ACCOUNTABLE CARE LEARNING COLLABORATIVE AT WESTERN GOVERNORS UNIVERSITY

COMPETENCY ORIENTATION GUIDE

Competency: Establish parameters for financial collaboration with partners
Competency: The Committee on Financial Collaboration

JULY 2020

BACKGROUND

The Accountable Care Learning Collaborative (ACLC) is a non-profit organization dedicated to accelerating the transition to value-based care. To this end, the ACLC has identified care delivery competencies required for providers to succeed in risk-bearing payment models. ACLC-developed Competency Orientation Guides (COG), provide an overview of each competency, including key components, to support provider implementation. Each COG represents the distilled insights from the deliberations of a dedicated committee comprised primarily of leaders from provider organizations, as well as industry partners, and ACLC staff. The Committee on Financial Collaboration (Committee), which convened between October and December of 2019, supported the development of this COG.

Competency Framework

Competency: Establish parameters for financial collaboration with partners.

1. Build the foundation for financial collaboration
2. Collaboratively develop partnership agreements
3. Determine the shared savings strategy needed to foster a sense of ownership

COMPETENCY IMPORTANCE & CONTEXT

The transition to value-based contracting is pushing organizations to create care partnerships with entities outside their ownership structure, thus creating the need for financial collaboration agreements. To make the concept of financial collaboration more approachable, the Committee, through a combination of pre-session interviews and group discussions, broke the competency down into three main sub-competencies (enumerated below) to guide health system leaders in considering elements that are important to establishing parameters for financial collaboration with other risk-bearing entities in value-based care.

IMPORTANT TERMS

When discussing this particular competency, it became necessary to clarify who might be involved in financial collaboration discussions and strategy implementation. For this guide, the term *owner* is used when referring to partners who own the risk bearing entity, as opposed to naming specific entity types (e.g., ACO) or using the less specific term "partner." *Provider* will refer to those who provide care; in some cases, that person may also be an owner.

SUB-COMPETENCIES

1: Leverage incentive mechanisms that promote individual accountability and improvement

Committee Insights:

- Organizations should start by understanding the population needs that are driving their interest in external partnerships. Then, partnering organizations should seek to understand the specific segment of the population they can influence together and the infrastructure that will be required to do so.
- A good partnership requires awareness of each organization's pain points, strengths, and assets relative to value-based care strategies, as well as an awareness of how collaboration can impact pain points or potentially turn challenges into assets.
- Establishing an approach to clinical alignment and a shared vision among owners during initial conversations will make subsequent agreements about financial collaboration models more practical and easier to design. Additionally, demonstrating ways in which clinical care can be improved while simultaneously advancing financial goals is helpful for provider engagement.
- Everyone involved in the collaboration, at all levels of the organization, will need enough education about the forces driving the partnership (e.g. broader shift to VBC, specific payer dynamics) to understand the context of changing expectations and how an individual's decisions align with the partnership's overarching goals.
- An organization's partnering approach will likely be influenced by both the long-term clinical needs of their population from an internal care delivery perspective (i.e. independent of specific payers) and the immediate demands of a value-based contract. An iterative approach accounting for both elements should be expected.
- An agreed upon data analytic platform is needed that includes actuarial capabilities in addition to general performance analyses on quality, cost and utilization - especially as organizations mature. Actuarial-type capabilities could include modeling different risk scenarios, better understanding and predicting what impacts performance, and setting the stage for benchmarking.

Potential Qualitative Indicators:

- Shared responsibility mechanisms like "care compacts" have been developed and are revisited annually
- A letter of intent has been written and agreed upon, which may include elements such as the proposed population, goals of the agreement, and timeline.

2: Collaboratively develop partnership agreements

Committee Insights:

- Alignment around what owners want to accomplish and what they need to do differently can be more important than the structure of the collaboration (e.g., joint venture, ACO).
- Discussions about which owners will invest the needed resources (e.g., infrastructure, time commitment) should come before discussions about allocation of shared savings.
- Owners should be explicit about what is and is not included in risk sharing, as well as what they can reasonably impact.
- A successful collaboration necessitates data sharing and transparency among owners. If relevant data are not available at the time of strategic decision-making, unintended outcomes may occur (e.g., a strategy intended to reduce utilization could inadvertently move care to a more expensive care site).
- Owners who need to raise capital for their collaboration could consider charging provider organization members a nominal membership fee for being in the partnership, as part of their agreement. The fee can be justified by the benefits of being in the partnership (e.g., reduced reporting requirements and bonus' outside of shared savings), in addition to accessing potential shared savings payments. The membership fees can be placed in a risk pool that helps cover potential losses and help finance reinsurance requirements as the organization takes on more risk.

Potential Qualitative Indicators:

- A terms of agreement document exists long prior to (and in preparation for) each official agreement
- Final agreements reflect the iterative process of the discussions and not raw market dynamics (e.g. health system prominence). Final agreements and methodology should be memorialized by the Board or similar stakeholders before any shared savings event.

3: Determine the shared savings strategy needed to foster a sense of ownership

Committee Insights:

- To stay engaged, shared net savings should be distributed within a range acceptable to and agreed upon by the parties prior to the performance year. A minimum of 15-20% of shared savings likely needs to be allocated to provider partners in risk agreements.
- The amount of shared savings an entity receives should mirror the investment they make and the amount of risk they take on. This might lead to hospitals receiving a higher portion if they are bearing the most risk based off the investment proportions or corresponding reductions in acute care revenue.
- Putting capital reserves at the level of the risk-bearing entity is one way to avoid over-valuing the hospital while also giving providers more skin in the game for downside risk.
- Owners need to agree on how shared savings will be allocated (e.g., infrastructure, repay upfront investments, build reserves for downside risk, reinvest in patient care improvements, distribute among owners). Some savings will also need to offset the work that is not performed due to decreased utilization.
- Financial collaboration involves sharing savings in a way that is proportional to those who bear the most risk and therefore need to have the reserves.

Potential Qualitative Indicators:

- Savings distributions upon performance determinations are relatively uncontroversial
- Shared savings agreements are relatively stable across multiple agreement periods (e.g. 3-5 years)

GENERAL RESOURCES FOR FURTHER EXPLORATION:

- The new frontier of strategic alliances in health care: New partnerships under accountable care organizations.
- Defining High Value Partnerships for Accountable Care, Robert Wood Johnson Foundation
- Trust, Money, and Power: Life Cycle Dynamics in Alliances Between Management Partners and Accountable Care Organizations
- A Framework For Evaluating The Formation, Implementation, And Performance Of Accountable Care Organizations

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