



2011 Employer Driven
Accountable Care Organizations
Survey Report

What They Are and
What They Can Do for Your Organization

Next-Generation Health Care Delivery Model

The “**Accountable Care Organization**” (ACO) model, originally developed as part of health care reform, shows great promise as a viable option for employers to continue offering employer-sponsored benefits while reducing cost and improving quality of care and overall health. The ACO concept is relatively new and still evolving, particularly within the commercial community, where the term “ACO” focuses not only on accountable care, but also value-based risk arrangements, expected to be available to employers over the next three years.

ACOs are considered next-generation health care delivery models where teams of doctors, hospitals, and other health care providers and suppliers work together to coordinate and improve care for particular groups of patients. They reduce cost by providing plan participants the right care at the right time.

ACOs are rewarded financially by meeting specific quality standards set by the sponsoring organizations. For example, government ACOs are focusing on quality standards such as patient care experience, care coordination, patient safety, preventive health, and at-risk populations. ACOs that do not meet quality standards do not receive financial rewards. Over time, those that do not generate projected savings can be held “accountable.” The ACO concept is not just a new way to pay for care but a new model for the delivery of care that is expected to result in reduced cost and better care for plan participants.

What is an Accountable Care Organization (ACO)?

An Accountable Care Organization (ACO), refers to the organizational mechanism adopted by the Centers for Medicare & Medicaid Services (CMS) to implement the Shared Savings Program established by the Patient Protection and Affordable Care Act (PPACA). ACOs have come to represent a broader, value-based approach of delivering care whereby providers assume more financial risk, along with the opportunity of more financial reward, for delivering better care at less cost. This report refers to ACOs in this broader context and applies the term to the commercial market in addition to Medicare beneficiaries.

About the Survey

In June 2011, Aon Hewitt, in partnership with Polakoff Boland, administered a survey to gain insights on employer awareness of, and perspectives about, ACOs as a new way to deliver health care services to employees and dependents. The survey was completed by 674 respondents. These organizations provide health care coverage to more than 5 million U.S. employees and dependents, representing a broad spectrum of industries and a significant force for change in the health care marketplace.

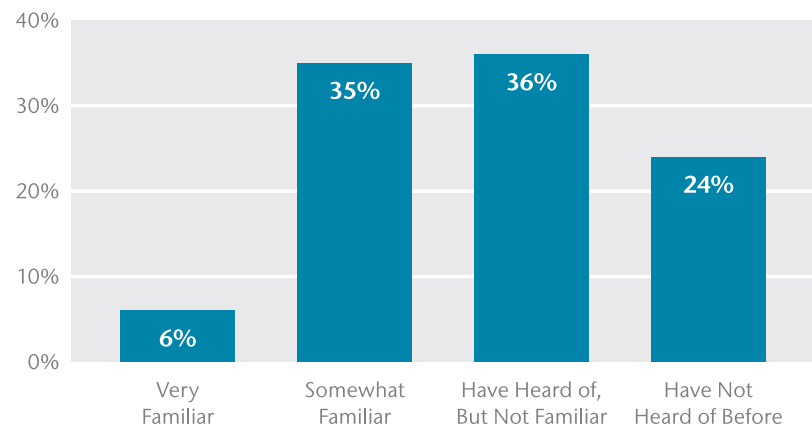
Summary of Findings

According to survey results, 77% of employers are unlikely to exit health care management when health insurance exchanges become available starting in 2014. This finding indicates that employers intend to remain “in the game,” of offering health care benefits for the foreseeable future. Sixty-five percent of respondents have expressed interest in exploring the use of ACOs as an option for providing health care benefits to their workforce.

Majority of Employers Are Familiar With ACO Models

The ACO concept is relatively new and a small part of the national health care reform agenda. For the most part, they have been promoted as a vehicle to improve quality and decrease Medicare expenses as part of the “Shared Savings Program.” ACO promotion and marketing efforts to date have not focused on employers. Yet, according to the survey, 36% of employers have heard of ACOs, and 41% are either very familiar or somewhat familiar with ACO models. Less than one-quarter of employers surveyed have not heard of ACOs prior to the survey.

