



The Evolving ACO Environment

Children's Hospital Colorado Conference Call

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Boston • Chicago • Houston • Miami • San Francisco • Washington, D.C.



LEADING CONSTRUCTIVE CHANGE

Value-Based Payment Models

REVISED

<i>Payment Model</i>	<i>Advantages</i>	<i>Drawbacks</i>
“Medical Home” Payments	<ul style="list-style-type: none"> • Funds some primary care case management • Simplicity, relatively low cost 	<ul style="list-style-type: none"> • Lack of accountability for how funds are used - closer monitoring would add costs • PC-driven model may not engage specialists
Pay-for-Performance	<ul style="list-style-type: none"> • Clarity, simplicity, flexibility • Promotes clinical collaboration, learning 	<ul style="list-style-type: none"> • Definition of cost metrics has lagged quality metrics • Focused indicators may not have enough impact to capture attention
Shared Savings / Gain-Sharing	<ul style="list-style-type: none"> • Flexibility <ul style="list-style-type: none"> – Targets can be designed around any financial goal – Risk can be symmetric, asymmetric, “corridorred” • Encourages payer / payee collaboration 	<ul style="list-style-type: none"> • Regulatory constraints • Lack of predictability / defined targets • Diminishing returns over time / establishes new lower baseline • Does not require clinical collaboration and infrastructure development
Episode-Based “Bundled Payments”	<ul style="list-style-type: none"> • Easy to understand • Promotes innovation, collaboration among providers 	<ul style="list-style-type: none"> • Complexity • Rigidity – difficult to update for changes in technology, economics
Capitation <ul style="list-style-type: none"> • Membership-based • Condition-based 	<ul style="list-style-type: none"> • Simplicity • Most powerful way to create value 	<ul style="list-style-type: none"> • Transfers much risk to providers • Encourages overreach (e.g., global cap disasters of the 1990s) • Potential for under-utilization without quality controls

Increasing Risk