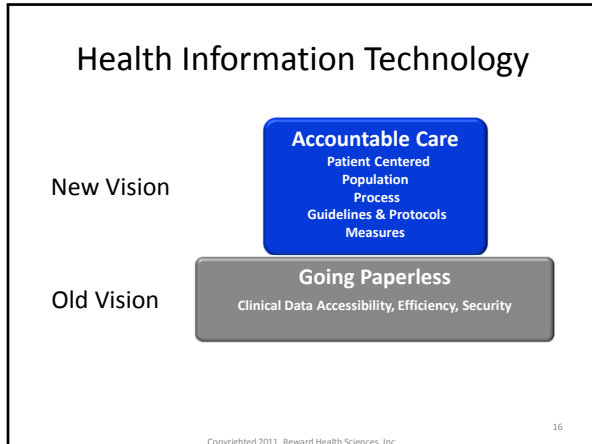
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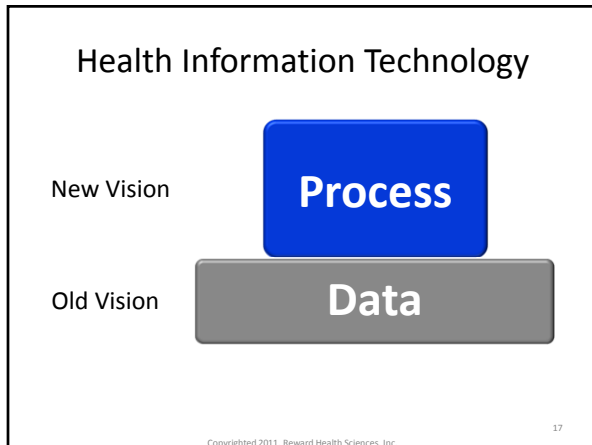
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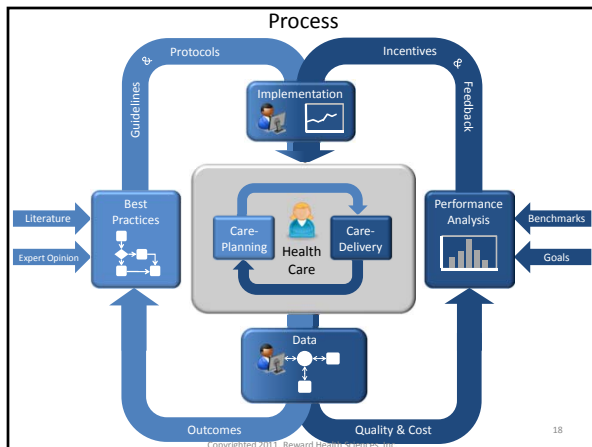
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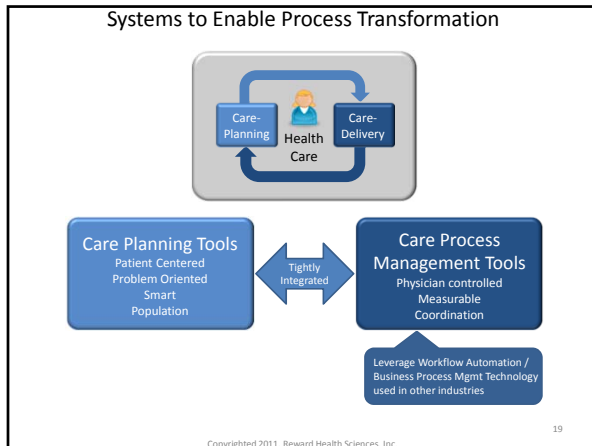
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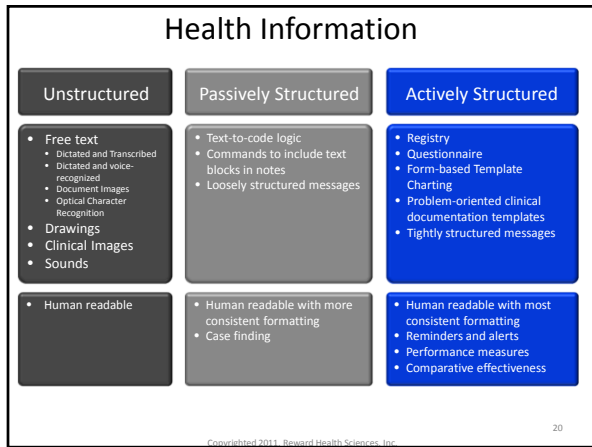