Familiarity with ACOs

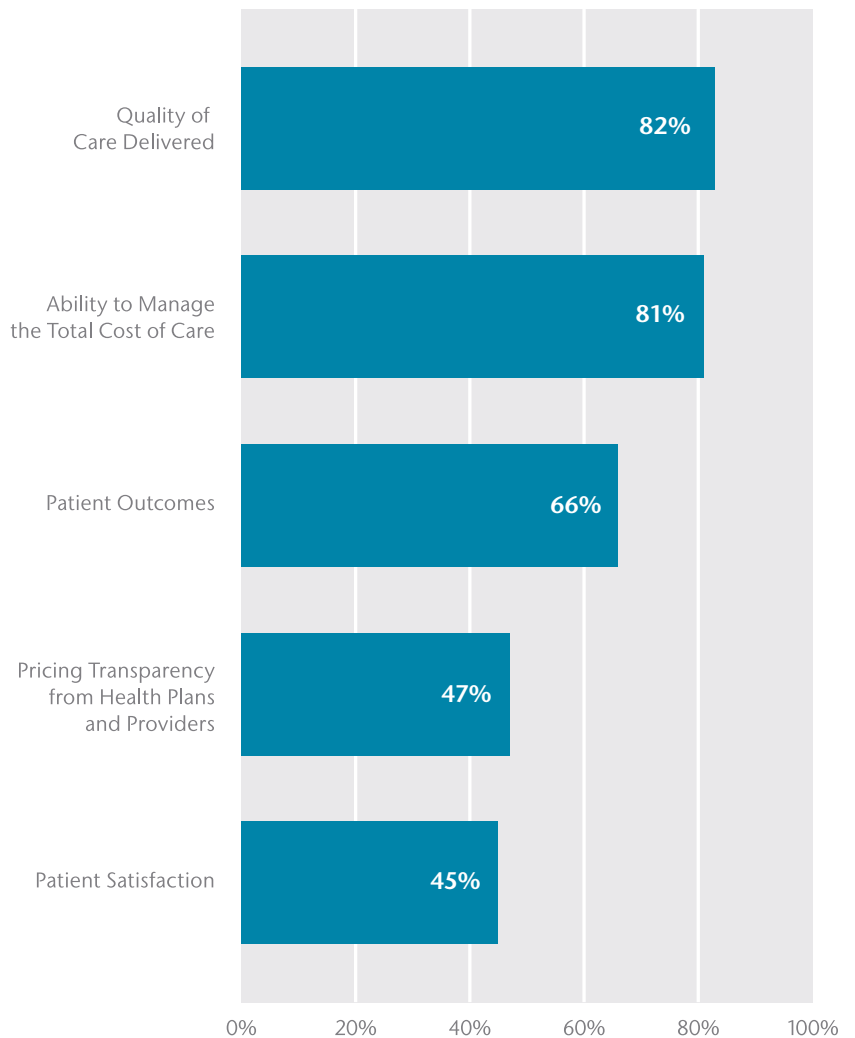


Quality and Cost Are Top of Mind When it Comes to Driving Interest in ACOs

Quality of care is the top ranked factor in evaluating or assessing the use of ACOs. The ability to manage the total cost of care ranked second. Patient outcomes closely followed, with price transparency and patient satisfaction rounding out the top five most important factors when determining whether to use an ACO.

Given that two-out-of-three top-rated factors are quality-related contradicts the notion that employers are only focused on cost. The implication for ACOs—and all other delivery systems—is that “quality sells.” Employers are willing, at least in concept, to embrace value purchasing. These results suggest that quality initiatives may be one of the keys for collaboration among employers, payers, and providers to promote better care at less cost through accountable care arrangements.

