



Prescriptions *Medical Alert*

Spring 2011

An ACO is an organization of physicians, hospitals, and other health care providers that agree to be jointly accountable for the quality and cost of care delivered to a defined set of patients.

Accountable Care Organizations: A New Model for Health Care

Lowering the cost of health care, while continuing to offer high-quality services to patients, is among the central challenges facing health care providers. Recognizing that previous attempts to develop more efficient health care delivery systems, such as health maintenance organizations (HMOs), did not produce the desired results, health care policymakers and providers are now considering a new model for the practice of medicine: accountable care organizations (ACOs).

The ACO concept was first developed in 2006 as part of the Dartmouth Atlas Project, which studies variations in how health care resources are distributed and used across the United States. But the ACO model has attracted even greater interest in health care circles since the Patient Protection and Affordable Care Act of 2010 established a Medicare pilot ACO program known as the “Shared Savings Program,” scheduled to begin in January 2012.

Generally, an ACO is an organization of physicians, hospitals, and other health care providers that agree to be jointly accountable for the quality and cost of care delivered to a defined set of patients, such as a group of Medicare beneficiaries or commercial health plan members. Like HMOs, ACOs offer incentives to health care providers to coordinate patient care and meet quality metrics, while reducing overall costs. The providers use electronic health records to share information, helping to make patient care more efficient and effective. A more integrated care delivery system is designed to improve patient outcomes, while also saving money on duplicate or unnecessary tests and procedures. An

Continued on Page 3

Inside This Issue:

- 2 Raising Your Practice's Profile by Giving Back to the Community*
- 3 Controlling Costs in Your Practice*

Raising Your Practice's Profile by Giving Back to the Community

Across America, the need for charitable services has grown, even as the ability of local businesses, including medical practices, to make financial gifts to nonprofits has come under pressure. Yet, smaller but targeted donations, as well as contributions in the form of pro bono or reduced-cost medical care, can still help to generate positive publicity for your practice, increase visibility in the community, and boost morale among physicians and staff.

To be effective, your practice's charitable giving strategy does not have to involve very large contributions of cash. Not-for-profit organizations that do philanthropic work in your local community can benefit from donations that help to cover the cost of specific projects. For example, your practice could offer to provide the funding for a local soup kitchen to develop ways to improve the nutritional quality of its food. Rather than publicizing your involvement directly, you can ask the nonprofit to issue a press release in which your practice is named as the lead sponsor. To heighten the impact of the initiative, you may consider asking staff members to donate some of their time to serving the public or preparing food. Charitable giving, especially when it takes the form of volunteer work, can be especially useful in creating a sense of camaraderie among co-workers.

Medical practices can also provide health care services for free or on a sliding scale. These pro bono services can be offered to individual patients at the practice, through the participation of physicians in a clinic for the uninsured, or in the context of special events, such as blood pressure screenings offered at a health fair or a smoking cessation class held at a community center. In addition to generating positive publicity, giving physicians and nurses the opportunity to provide charity care can make it easier for your practice to attract and retain medical professionals who feel strongly about helping low-income patients without access to health care services.

When deciding which nonprofits to support, your practice may want to consider forging relationships with organizations that have goals related to medicine, such as groups that help fund diabetes or cancer research. You may also ask patients if they have favorite nonprofits in need of contributions.

This can help your practice to strengthen relationships with patients, and it could provide an opportunity to work together with them in supporting the same organization. To get more people involved, a collection jar for a selected nonprofit may be placed at the receptionist's desk, along with information about the organization's work. The practice can also offer to match gifts made by staff and patients as part of a fundraising drive.



To find out whether the contributions made have been worthwhile investments of the practice's time and money, consider appointing a committee of physicians and staff members responsible for formulating, overseeing, and reviewing your practice's charitable giving strategy. Ask the committee to meet on a regular basis to discuss the budget for contributions and the types of organizations your practice intends to support, as well as to review the effectiveness of each major donation or charitable initiative. Was positive publicity generated? Were new patients recruited as a direct result of community involvement? In what ways did employees benefit from engaging in charitable work? A thorough analysis of these questions can help your practice adjust its charitable giving strategy going forward.

Regardless of your practice's size and resources, you can find a way to make a difference in your community. Even minor donations and initiatives can go a long way toward making your community a better place to live and work. And that's the bottom line. *P*

Controlling Costs in Your Practice

A tough economy can be challenging for smaller medical groups, as reimbursements remain modest and the cost of maintaining a practice rises. There may be steps your practice can take to lower administrative and other operating expenses, while continuing to provide quality care to patients.

No matter the state of the economy as a whole, it's important to continually monitor your practice's overhead costs. If a review of your office lease reveals that your group is paying above market rates, consider renegotiating the terms of the lease, or even relocating. In the same way, regularly assess agreements with suppliers and service providers and

renegotiate as needed. Rather than remaining loyal to the same set of vendors, consider shopping around for a better deal on certain services, such as IT and phone services, malpractice and business insurance, and even courier and janitorial services. You may also find that trade groups and professional associations offer discounts to members.