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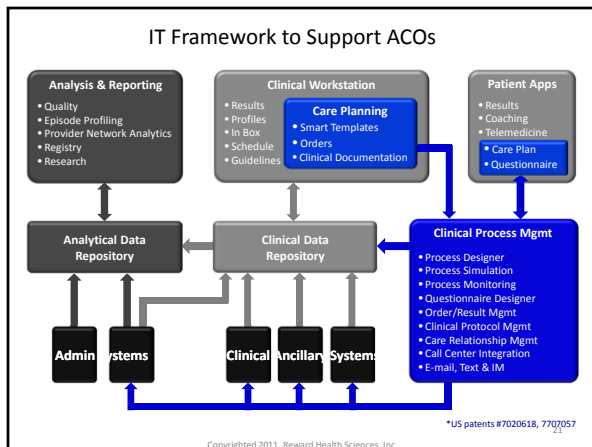
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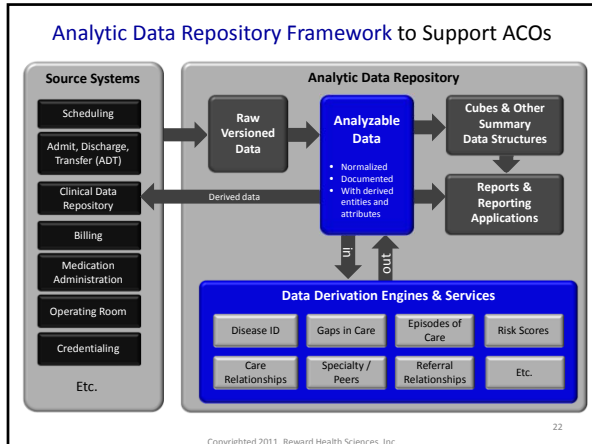
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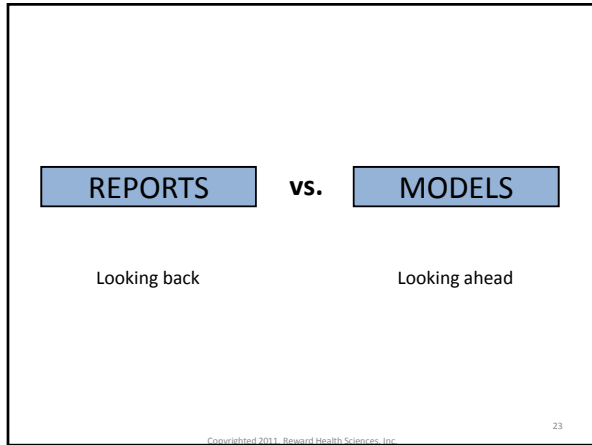
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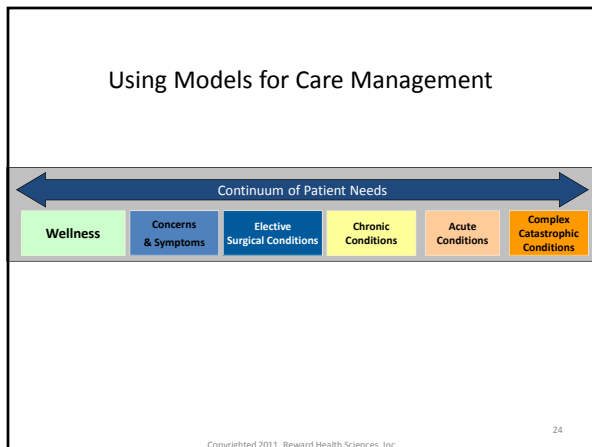
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## Is Care Management Effective?

