A Call for Collaborative Action
Identifying Required Competencies for Success in Value-Based Care

FINANCIAL READINESS

ACLC Whitepaper Series
- Governance & Culture
- Financial Readiness
- Health IT
- Patient Risk Assessment
- Care Coordination
- Quality
- Patient Centeredness
INTRODUCTION

The country is at an inflection point in how it pays for and delivers health care services. While much of the recent policy focus has been on payment reform, insufficient attention has been given to delivery reform. Public and commercial payers alike are increasingly adopting value-based payment agreements whereby providers are either financially rewarded or at financial risk, depending on whether they meet predetermined quality and spending outcomes. These payment models tell providers the quality or spending outcomes for which they are accountable, but they do not explain what the provider needs to do, or do differently, in order to achieve these goals.

In an industry-wide effort to assist providers with care delivery changes the Accountable Care Learning Collaborative (ACLC) has identified a core group of essential competencies that providers will need to develop in order to succeed in value-based care. The ACLC is introducing these competencies, in conjunction with a framework, as a starting place. We invite payers, providers, and the larger value-based care community to participate with us in evaluating and refining these competencies to help improve all providers’ proficiencies under value-based agreements.

The financial readiness whitepaper, part of the inaugural ACLC whitepaper series, highlights financial readiness-specific competencies identified by the ACLC Financial Readiness Workgroup and provides an explanation of the domain, value, methodology, and findings.

Additional whitepapers, the full list of competencies, and instructions for public comment can be found at AccountableCareLC.org.

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WHY FINANCIAL READINESS IS ESSENTIAL

Health care spending in the U.S. this year is expected to exceed $10,000 per capita, or in sum approximately 17% of the nation’s GDP or approximately $3 trillion.¹ At the same time, spending growth for 2016 is estimated to outpace GDP growth by about two percentage points.² Not only is this spending widely believed to be unsustainable, but the care quality and care outcomes achieved are substandard. For example, according to a 2014 study by The Commonwealth Fund, the country that spends the next highest amount on health care as a percentage of GDP, France at over 11 percent, ranks first in “healthy lives” compared to the U.S. which ranks 11th, or last among comparable industrialized countries.²

Reducing health care spending remains a top priority for all health care stakeholders. Consequently, lowering spending growth is a critical motivation for, and component of, pay for performance programs, ranging from Accountable Care Organizations to bundled payment arrangements. Managing spending, however, is only part of the equation. To succeed in providing value-based care, organizations must also maintain or preferably improve care delivery and patient outcomes. The ultimate goal is to improve the health of a population³ within a financially sustainable model.

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METHODOLOGY

Literature Review

The ACLC research staff utilized a structured approach to identify a list of competencies for each domain. The first step involved the review of various frameworks and literature geared toward preparing providers to bear financial risk. Through a qualitative analysis, the staff identified common themes of competencies and mapped out language differences and commonalities to reveal general industry agreement on seven competency ‘domains.’ Preliminary sub-domains or ‘categories’ were created to organize competencies into more manageable groups for review and refinement (e.g. ‘Ease of Access’ category under the ‘Patient Centeredness’ domain). A second literature review was then conducted based on the seven domains, scanning for specific guidance on categorization schemes and distinct competencies within each domain. Initial competency domains and categories were then offered to ACLC members for their review.

Workgroup Review and Refinement

Commensurate with the number of domains, seven workgroups were assembled to provide multi-stakeholder review of the preliminary research and give further direction. Each workgroup was chaired by an individual nationally known for expertise in the domain and comprised of ACLC members who indicated specific interest or expertise in a domain. Workgroup members were then given documents that contained the full literature review and analysis along with access to the original documents for reference. Virtual and in-person workgroup meetings were held to review sources, create and refine domain titles and categories and to develop descriptive narrative language for each. Additional vetting and refinement of the domains, categories, and specific competencies was accomplished via email and conference calls. Specific attention was given to recognize and resolve overlap between and among competencies. Workgroup chairs held additional meetings to review proposed competencies, coordinate content, and identify overlap.

