NACo HEALTHY COUNTIES
An initiative of the National Association of Counties

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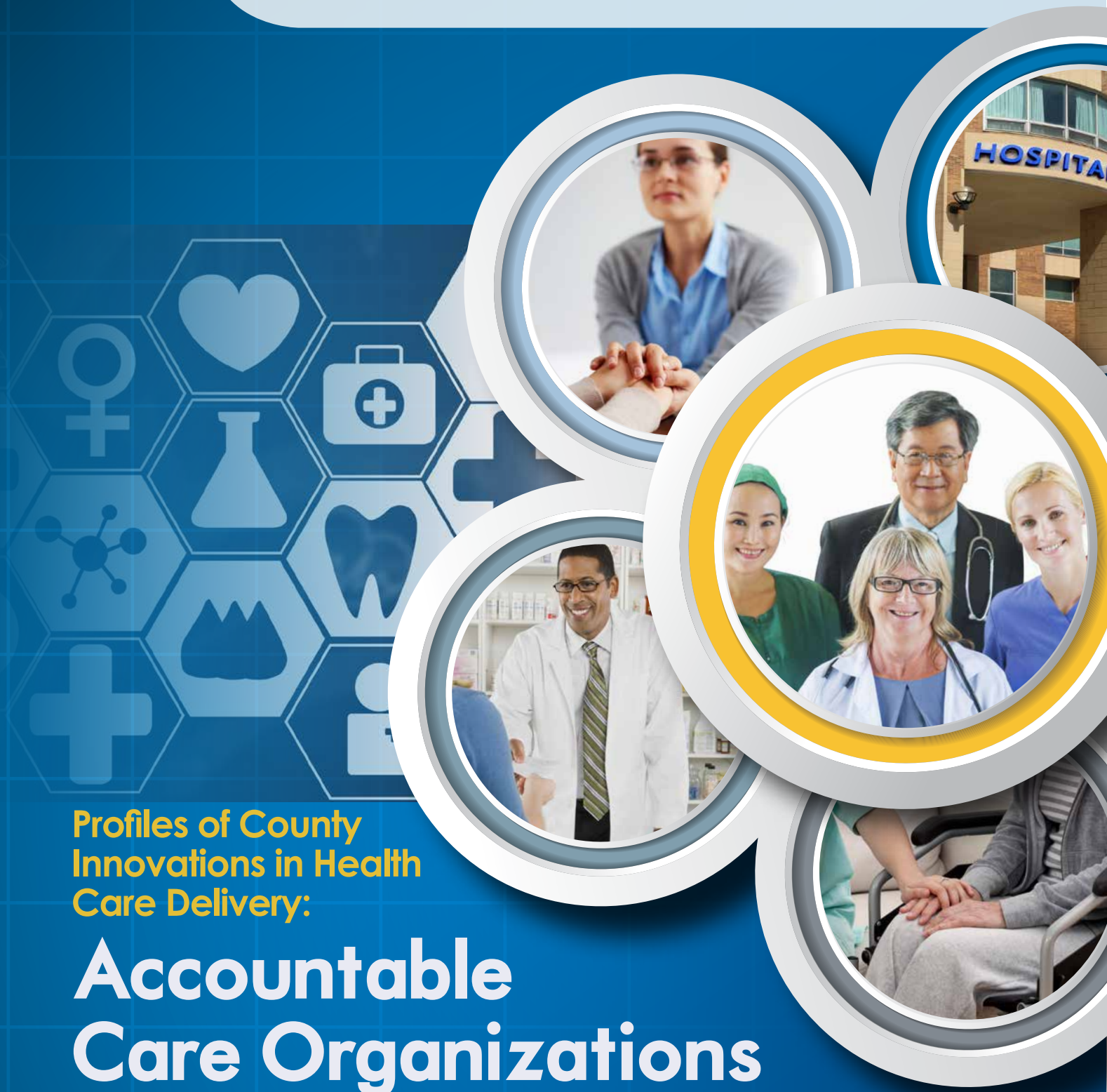


Profiles of County Innovations in Health Care Delivery:

Accountable Care Organizations

This publication is a part of a series, Profiles of County Innovations in Health Care Delivery, which outlines various health care delivery models implemented by some counties to improve health while reducing health care costs. For additional information, please visit www.naco.org/healthycountiesinitiative.

About NACo

The National Association of Counties (NACo) assists America's counties in pursuing excellence in public service by advancing sound public policies, promoting peer learning and accountability, fostering intergovernmental and public-private collaboration, and providing value-added services to save counties and taxpayers money. Founded in 1935, NACo provides the elected and appointed leaders from the nation's 3,069 counties with the knowledge, skills and tools necessary to advance fiscally responsible, quality-driven and results-oriented policies and services to build healthy, vibrant, safe and fiscally resilient counties. For more information about NACo, visit www.naco.org.

About the Healthy Counties Initiative

Launched in 2011, the Healthy Counties Initiative enhances public-private partnerships in local health delivery, individual and community health and assists counties to effectively implement federal health reform. The Initiative is guided by an Advisory Board comprised of county officials who are health leaders at NACo and corporate partners. The Advisory Board assists NACo in identifying priorities and activities and provides input and expertise on program implementation. For more information about the Initiative, visit www.naco.org/healthycountiesinitiative.

Acknowledgements

This brief was written by Emmanuelle St. Jean, Program Manager with guidance from Dan Gillison, Director of County Solutions and Innovation, and Maeghan Gilmore, Program Director. Special thanks to Jennifer DeCubellis, Assistant County Administrator – Health, and Ross Owen, Deputy Director – Hennepin Health, of Hennepin County, Minn. for their assistance. This brief was designed by Jack Hernandez, Senior Graphic Designer.