- Are drugs effective?
- Is a scalpel effective?

### It depends

- Which population?
- What point in time?
- What intervention?
- What outcomes of interest?
- What time horizon?
- What evidence threshold?

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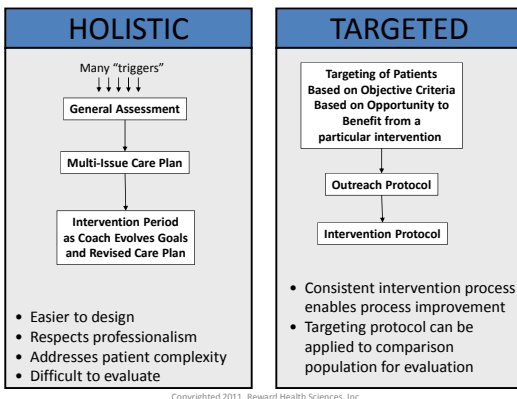
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## Competing Intervention Design Philosophies



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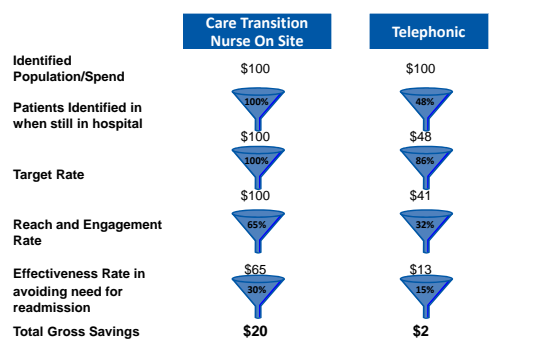
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## Using Intervention Models to Explore Alternative Interventions



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Illustrative

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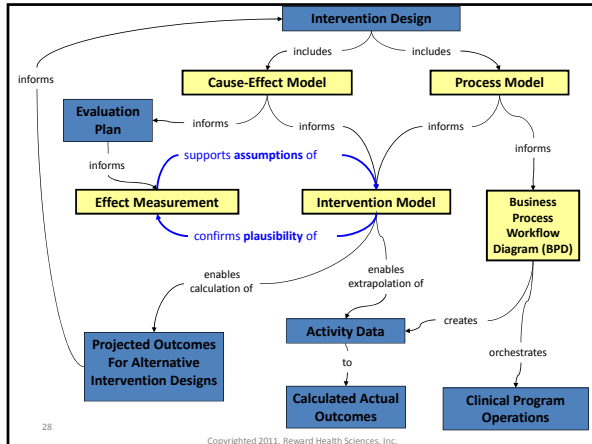
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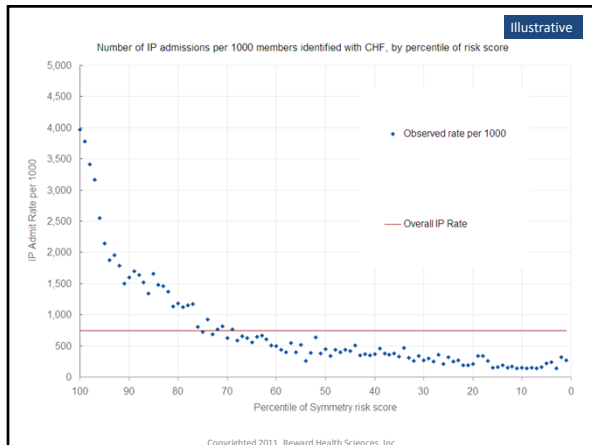
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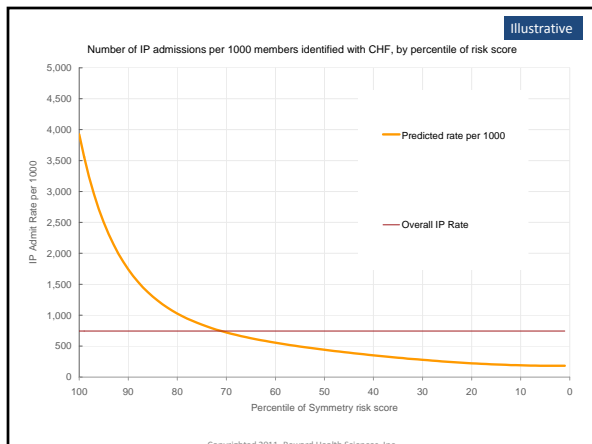
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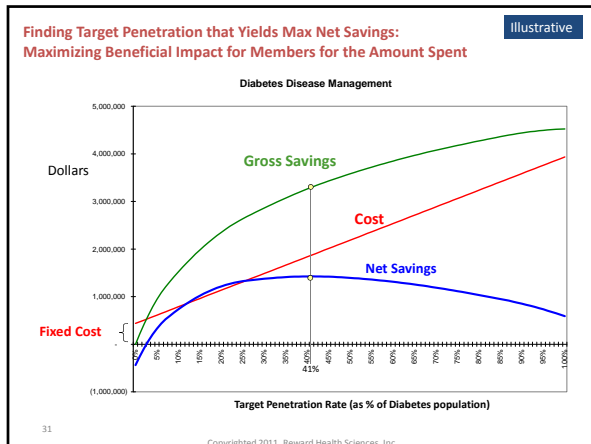
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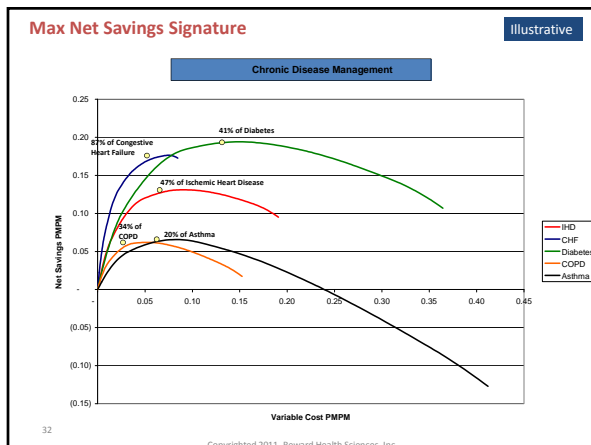
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**Dynamic Models**