Most Important ACO Factors

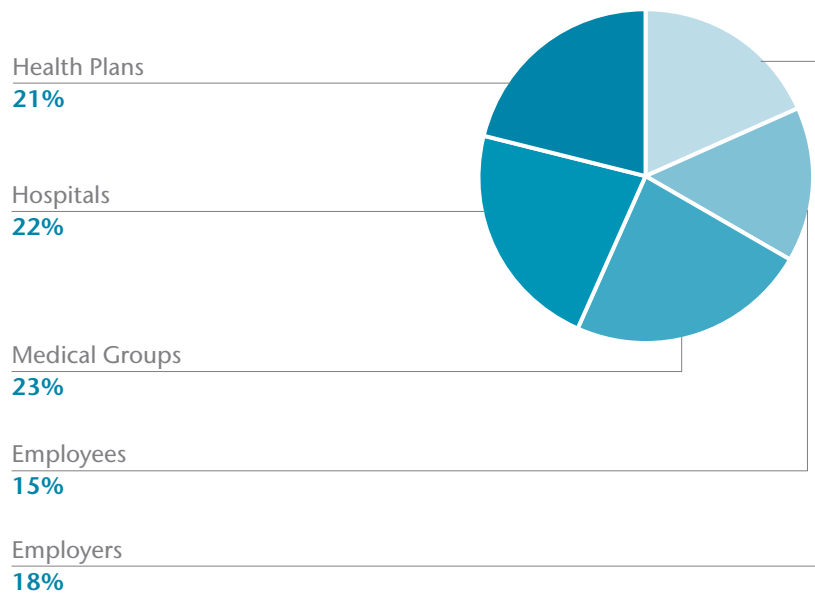


Employers Are Equally Divided in Terms of Who Should Share in the Cost Burden of ACOs

When asked about cost sharing, there is relatively even distribution between employers (18%), employees (15%), medical groups (23%), hospitals (22%), and health plans (21%). The relatively even distribution of perceived cost share suggests that employers do not necessarily view health plans as “the bad guys” in terms of responsibility for costs, nor do they distinguish between types of providers in terms of cost burden.

This reaffirms that employers are willing to use the tools available to them to further address cost issues but that they expect employees to take some responsibility for being better health consumers. The implication is that employers will need to continue to assist employees to be more cost-conscious health customers and make better health-conscious choices through consumer-driven health plans, high-performance provider networks, and cost transparency.

ACO Cost Management Risk Shares



Employers Are Mixed About What Would Influence an Employee's Acceptance of Using an ACO

When employers were asked how important particular factors would be in influencing employee acceptance of ACOs, “newness” is seen as critical (25%) or important (41%) as would be expected for any care model with no track record. However, on the issue of restricting patients to particular network providers, 28% see this as critical and 46% see it as important. At the same time, allowing patients to choose among different ACO networks and models is judged critical by 24% and important by 47%. Employers also feel it is critical (51%) or important (36%) to have employees’ primary care physicians in the network.

This points to the need for ACO proponents, whether Medicare-oriented or associated with a commercial health plan, to educate the public about the trade-offs between open-access networks like PPOs and Medicare Shared Savings Programs and more restrictive networks like HMOs and narrow networks increasingly sponsored by health plans in order to channel patients to more cost-effective providers.

Interestingly, there is a clear preference given to insurance brokers/consultants (75%) to advise employers on the merits of ACOs. Government agencies are less favored (24%) to provide credible information as well as medical groups (18%) and hospitals (11%).

Looking Ahead

While the ACO model was developed as part of health care reform, it has recently taken on greater significance since being introduced as another viable option for employers to reduce cost while improving quality of care. “Accountable care” does have the potential to drive improved outcomes while reducing costs. Their ability to navigate the transition from a “volume based” reimbursement methodology to a value-based or “outcomes based” reimbursement methodology will vary across the health care provider community. For providers, value means delivering better care for less cost. For employers, it means that providers and insurers will be more accountable and more transparent about clinical outcomes, data, and pricing. This transition will require changes in organizational structure and operational workflow. In some cases this transition will require a major cultural transformation depending on the current state of the organization.