ACLC Domains

- Governance and Culture
- Financial Readiness
- Health IT
- Patient Risk Assessment
- Care Coordination
- Quality
- Patient Centeredness
WORKGROUP CONCLUSIONS

Domain

The financial readiness workgroup quickly recognized that the domain name of “Financial Readiness” was appropriate. A risk-bearing provider entity must take steps, or develop competencies, toward their financial readiness prior to and during participation in a risk-based payment arrangement. By necessity, risk-bearing provider entities prepare financially by mitigating risk via stop-loss or reinsurance, increasing capital reserves, adjusting resource allocation, and anticipating the impact that financial benchmarks will have on the ability to deliver care optimally. The definition of financial readiness, as proposed by the ACLC financial readiness workgroup, is:

“The review of, and determination that, financial resources and strategy are sufficient to allow participation in risk-based payment, and represents all matters financial, including but not limited to accounting, reserves, cash flow, predictive modeling, contracting, and reporting.”

Categories

The workgroup recognizes that a complete list of competencies is difficult to evaluate. In order to make evaluation of available competencies most efficient, the workgroup created a multi-part categorization scheme. These categories present a framework by which providers may quickly identify groups of competencies for which they seek additional understanding. Below are the five categories with accompanying definitions and the corresponding number of competencies in parenthesis:

1. **Financial Systems (7):** Systems, tools, and more importantly, orientation of work process to focus on patient level, population level financial assessment.
2. **Contracting (6):** Staff/skills and systems/data analytics to execute contracting efforts to support risk-based contracting.
3. **Risk Assessment and Management (3):** The ability to assess, manage, and mitigate financial risk based on an ongoing basis to ensure long-term solvency and success under value-based payment models.
4. **Strategy and Business Development (4):** Financial leadership takes a strong role in developing organization strategy to prepare for and move into risk payment arrangements and prioritize the use of capital to this end.
5. **Financial Data and Analytics (6):** Ensuring the data and analytical skills to drive the new metrics of success and financial management under risk.

It is important to note that although these are the categories that made sense to this particular group of commissioned reviewers, we expect providers to redefine and/or add to these categories such that they are more applicable to their unique circumstances.
**Competencies**

The financial readiness workgroup has identified 26 competencies. The list of competencies is by no means exhaustive. We welcome further investigation and additions by other groups and individuals and we hope this current list will provide a good foundation for that work. We refer the reader to the full competency list in the below table, but include one example from the workgroup discussion here for illustrative purposes.

Value-based care depends on providers’ ability to deliver and track services at an organization-wide level. The patient may begin by seeing a primary care physician who refers to a specialist, then receive in-patient surgery from the specialist, recover in a long-term acute care facility, and finish the episode of care by receiving assistance from a home health agency. Historically, each of these entities would bill and be paid by the insurer separately. Now, however, to incentivize a collective accountability, the entire episode of care will be bundled into one bill and one payment. These organizations, now partners, must work together to create a method by which all activities, procedures, tests, and treatments can be collectively combined. More difficult still, once payment is received, the organizations will distribute the earnings or losses appropriately. More robust systems for tracking actual performance against budgeted performance are critical.

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<thead>
<tr>
<th>CATEGORY</th>
<th>COMPETENCY LABEL</th>
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<tbody>
<tr>
<td><strong>FINANCIAL SYSTEMS</strong></td>
<td>FR.1.1</td>
<td>Aggregate multiple services from full episode of care for consolidated,</td>
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<td></td>
<td></td>
<td>flexible payment processing</td>
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<td></td>
<td>FR.1.2</td>
<td>Automate, centralize, and integrate authorization approvals and claims</td>
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<td></td>
<td>payment methodologies from all payers</td>
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<td></td>
<td>FR.1.3</td>
<td>Establish and maintain systems to track utilization, revenues, and costs</td>
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<td></td>
<td></td>
<td>when bearing financial risk</td>
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<td></td>
<td>FR.1.4</td>
<td>Establish systems that accurately capture data from all coding schemes</td>
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<td></td>
<td>FR.1.5</td>
<td>Organize and design financial measures based on specific patient</td>
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<td></td>
<td></td>
<td>populations</td>
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<td></td>
<td>FR.1.6</td>
<td>Create a system to manage deferred or denied authorizations</td>
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<td></td>
<td>FR.1.7</td>
<td>Maintain algorithms, for each contract, to match patients with appropriate</td>
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<td></td>
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<td>providers</td>
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<td><strong>CONTRACTING</strong></td>
<td>FR.2.1</td>
<td>Access start-up financing, particularly where access to risk-based contracts is limited</td>
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<td></td>
<td>FR.2.2</td>
<td>Establish multiple income streams and/or sources</td>
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<td></td>
<td>FR.2.3</td>
<td>Administer variable benefit packages for multiple insurance products</td>
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<td></td>
<td>FR.2.4</td>
<td>Established legal structures to receive and distribute shared savings payments to participating providers</td>
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<td></td>
<td>FR.2.5</td>
<td>Prepare for and mitigate insurance risk to protect against catastrophic claims or expenses</td>
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<tr>
<td></td>
<td>FR.2.6</td>
<td>Account for current performance (profit and loss) under various revenue streams for forecasting purposes</td>
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### Competencies (cont’d)