- Thinking like an accountant analyzing accounts receivable

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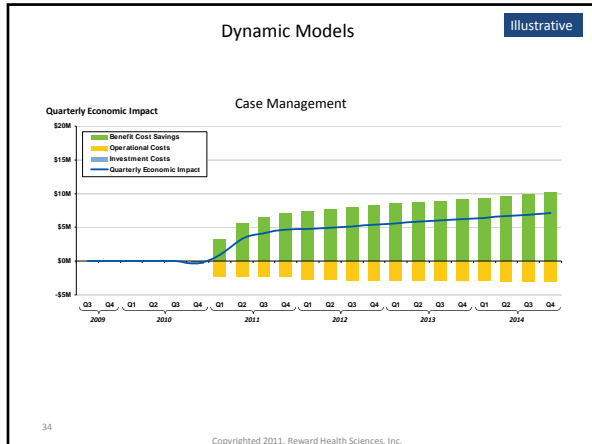
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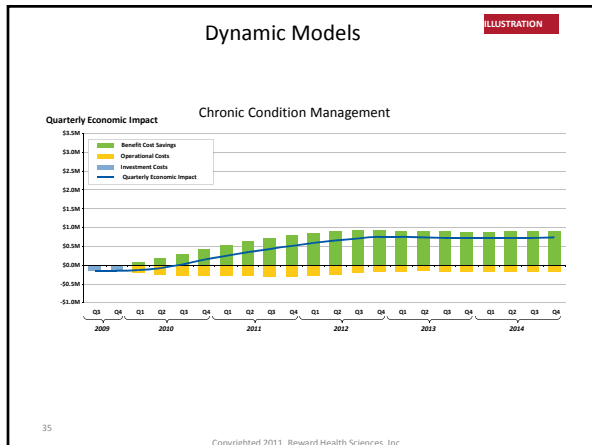
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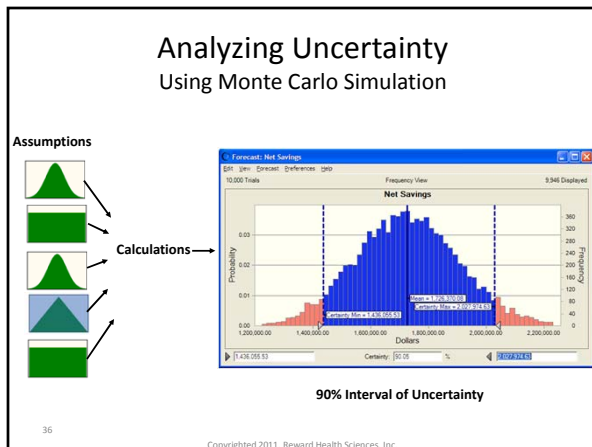
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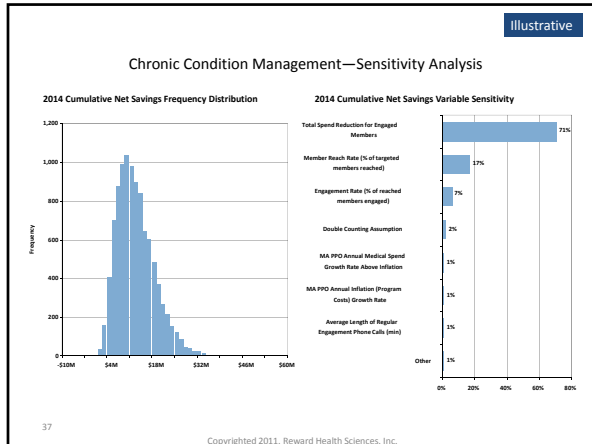
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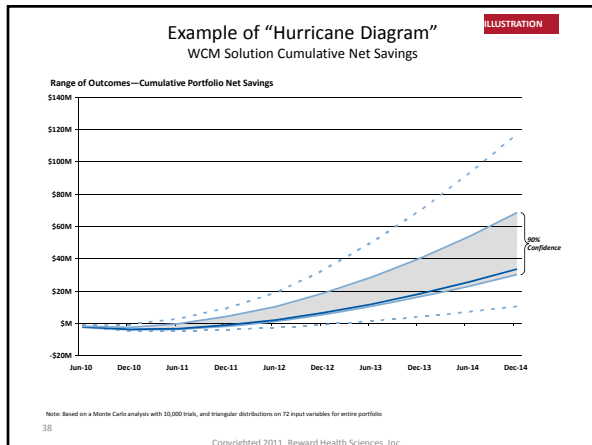
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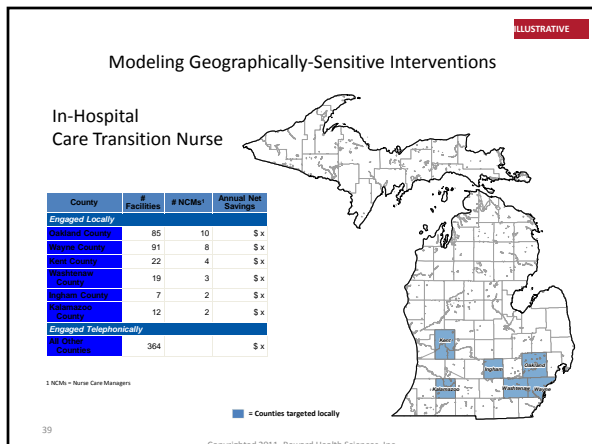
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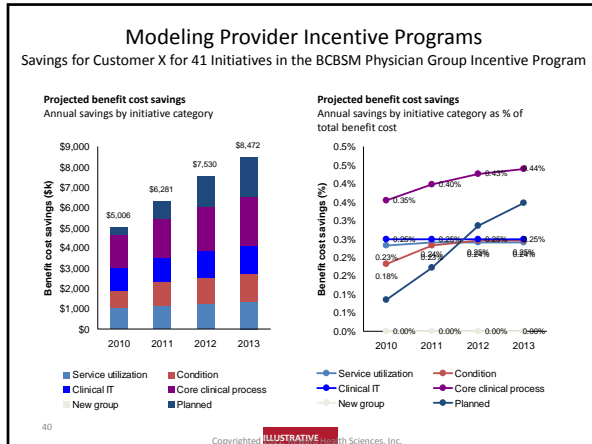