Opportunities for employers to use an ACO will vary depending on local provider markets. Some employers may choose to create their own ACO model to serve their workforce population. For example, a self-funded employer could sponsor and organize its own ACO, similar to how organizations have created health plans or on-site clinics. Other employers may choose to directly contract with a provider system that is forming an ACO where the health plan is not needed to facilitate the continuum of care through the provider network, while others may want to gain access to an ACO through a health insurer.

There will likely be wide variances in ACO structure and overall effectiveness depending upon a number of variables such as the following:

- Organizational leadership in cultural transformation
- Depth and breadth of clinical reach within the health care system
- Degree of clinical integration between medical groups and facilities
- Adequacy of primary care physicians and/or hospital programs
- Effectiveness of shared governance between integrated provider-partners
- Engagement of physician leadership
- Interoperability of electronic medical records
- Quality of risk-adjusted financial data analytics
- Ability to accurately assess operational and financial risk
- Ability to manage financial incentives
- Degree of organizational alignment (clinical and financial objectives) among physicians, hospitals, payers, and purchasers

The most feasible way to improve care and pricing is for health plans (and federal/state governments) to structure risk contracts with providers whereby physicians and hospitals are responsible for doing “the right thing, at the right time, at the right cost.” That is the essence of accountability and will likely be the cornerstone of collaboration among stakeholders about how to drive efficiency and quality in the years ahead.

The ability to assess and manage this collaboration and other variables across multiple markets/geographies will be critical to a successful facilitation of an ACO model. As 2012 approaches, greater clarity around new ACO regulations will emerge, giving employers another option from which to choose from when deciding the type of coverage they want to provide their workforce. These new options will no doubt further alter the health care landscape. However, payers—including employers and providers—will need to aggressively pursue collaborative efforts to better manage quality and cost before long-term sustainability can be realized.

Employer Driven Accountable Care Organizations Survey Results

1	Please indicate your level of familiarity with each of the following:	Very Familiar	Somewhat Familiar	Have Heard of, But Not Familiar	Have Not Heard of Before
	Accountable Care Organizations (ACOs)	6%	35%	36%	24%
	ACO demonstration projects	2%	15%	31%	52%
	A "patient-centered medical home"	11%	27%	25%	38%
	Health insurance exchanges	17%	57%	22%	4%

2	Please indicate how similar you think an ACO is to each of the following:	Very Similar	More Similarities Than Differences	More Differences Than Similarities	Not Similar at All	Do Not Know
	Health Maintenance Organizations (HMO)	11%	42%	16%	14%	18%
	Preferred Provider Organizations (PPO)	1%	16%	36%	29%	17%
	Point of Service Plans (POS)	2%	18%	28%	28%	24%
	Exclusive Provider Network (EPN)	7%	28%	18%	14%	34%

3	How interested would your company be in exploring the use of an ACO?	Very Interested	9%
		Interested	19%
		Somewhat Interested	37%
		Not Interested at All	11%
		Do Not Know	24%

4	ACOs typically have a sponsoring organization that is responsible for marketing, operational, and financial functions. For each of the potential sponsoring organizations below, what is your level of confidence that the ACO could best deliver on its goals?					
		Very Confident	Somewhat Confident	Not Very Confident	Not Confident at All	Do Not Know
	Large medical group	1%	30%	34%	9%	26%
	Hospital system	4%	26%	34%	11%	26%
	Combination of hospital and health plan	5%	43%	22%	4%	26%
	Combination of large medical group and health plan	5%	48%	19%	3%	25%

