



INSIGHT

Sharp's Pioneering ACO May Raise Bar in San Diego

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SAN DIEGO -- Sharp HealthCare's selection as the only San Diego-based provider and one of six in California to participate in the federal Pioneer Accountable Care Organization program could raise the bar for health care providers throughout San Diego County.

Through ACOs, a central feature of the Affordable Care Act, health care providers receive financial incentives to team up to provide higher-quality and lower-cost care to Medicare beneficiaries.

After many health care providers raised concerns about the initial governing rules for ACOs, CMS announced the Pioneer program in May 2011, designed specifically for organizations, like Sharp HealthCare, that already had experience providing coordinated care.

The Pioneer pilot aims to give providers a faster path to become mature ACOs, as well as earlier access to anticipated savings in exchange for taking on more financial risk up front.

Pioneer ACOs also will be able to move more quickly from a shared savings model to a population-based payment structure than other ACOs. Generally, Pioneer ACOs will share savings and losses in a traditional payment arrangement during the first two years of the program. Organizations that demonstrate savings will then be eligible to switch to a capitation, or population-based payment model.

Population-based payment is familiar territory for Sharp, with a system of seven hospitals and 2,600 affiliated physicians who care for some 280,000 members. The system also manages 39,000 Medicare Advantage beneficiaries and will take on an additional 32,000 beneficiaries through its Pioneer ACO. Last year, two of the system's affiliated medical groups -- Sharp Community Medical Group and Sharp

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ACOs Expand Amid Uncertain Futures

Accountable care organizations, one of the key tools for keeping costs down under health reform, have had mixed success so far in California. Some providers are saving money, but whether they'll be able to sustain savings while meeting quality standards remains to be seen,

Reese-Stealy Medical Centers -- launched an ACO pilot with about 21,000 members in PPOs.

The government is hoping the Pioneer program will reduce Medicare spending by \$1.1 billion over five years.

Overcoming Early Obstacles

The final set of ACO rules CMS released in October 2011 represented a number of important changes from the initial proposal. The final regulations make participation more attractive to many providers, including Sharp.

One of the initial major sticking points was the number of quality metrics that participating providers must meet to receive quality bonuses. The final regulations call for 33 measures, down from 65.

"It was very unclear as to how organizations had to perform in order to be eligible for the shared savings," John Jenrette, CEO of Sharp Community Medical Group, said of the original regulations. "I think CMMI (the CMS Center for Medicare and Medicaid Innovation) really heard that clearly and refined those and created metrics that make sense," he said.

A second key change involves the way in which Medicare beneficiaries are aligned to a particular ACO. Now, when ACOs form they will know which beneficiaries they are responsible for, rather than finding out when their contracts run out.

According to Alison Fleury, CEO of the Sharp HealthCare ACO, the ability to inform beneficiaries ahead of time whether they were assigned to an ACO was an important step in learning about the population Sharp will be managing.

Under the program, beneficiaries who received the majority of their care from a care provider within an ACO network during the past three years are aligned with that ACO.

Finally, the ability to move from a shared-savings model to a population-based payment arrangement was very important for many organizations.

"One thing at least some of the organizations are excited about is that eventually CMS would be willing to go to a capitated approach. I think a lot of these Pioneer ACOs, given that they are leaders in care coordination already, like that option," said John Pickering, principal consulting actuary with the actuarial and consulting firm Milliman.

Certainly, the ability to move into a capitated payment arrangement was a critical component for Sharp. "We operate under a completely captive Part A/Part B system, so that became very interesting to us and something we thought we could do well," Jenrette said.

Challenges Ahead

Despite years of experience operating in an ACO-like system, Lynn Dong, a principal

experts say.

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consulting actuary with Milliman, said Pioneer ACOs are likely to find their infrastructure somewhat lacking, particularly as they take on functions historically performed by health plans.

"Some of the things that they're going to need in place in order to be successful are utilization management functions, such as disease management, complex case management, preauthorization services, specialty referral management, and other analytic tools. In particular, financial and actuarial modeling, which has typically been performed at the health plan level, will be an important contributor to the success of these organizations," Dong said.

Perhaps the biggest challenge Pioneer ACOs will face is that beneficiaries have the freedom to visit any health care provider accepting Medicare and not stay within their assigned ACO network.

"I think the real test for an organization like Sharp is not being able to produce quality measures, and it's not bearing risk, it's being able to manage the traditional Medicare population with no limitation on choice," said Robert Berenson, a senior fellow at the Urban Institute.

Despite Sharp's long-established integrated delivery system, plans to further invest in and refine care management, patient engagement and care coordination, among other things, will be needed to keep patients within the ACO.

Stacey Hrountas, CEO of Sharp Rees-Stealy Medical Group acknowledged the challenge. "It's going to be up to us to develop new models to engage the patient in a different way than we've had to do in the past since they're not restricted to go everywhere," she said.

Beneficiaries are likely to see a new level of personal service, which could include a liaison who helps them navigate the system and greater efforts to engage patients in prevention and wellness, Jenrette said. "The connection with the physician and the case manager, and then the connection to the primary and the specialist will be, I think, tighter, and you're going to see more communication, which I think the patient will appreciate."

Dong said Pioneer ACOs also will need to analyze historical data and benchmarking to be successful. "Providers have typically been used to looking at only the services they perform," she said. "We're encouraging organizations to take a bigger-picture view of the full spectrum of medical care, including both inpatient and outpatient physician costs, and then focus on areas where they could potentially employ greater utilization management efforts and initiatives."

Will It Be Worth the Effort?

One of the program's potential downsides, experts say, is that Pioneer ACOs may face a point of diminishing returns as they work to improve upon their already sophisticated delivery systems. Under the Pioneer program, baseline costs are figured by compiling the last three years' experience for each provider. That means the

financial gain is greater for organizations with a lot of room to lower costs.

"One of the strange things about a Shared Savings Model is if you've been inefficient, your potential for getting profits is much higher than if you've been efficient," Berenson said.

"If an ACO has done a good job in their capitated contracts and practices the same style of care for its fee-for-service patients, the organization may have less potential for savings under the Pioneer ACO program than would other organizations," Dong said.

Impact on the Community

Although it's early yet, the Pioneer ACO model may necessitate that Sharp work more collaboratively with other providers in the community.

"We are just starting the Pioneer ACO and the commercial ACOs are in various stages of implementation. I think it's too early to tell exactly what the relationships with the other providers will be and how we manage that, but it's something we are keeping our eye on," Hrountas said.

Beyond potential partnerships, Dong sees the possibility for positive spill-over effects to health care communities nationwide, as medical records become more portable and more easily accessed and as preventive care measures are implemented. "I think there are efficiencies to be gained," she said.

Sharp sees that potential as well. As the system's care delivery continues to improve, competitors in the San Diego market are likely to find they'll need to step up their game.

"Although we're the only Pioneer ACO in San Diego County, I think we will, in turn, raise the bar for all of our competitors in this marketplace," Hrountas said.

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