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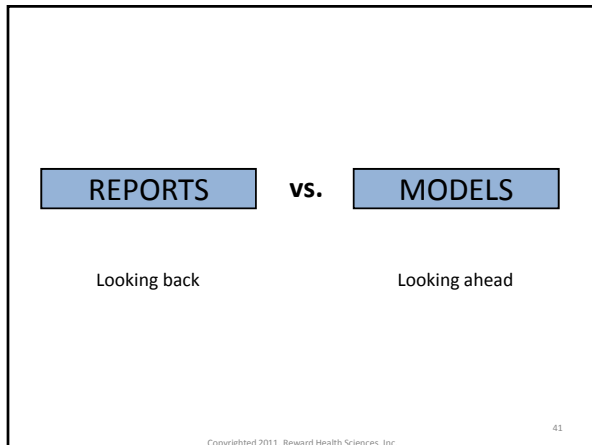
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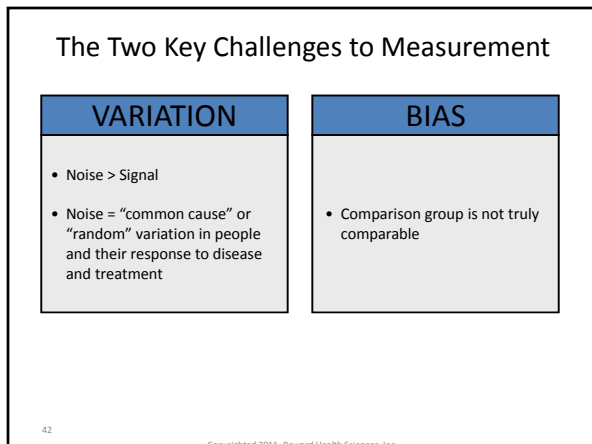
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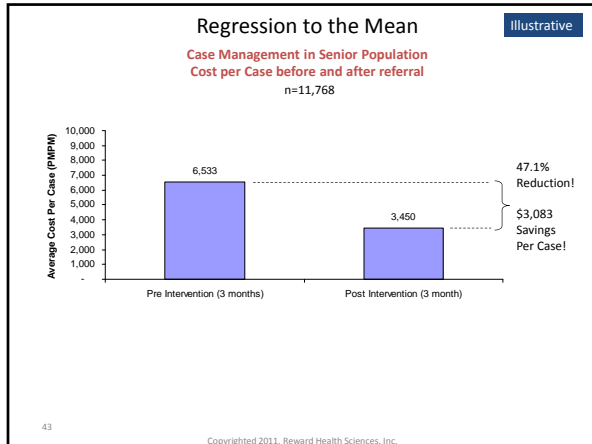
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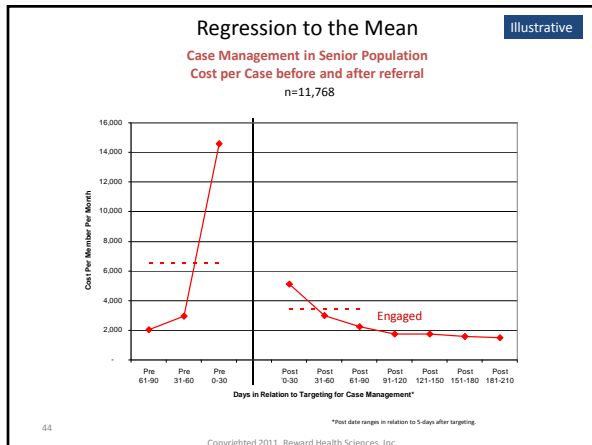
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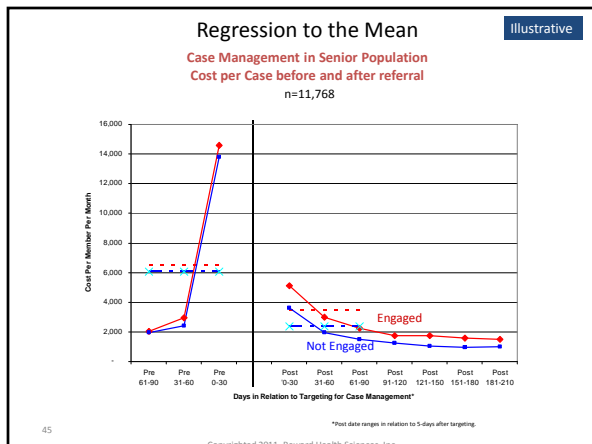
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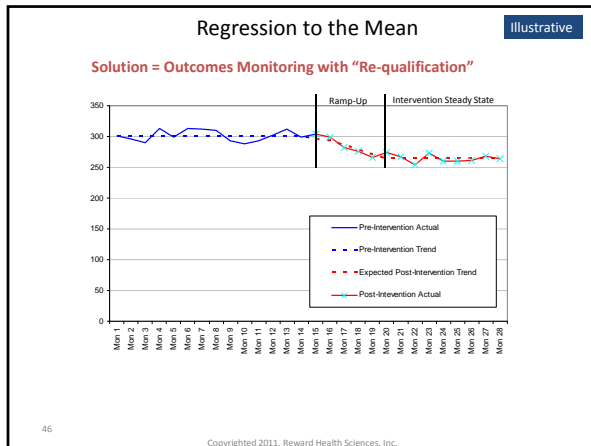
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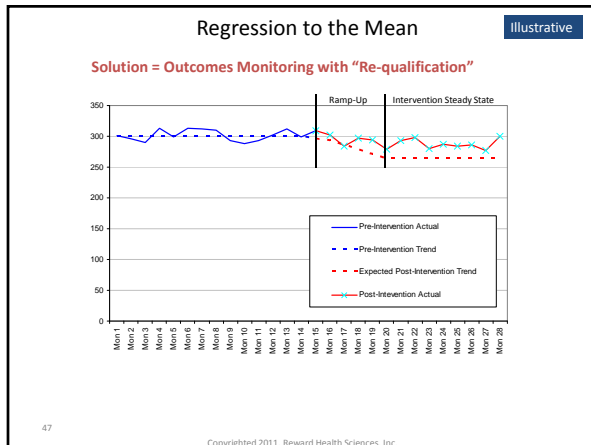
