

Discussion Guide...

Our Perspective - ACO Pay-For-Performance (P4P)...

Second Opinion's Core Consulting Premise

The world of healthcare is in profound and accelerating upheaval. The sources and manifestations of these changes are evident across the entire spectrum of care delivery. Amongst the most actively debated emergent trends is the pursuit of one of several versions of Accountable Care Organizations (ACOs), as new models to improve patient care and accommodate the coming shift from fee-for-service payments to pay for outcomes.

While there is growing consensus that the adoption of one or more versions of ACO's is inevitable, there is also ubiquitous confusion over what the actual organizational structures, management processes and performance/reward (P4P) systems will be that will define successful healthcare enterprises in 2012 and beyond.

The specific configurations of organization, management and P4P elements will vary from institution to institution as they grapple with redefining their missions in relation to their emerging ACO goals and their legacy systems. The "C" level executives in charge of these transformations will carry a heavy burden to maintain the integrity of complex, mission-critical systems while effecting changes that will fundamentally alter both the charters and characters of the entities that will be integrated into new ACO alignments.

In this environment, C-Level executives will be anxious to obtain the support of credible, external advisors who can provide a broader perspective on the form, content and implications of various alternatives. SO advisors can render observations and opinions on "best of breed" approaches without having vested interests or conflicts with any of the components or constituencies of the ACO enterprise. This objectivity will be especially valuable in establishing new P4P systems, and helping to adjudicate the contentious issue of how the divvy up the spoils (both upside and downside) in relation to P4P results.

Major Axes of Performance

The profound shifts taking place in healthcare generally, and with respect to ACO's in particular, will require new strategies, new organizational structures, new roles, new accountabilities, new positions, new people and new modes of operation – all while maintaining the ongoing life preserving and life enhancing missions of the institutions that make up the world's largest industry.

The ultimate impact of the choices made, and their execution, will be measured against four primary axes of performance: Quality, Efficiency, Revenue and Satisfaction. Each of these axes represents dimensions of care delivery that can constitute objectives in their own right. Each can be further broken down into their own discrete measures of performance. And each by their very nature is interrelated in ways that can enhance and/or adversely impact each other.



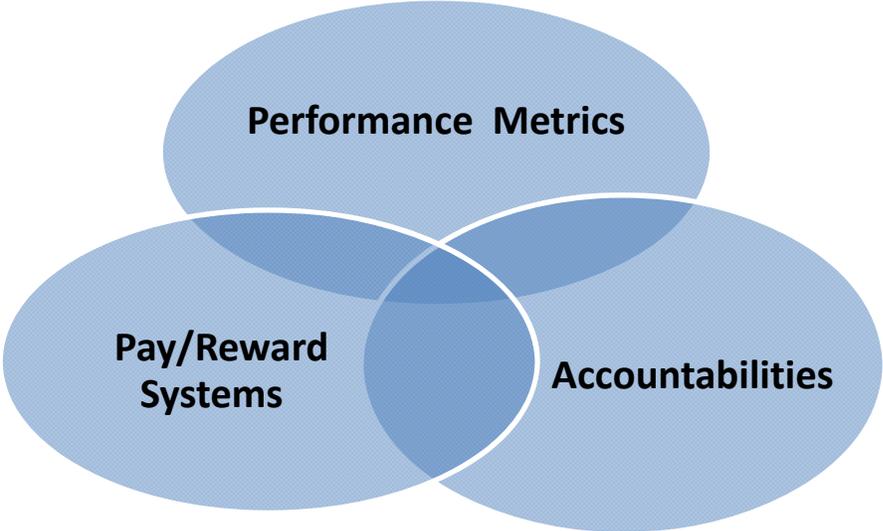
The primary challenge for all healthcare organizations will be to define clearly what each institution intends for each axis, and then establish their approach to resource allocation and goal setting to optimize their performance against all axes.

Second Opinion's role will be to assist "C" level executives analyze and implement ways in which their institutional missions, goals, resources, constraints and cultures can be integrated into a P4P system that will enable the institution to optimize its results and sustain competitive superiority.

Creating and Administering a P4P System

Once healthcare leaders have defined their institutional goals with respect to the four primary axes, the challenge then becomes the establishment of a P4P system that will align the actions of components and individuals with the overall objectives of the institution. Translating broad goals into individual objectives that can be measured against clear and relevant metrics is a tricky business. Throw in dynamically changing (and sometimes contradictory) regulatory and legal policies (particularly as they relate to liability and risk), and you have an environment fraught with the potential for conflict and unintended consequences.

Second Opinion is in an ideal position to assist “C” level executives select the specific performance metrics that will best reflect their corporate values and goals; examine the accountabilities assigned to individuals to insure that they have the competence, information, responsibility and authority to perform their tasks; and evaluate the proposed levels and methods of pay to insure that the right people are paid appropriately for the right results.



In addition to the challenges inherent in engineering these policies and procedures is also a requirement for institutions to rethink how they capture, access and process data in the health information technology (HIT) systems that underlie the enterprise. Making the right bets with HIT investments have actually risen to the strategic level for many healthcare institutions.

The old adage: “If you can’t measure it, it doesn’t exist, and when you can measure it, you’ve got to do something about it” is beginning to provide both opportunities and risks for institutions as they contemplate making substantial investments in HIT upgrades.

Conclusion

The inexorable tide of change sweeping healthcare is causing institutional leaders to reevaluate all aspects of their P4P systems. Given the breadth, depth and maturity of *Second Opinion’s* consulting team, our consultants should be able to offer “C” level decision makers a valuable resource as they explore the challenges confronting them, and make commitments to new forms of care delivery, like ACO’s, that are likely to fundamentally alter the structure, operations and culture of their enterprises.