5	Please rank the most important factors in evaluating or assessing the use of ACOs.	Top Factors Ranked 1, 2, 3, 4, or 5	#1	#2	#3	#4	#5
			Quality of care delivered	82%	32%	22%	12%
Ability to manage the total cost of care	81%	26%	18%	16%	13%	8%	
Patient outcomes	66%	16%	19%	12%	10%	9%	
Pricing transparency from health plans and providers	47%	4%	9%	10%	11%	13%	
Patient satisfaction	45%	4%	9%	11%	10%	11%	
Premium predictability and stability	38%	5%	7%	8%	7%	11%	
Ability to manage chronic illnesses	37%	4%	6%	10%	10%	7%	
Promotion of healthy lifestyles	27%	1%	2%	4%	8%	10%	
Illness prevention	25%	2%	3%	7%	7%	6%	
Innovative provider payment to reward quality	24%	4%	2%	7%	5%	7%	
IT enablement	9%	0%	1%	1%	2%	4%	
Ability to contract directly with providers and bypass health plans	8%	1%	1%	2%	1%	3%	
Ability to manage behavioral care	6%	0%	1%	1%	2%	2%	
Ability to manage long-term care	4%	0%	0%	1%	2%	1%	

6	Given the potential of health insurance exchanges, how likely is your organization to exit health care management entirely and use these exchanges beginning in 2014?	Definitely Will	0%
		Probably Will	5%
		Probably Will Not	48%
		Definitely Will Not	29%
		Do Not Know	18%

7	How likely do you think options within the health insurance exchanges will include ACOs?	Definitely Will	1%
		Probably Will	30%
		Probably Will Not	18%
		Definitely Will Not	1%
		Do Not Know	50%

8	To what extent should each constituent share in the ACO's cost management risk?		Average % Cost of Share
		Employers	18%
		Employees	15%
		Medical Groups	23%
		Hospitals	22%
		Health Plans	21%

9	How important do you think each of the following would be in influencing employee acceptance (positively or negatively) of ACOs?	Critical	Important	Somewhat Important	Not Important at All	Do Not Know
ACO "newness"/limited track record	25%	41%	18%	4%	12%	
Allowing patients to use only ACO network providers for care and services	28%	46%	13%	3%	10%	
Having different ACO networks or models to choose from	24%	47%	18%	2%	9%	
The awareness or/reputation of the sponsoring organization	33%	46%	13%	0%	8%	
Having your primary care physician in the ACO	51%	36%	5%	0%	7%	

10	Among the following, who would you prefer to provide you credible information about ACOs?	Top Factors Ranked 1, 2, or 3	#1	#2	#3
	Insurance broker/consultant	75%	46%	18%	11%
	Professional associations	57%	17%	21%	18%
	Health plan	47%	11%	19%	17%
	Fellow HR professionals	34%	7%	12%	15%
	Government agencies	24%	5%	8%	11%
	Medical group	18%	3%	6%	9%
	Law firm	17%	4%	6%	7%
	Academic institutions/professors	14%	4%	5%	5%
	Hospital	11%	2%	3%	6%
	Other (please specify)	4%	3%	0%	1%

11	How important would it be to know about contracting activity involving hospitals and physicians in a provider-sponsored ACO or an ACO network offered by a health plan to your employees?	
	Critical	30%
	Important	46%
	Somewhat Important	14%
	Not Important at All	1%
	Do Not Know	9%

About Aon Hewitt

Aon Hewitt is the global leader in human resource consulting and outsourcing solutions. The company partners with organizations to solve their most complex benefits, talent and related financial challenges, and improve business performance. Aon Hewitt designs, implements, communicates, and administers a wide range of human capital, retirement, investment management, health care, compensation and talent management strategies. With more than 29,000 professionals in 90 countries, Aon Hewitt makes the world a better place to work for clients and their employees.

For more information on Aon Hewitt, please visit www.aonhewitt.com.

About Polakoff Boland

Polakoff Boland is a national healthcare management consulting firm that works collaboratively with physicians, hospitals and payers on implementing value based risk contracts. The purpose of cross-sector cooperation is to harness the expertise and commitment of providers and health plans to increase quality and reduce costs. Building trust and transparency among stakeholders is key to making the transition from fee-for service to fee-for-value and greater risk management among participants.

For more information on Polakoff Boland, email ppolakoff@polakoffboland.com or visit www.polakoffboland.com