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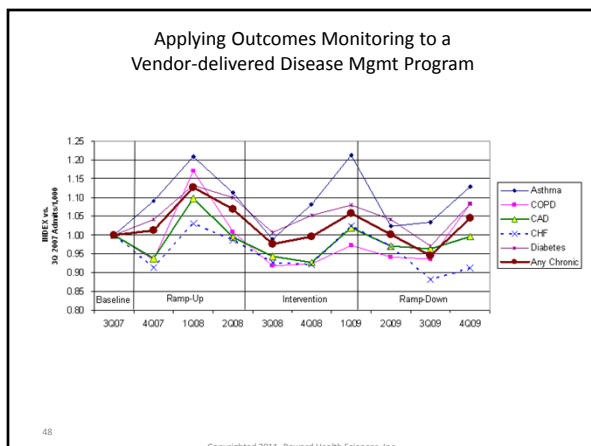
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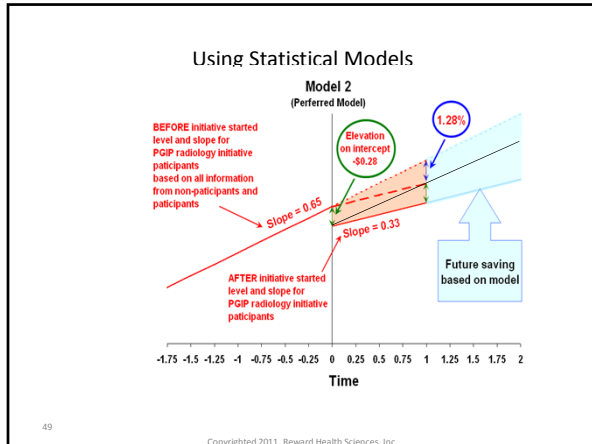
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- ### Dynamic ACO Financial Model
- ACO gets into financial trouble if their utilization efficiency success outpaces the market conversion to performance-based reimbursement and the ACO's efforts to reduce its fixed cost base.
  - Deals with health plans can be structured to reduce or share this transition risk.
  - The key is to create a dynamic model of the economics from all parties' perspectives, with believable assumptions and the right balance of simplicity vs. detail.
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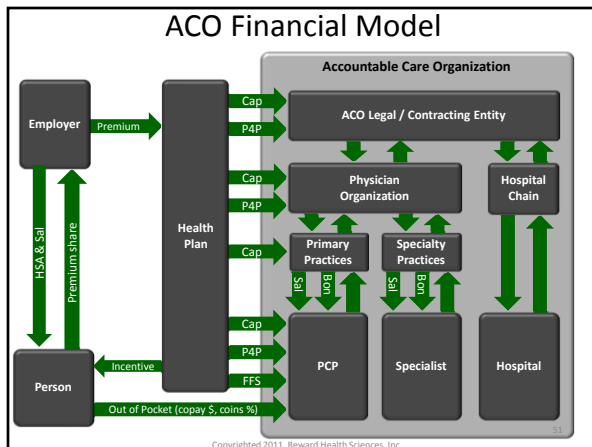
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## Summary

- ACO success requires attention to “ACO Stack”
- Primary Care vs. Health System Model ACO structure
- IT emphasis on care planning & care delivery coordination
- Importance of actively structured data
- Importance of models, not just reports
- Models should address uncertainty and dynamics

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Thank You!

## Questions

Contact Info:  
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519-817-8300

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