Even relatively small changes can add up. For example, many practices now encourage patients to book appointments or request prescription refills online, thus reducing the amount of time staff spend answering phones. In addition, physicians and

Continued on Page 4

Continued from Page 1 Accountable Care Organizations: A New Model for Health Care

ACO could also offer economies of scale, allowing providers to budget in advance and pool their resources.

Unlike HMOs, ACOs permit patients to seek care from any medical professional they choose, including providers outside of the ACO, without having to get a referral from their primary care physician. For Medicare beneficiaries, assignment to an ACO during the pilot program does not affect their guaranteed benefits or ability to choose their own doctors.

Recently, a number of physician practices and insurers have announced plans to form ACOs, not just for Medicare beneficiaries, but for patients with private health insurance as well. While ACOs are not currently designed to eliminate the fee-for-service payment model, they include a "gain-sharing" mechanism that awards bonuses to providers that meet specific quality and cost control benchmarks. Thus, providers are rewarded for effectively managing the care of patients with chronic diseases or acute illnesses, and for providing preventive services to help patients maintain their health. If an ACO participating in the Medicare pilot program fails to meet its targets, it will be held responsible for making additional investments to improve clinical outcomes and lower costs, while still being permitted to charge the standard Medicare fees. Public reports of the performance of individual ACOs are also expected to provide an additional incentive for organizations to meet their goals.

According to the Congressional Budget Office, ACOs could save Medicare \$4.9 billion through 2019. If ACOs fail to achieve the intended cost savings, the Centers for Medicare and Medicaid Services (CMS) may push these organizations to move away from a fee-for-service payment model and towards a capitation payment model. To participate in Medicare's Shared Savings Program, ACOs are required to have a formal legal structure to receive and distribute shared savings, and to commit to providing services to at least 5,000 Medicare beneficiaries for a minimum of three years.

Although still in experimental stages, some large multi-specialist physician groups and independent practice associations (IPAs) are already considering forming ACOs by networking with nearby hospitals. Large insurers are in the process of setting up their own ACOs, and hospitals are looking at purchasing physician practices with the intention of directly employing providers as part of an ACO network. Some observers warn that large hospital-owned ACOs could come to dominate the health care market in parts of the country, making it difficult for independent providers to compete. Yet, the ACO model could also encourage smaller medical practices, especially those located in more rural areas, to form "virtual" networks to create economies of scale that can help them manage patient care on a more cost-efficient basis. *P*

Growing Number of Americans Search Online for Medical Info

The vast majority of Americans who are regular Internet users research health topics online, according to a survey by the Pew Internet & American Life Project. The 2011 survey of 3,001 adults found that 80% of the respondents who use the Internet gather health information online, making searching for medical information the third most popular online pursuit among those tracked by the Pew Internet Project, following email and using a search engine. Researchers noted that, since one-quarter of adults do not go online, the percentage of health information seekers is estimated at 59% of the total U.S. adult population.

Two-thirds (66%) of the respondents who use the Internet search for information about a specific disease or medical problem. Internet users also reported looking for information about a certain medical treatment or procedure (56%), doctors or other health professionals (44%), hospitals or other medical facilities (36%), health insurance (33%), food safety or recalls (29%), drug safety or recalls (24%), and environmental health hazards (22%).

The demographic groups most likely to search online for health information are women, Caucasians, people under age 49, people with at least some college education, people with higher incomes, and people who have provided unpaid care to a relative or friend over the past 12 months. *P*

Prescriptions

Continued from Page 3 Controlling Costs in Your Practice

employees may be asked to limit travel, conducting meetings by phone or videoconferencing instead of in person. It may also be possible to identify ways to reduce energy costs, such as purchasing highly efficient equipment, or simply reminding staff to turn off lights and computers when not in use. Similarly, the cost of mailings may be reduced by using lower-weight paper or using email for some communications.

The largest expense for many medical practices is personnel. Cutting salaries outright is difficult, but you may find that some staff members actually welcome the opportunity to reduce their hours in exchange for more free time. Others may be happy to take a “sabbatical” to pursue personal goals, such as travel or education. Provided employees are not pressured to take time off, these options can prove useful in recruiting and retaining staff seeking work-life balance, while also making it easier to trim the payroll.

A review of your group’s benefits package could reveal opportunities to minimize expenses, without cancelling core health care and retirement programs.

For example, you may be able to cut back on fringe benefits that are less crucial to employees. If, however, it becomes clear that bigger cuts are necessary, first consider switching to a less expensive plan or increasing staff contributions to these plans.

Before making any changes, it is important to communicate the reasons for the adjustments, and ask employees to contribute ideas for increasing efficiency. You may also want to explore ways to boost revenues, such as offering ancillary services, renegotiating managed care contracts, or adjusting the payer mix. Practices may also want to keep track of how physicians and staff members are spending their time, ensuring that doctors and nurse practitioners are seeing the maximum number of patients, rather than handling tasks that could be delegated to other staff members.

Cutting costs in a tight economy can require physician practices to make some tough decisions. But, even small changes can go a long way toward improving your practice’s financial position, allowing you to focus on providing quality care to patients. *P*