

**COUNCIL ACTION FORM**

**SUBJECT: 2016 ACCOUNTABLE CARE ORGANIZATION PILOT WITH WELLMARK**

**BACKGROUND:**

For the 2015 calendar year the City has been participating in an Accountable Care Organization (ACO) pilot with Wellmark. This is a program for those receiving health insurance benefits through the City of Ames as employees, retirees, spouses or dependents.

An Accountable Care Organization is a local health care provider that is held accountable for the quality and cost of the care it delivers. Important characteristics of ACOs include the following:

1. ACOs have a strong base of primary care physicians. These are providers patients see regularly and might call "my doctor."
2. Doctors are not just accountable for caring for patients when they are sick. More importantly, they also focus on keeping patients well for as long as possible.
3. ACOs receive payments linked to quality improvements that also reduce the rate of increase in health care costs. For example, helping a patient manage his or her diabetes is *both* high quality health care *and* prevents expensive complications such as blindness or amputations.
4. Performance measurements ensure that savings are achieved through improvements in care.

Wellmark already uses an ACO model for everyone covered by Wellmark insurance. Last year Wellmark took a next step by inviting 10 employers whose health care benefits are self-funded, and for whom Wellmark provides administrative services, to participate in a 2015 ACO pilot. The first year was a "no cost" initiative approved by City staff that gave the City an opportunity to explore the ACO model and concept. Staff is now proposing that the City continue as a participant for the next phase of Wellmark's ACO pilot in 2016.

Currently 13 ACOs have an agreement with Wellmark in the state of Iowa. City of Ames insured are patients at three of those ACOs: McFarland Clinic, Mercy, and Unity Point.

The ACO model is expanding across the country, and Wellmark has actively participated in this model since 2012. **An ACO is not an insurance product or benefit. Rather, it is an agreement between providers and payers to incentivize value-based healthcare. Healthcare providers are held accountable and share in both the risk and the benefits. Incentives are paid to providers when quality targets are met or improve above the target. Each ACO must also meet Wellmark trend and Consumer Price**

**Index cost targets in order to receive incentives. If an ACO does not meet its targets, it pays back losses to the company or employer that pays the claims.**

It is anticipated that as actual health care cost savings occur, they are realized by the employer in the form of lower claims. **In the ACO model, a portion of those savings are paid back to the provider (ACO) in a concept called “shared savings”.** In the 2015 pilot for self-insured businesses, Wellmark is paying all of the employer portion of shared savings to each ACO in place of the self-insured employers (such as the City of Ames). Of the overall claims savings realized through the 2016 pilot, the ACOs that meet the specified criteria will be paid 40% of the savings with Wellmark paying half this total and the City paying the other half of the obligation.

Other elements of the 2016 Pilot include the following:

- Each employer will pay back a portion of employer retained savings to each ACO according to the number insured. It is estimated that the City’s share of the cost savings payments to ACOs will likely range from \$1,000 to \$44,000. Under the 2016 Pilot agreement negotiated by City staff, this amount will be capped at no more than \$25,000. This amount will be calculated based on individual ACO performance for the three ACOs where City of Ames insured members are patients. The total amount will hopefully be less than \$25,000, but will not exceed that amount.
- Incentives will be paid to the various ACOs proportionally based on the number of members in each employer group.
- Initial data using claims through December 2014 indicates that the City would save in lowered claims costs in two of the ACOs and have losses in one ACO. While it is impossible to predict the precise impact on the City’s Health Insurance Fund, predictions on the impact of the ACOs performance in 2016 range from a lost savings of \$8,000 to realized savings of \$150,000.
- At the end of this pilot period the City will receive health data for our city employee claims by risk group. This data will allow us to verify where cost savings were realized and to create programs to address specific healthcare needs of our employees.

This potential cost seems like a worthwhile investment to make as our ACOs make further efforts to improve proactive health care delivery and save costs. Data from the past year indicates there are particular opportunities to lower healthcare costs in the following areas:

**Chronic Disease**, where patients with chronic disease incur 51% of the City’s total cost of care, but make up only 29% of the City’s insured group.

**Acute Minor health conditions** (injuries, etc.), which incur 20% of the City’s total cost of care.

While the City of Ames continues to evaluate the ACO Model, over time we hope to gain multiple benefits. These include improvement in quality of care, reductions in the rate of increase in health care costs, population level reports split by clinical risk groups, and outreach to specific patients in the form of greater disease management and care navigation by the ACOs.

**ALTERNATIVES:**

1. Authorize an agreement confirming City of Ames participation in Wellmark's 2016 ACO pilot contingent upon a maximum shared savings cost to the City of \$25,000 and receipt of specific employee healthcare data by risk group.
2. Do not approve the 2016 ACO pilot. Under this alternative, the City would not receive ACO data and employee healthcare reports next year and City insureds might not receive the same level of targeted health interventions from the ACOs.

**MANAGER'S RECOMMENDED ACTION:**

While ACOs will not solve all of the country's issues by increasing healthfulness and reducing healthcare costs, they do appear to be an effective step towards incentivizing healthcare providers to reach towards those goals.

In Iowa, Wellmark and their identified Accountable Care Organizations are still in the early stages of determining how ACOs can benefit self-funded employers such as the City. While there is no guarantee that this arrangement will save the City money and/or improve health care to our insured group in 2016, participating in the second year of this pilot appears to be a prudent long-term action.

**Therefore, it is the recommendation of the City Manager that the City Council accept Alternative #1, thereby authorizing staff to enter into an agreement confirming City participation in Wellmark's 2016 ACO pilot.**