

COUNCIL ACTION FORM

**SUBJECT: ACCOUNTABLE CARE ORGANIZATION ARRANGEMENT WITH
WELLMARK**

BACKGROUND:

Over the past two calendar years the City has participated in an Accountable Care Organization (ACO) pilot program with Wellmark, the City's health plan administrator. This program is for those receiving health insurance benefits through the City of Ames as employees, retirees, spouses and dependents.

Accountable Care Organizations

By way of background, an Accountable Care Organization is a local health care provider that is held accountable for the quality and cost of the care it delivers. An ACO payment system is focused on improving the health care experience and slowing the rate in health care cost increases. The ACO arrangements were created to keep healthy people well and improve outcomes for people when they need care. 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.

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.

This ACO model is expanding across the country, and Wellmark has now adopted the Iowa ACO network as part of a larger national initiative called Blue Distinction Total Care.

Pilot Program

Wellmark has used the ACO model for everyone covered by Wellmark insurance since 2012. In 2015, 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 City was one of those 10 self-insured employers. 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. With City Council approval, the City continued as a participant for the second year of Wellmark’s ACO pilot in 2016, with an agreement that Wellmark would fund half of the shared savings paid to providers and that the City would pay the other half of the obligation. A \$25,000 cap was placed upon the City’s liability, and over the first half of the year the City paid a modest \$1,044 for those savings.

Currently 13 ACOs in the state of Iowa have agreements with Wellmark. The City of Ames’ health plan participants are patients at four of those ACOs: McFarland Clinic, Mercy Des Moines, The Iowa Clinic and Heartland. By far the largest portion of City of Ames insured members are patients at McFarland Clinic.

McFarland Clinic

McFarland Clinic has progressively embraced the ACO model. McFarland Clinic created a Population Health Department to coordinate efforts and work collaboratively providing: data analytics, care coordination, and care process improvement.

As an ACO, McFarland has implemented the following ACO improvements:

- Primary Care Physicians (PCPs) receive data monthly on patients who are incurring high healthcare costs, who had “potentially preventable” ER or hospital admissions, or who are due for mammograms or colon cancer screening
- Providers receive added education on costs of medications, procedures and tests
- New services have been introduced locally to provide cost-effective care options
 - Express Care in west HyVee
 - Urgent Care near north Fareway
- Dedicated Care Navigators call patients who are overdue for an annual visit with their PCP
- Care Coordinators/Nurses contact patients who have recently been discharged from the hospital or who recently have been to the emergency room (ER) for the second time in a year
- Pharmacist review ACO patients with 10+ medications

Lessons Learned from Pilot Program

In considering this opportunity, it is helpful to identify what we have learned about the ACO program through two years participation in the pilot program. Lessons include the following:

- The City has contributed to building the self-insured model and received personalized reports

- City of Ames started working with a collaborative of 4 organizations combining data to look at what's driving our claims and coming up with ways to address these problems collaboratively as a result of the ACO including: City of Ames, Iowa State, McFarland Clinic, and Mary Greeley
- There is a 6-month time lag in claims data so evaluation is based on past performance
- Due to that lag in claims, predictions of future costs are based on year-old data creating challenges both in budgeting for and financing shared savings in the future
- Incentives are paid to the various ACOs proportionally based on the number of members in each employer group, not upon specific experience with employees of one employer
- Although the ACO in general incurs savings, Wellmark cannot attribute specific claims savings to the City health plan
- Opportunities to lower healthcare costs include: better access to care, better care to those with chronic illness, reduced ER visits and reduced inpatient admissions as compared to previous years
- Between November 2015-October 2016 City of Ames experienced savings compared to the previous year
 - 7 fewer inpatient admissions/1000 with savings of \$181,000
 - 6 fewer emergency room visits/1000 with a savings of \$38,000
- In calendar year 2016, City of Ames health plan members served by an ACO cost \$19.84 Per Member Per Month (PMPM) less than those not served by an ACO
- Over two years' time, as an ACO McFarland Clinic has made rapid improvements in cost reductions reflected in claims savings. They now have the highest quality score of all ACOs in the state

While it is not possible to attribute all health care costs or savings to McFarland participating as an ACO, the City of Ames experienced only a 3.2% cost increase since January 2015, as compared to Wellmark's network average of 10.4% (1/2015 to 9/2016).

Risks in Participating / Not Participating

Wellmark's two-year pilot program has now concluded, and they are offering the City the opportunity to continue under the ACO model. However, the City would now bear 100% of the responsibility for paying their portions (40%) of any savings earned by the ACOs without any cap on the City's potential liability.

As previously described, the design of the ACO program creates multiple challenges in making future commitments without having current data to base predictions off of. This paired with the rapid improvement of McFarland Clinic's performance has resulted in a large increase in the funding required to cover the City's portion of the projected shared savings. Due to this data lag, we have not received full analysis 2016 performance in order to be confident that projected savings for 2017-18 are likely to occur.

For the coming plan year Wellmark provided the following estimates for the City of Ames:

Wellmark cost estimates for plan year 7/1/17-6/30/18

Estimated total claims savings:	\$657,000 to \$855,000
Estimated annual funding (40%*):	\$262,800 to \$342,000
Net projected claims savings:	\$394,200 to \$513,000

*40% shared savings goes back to providers in the Wellmark ACO self-funded agreement

Based on these totals, the City could owe the ACO anywhere from \$262,800 to \$342,000 based on the estimated savings yielded from the cost containment efforts for the total ACO operations. However, it is still possible under this arrangement, that although the ACO in total proved to meet the saving threshold in its total business, the City of Ames claims experience might result in increased costs to the City. Therefore, in addition to our payments for health care claims, we would still have to make a substantial payment to the ACO because of the "savings" generated for the total system. With no cap on the amount the City would owe the ACO for "savings", entering into this arrangement will subject us to substantial financial risk.

Rather than reject this concept outright, the staff intends to hire a third party expert to review our historical health care data and offer a recommendation as to whether participation in the ACO is an acceptable risk that should be assumed by the City.

ALTERNATIVES:

1. Authorize an agreement confirming City of Ames participation in Wellmark's 2017 Blue Distinction Total Care program (ACO) from July 1, 2017-June 30, 2018. The terms of the Blue Distinction Total Care program is detailed in the Administrative Services Agreement.
2. Decline to participate in 2017 Blue Distinction Total Care from July 1, 2017-June 30, 2018. Under this alternative, the City will continue to evaluate this approach and reconsider whether to adopt it in 2018-2019.

CITY 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. Despite our participation in a two-year pilot we are not confident that this arrangement will save the City money and/or improve health care to our insured group in 2017-2018, therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 2 as described above.

Participation in the ACO reaches toward a goal of healthcare sustainability. **Given the potential gains, the City of Ames will continue to evaluate the ACO Model, and evaluate recent performance to determine its effectiveness in our population. After evaluation of 2016 performance and verification from an independent party the City of Ames will be in a better position to determine participation for 2018-2019.**