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<tr>
<th>CATEGORY</th>
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<th>COMPETENCY</th>
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<tbody>
<tr>
<td><strong>RISK MANAGEMENT &amp; ASSESSMENT</strong></td>
<td>FR.3.1</td>
<td>Offer performance-based earning opportunities to participating providers</td>
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<td></td>
<td>FR.3.2</td>
<td>Offer providers authorization approval status, including turnaround time</td>
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<td></td>
<td>FR.3.3</td>
<td>Analyze and understand potential for short and long-term return on investment for risk-bearing contracts</td>
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<tr>
<td><strong>STRATEGY &amp; BUSINESS DEVELOPMENT</strong></td>
<td>FR.4.1</td>
<td>Collaborate throughout the organization to decrease costs associated with supply chain management</td>
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<td>FR.4.2</td>
<td>Determine member eligibility quickly and efficiently</td>
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<td>FR.4.3</td>
<td>Determine the percent of the organization’s population under risk-bearing arrangements</td>
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<td>FR.4.4</td>
<td>Determine the payer mix within the organizations risk-bearing arrangements</td>
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<tr>
<td><strong>FINANCIAL DATA &amp; ANALYTICS</strong></td>
<td>FR.5.1</td>
<td>Track encounter data the organization</td>
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<td>FR.5.2</td>
<td>Compare expected revenue to actual revenue from each source within, and outside of, the organization</td>
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<td></td>
<td>FR.5.3</td>
<td>Integrate cost, clinical data, and patient demographics into actionable reports</td>
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<td>FR.5.4</td>
<td>Forecast financial impact (profit and loss) of preferred providers outside of the organization</td>
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<td></td>
<td>FR.5.5</td>
<td>Measure shared savings and cost sharing between providers and payers</td>
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<td></td>
<td>FR.5.6</td>
<td>Report to clinicians their resource use, referral patterns, and performance on cost measures</td>
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NEXT STEPS

The financial readiness information presented in this paper is a starting point and marks the beginning of a public comment period. The ACLC will release a series of subsequent revisions as comments and the perspective of future members are reviewed and incorporated. It is anticipated that the work will substantially evolve over time as more information, evidence, and perspective is acquired.

There is more to do than just refine the domains, associated competencies, categories and definitions inventoried here. Going forward the ACLC will begin identifying stages of competency attainment, recognizing that not all competencies can or should be advanced simultaneously. ACLC members will also begin stratifying competencies by the type of organization and risk arrangement. For example, an integrated health care system will have a different starting point and possibly end goals than a single practice specialty group. The ACLC will also create a resource center where evidence including case studies, vendor information, and other relevant materials will be available and disseminated, all with the goal of advancing and accelerating the successful adoption of value-based care arrangements.

To provide comments to the work of this workgroup or others and to learn more about how you can help contribute to this shared body of knowledge, please visit AccountableCareLC.org.

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About the Accountable Care Learning Collaborative

The ACLC accelerates the transition to accountable care by identifying what providers need to succeed in value-based payment models. Through collaborative forums, members contribute their understanding and experience in the real world of accountable care implementation. The ACLC is managed by Leavitt Partners, LLC.

About Western Governors University

The ACLC is at Western Governors University (WGU), a leading innovator in health care education. WGU offers over 50 online bachelor’s and master’s degree programs that are accredited, flexible and competency based, serving the needs of working adults. Degree programs include nursing, health informatics, business administration, and integrated health care management. WGU prepares future leaders for the world of accountable care.

Acknowledgements

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Bibliography