To request copies of this brief or information about the Healthy Counties Initiative, please contact:

Emmanuelle St. Jean
Program Manager
County Solutions and Innovations Department
National Association of Counties
estjean@naco.org | 202.942-4267

Background

Nationwide, the public and private sectors are seeking to improve care and lower costs in an age of intense economic pressure, rising health care expenditures and an increase in the number of Americans in poor health. While there have been other health initiatives with similar goals, the implementation of the Affordable Care Act (ACA) has changed the health care landscape and offered opportunities for counties to work with other local partners to develop new ways to deliver improved services and finance care at reduced costs.

Counties play a leading role in the transformation of the health care system because they are the foundation of the public health system and unique health care stakeholders. Counties (1) provide health coverage to their 3.3 million employees and their dependents, (2) are the entities responsible for developing and implementing policy to improve individual and community health and (3) interact with 296 million residents to promote health and provide care.

Health care financing is often complex and has historically been based on paying fees for each separate service. Many insurers pay providers based on a fee-for-service model regardless of the quality of care offered to individuals. Fee-for-service encourages redundancy, utilization of a high volume of services and has contributed to the formation of today's expensive health care delivery system. Furthermore, the fee-for-service model does not incentivize insurers to promote and support prevention.

In response to the fee-for-service payment model, the Accountable Care Organization (ACO) model was developed.[1] While ACOs were initiated with the Medicare population,[2] the model has gained traction with private payers over the years. Further, the enactment of the ACA formally expanded the use of ACOs to include Medicaid and private payers.[3] In addition to the private sector, Hennepin County, Minn., and the states of California, Iowa, Maine, Massachusetts, Minnesota, New Jersey, New York, Utah Vermont and Washington[4] are exploring or creating Accountable Care Organizations.

Approximately 17 percent of Medicare ACOs operate in non-metropolitan counties. In 38 states, 343 rural counties are served by 88 Medicare ACOs.[5] ACOs are being closely monitored as they are developed and implemented across the country as this emerging model has the potential to disrupt how care is accessed and provided, as well as alter health outcomes.

The ACO Approach and the County Experience to Date

ACOs are comprehensive and integrated systems that shift the current costly, fragmented, duplicative, reactive and volume-based delivery system to one that is coordinated, incorporates prevention and reduces costs. This transformation requires the inclusion of various partners to manage and coordinate care for patients. An ACO is comprised of primary care providers, behavioral health care specialists, medical specialists, home health providers, pharmacies, federally qualified health centers, rural health clinics and/or insurers who are all jointly held accountable for achieving improvements in quality of care and reduced costs. These entities share data to facilitate the flow of information regarding patients to help ensure that the appropriate care is being provided at the right time and to avert unnecessary and duplicative services.

Although ACOs are in their infancy and much remains to be learned, Hennepin County, Minn. has weaved together its medical, social services delivery and financing systems to more effectively meet the needs of its community, obtain better health outcomes and reduce costs. Prior to the formation of its ACO, the top 5 percent of its Medicaid beneficiaries used 64 percent of the county's Medicaid funding.[6] By creating an ACO, Hennepin County has seen health costs reduce between 40 and 95 percent per individual.

An Accountable Care Organization (ACO) is a group of health care providers jointly held accountable for improving health outcomes while reducing the cost of care. This model of care links the reimbursements for the services rendered to quality metrics that demonstrate improved health outcomes.[7]

This contributes to an ACO delivering quality care and spending capital resources more efficiently, which can result in savings. In contrast to the current fee-for-service system, ACOs compensate providers based on the value of care provided and holds them accountable for keeping patients healthy. The ACO model incentivizes collaboration among providers by permitting them to share in the savings that result when there is improved quality and reduced costs. Depending on the payment model used, an ACO can reward providers for delivering efficient and quality care and/or penalize providers for not meeting target cost and quality benchmarks.

1 Elliot S. Fisher, Douglas O. Staiger, Julie P.W. Bynum, and Daniel J. Gottlieb "Creating Accountable Care Organizations: The Extended Hospital Medical Staff." Health Affairs, 26(1):w44-257, published online December 5, 2007.

2 Medicare Payment Advisory Commission. "Report to Congress: Improving Incentives in the Medicare Program, June 2009. Available at: http://www.medpac.gov/documents/jun09_entirereport.pdf

3 The ACA (Pub. L. 113-75) provisions are Section 2706 (Pediatric Accountable Care Organization Demonstration Project) of Title II, Subtitle 1: Improving the Quality of Medicaid for Patients and Providers and Section 3022 (Medicare shared savings program), under Title III, Subtitle A, Part 3: Encouraging Development of New Patient Care Models.

4 National Academy for State Health Policy. State 'Accountable Care' Activity Map. 2013. Available at: http://nashp.org/state-accountable-care-activity-map

5 MacKinney AC, Vaughn T, Zhu X, Mueller KJ, Ullrich F. Accountable Care Organizations in Rural America. RUPRI Center for Rural Health Policy Analysis. Brief No. 2013-7. July 2013. Available at: http://cph.uiowa.edu/rupri/publications/policybriefs/2013/Accountable%20Care%20Organizations%20in%20Rural%20America.pdf

6 Hennepin County, Minn.. Hennepin Health. November 2013. Available at: http://www.hennepin.us/~/media/hennepinus/your-government/projects-initiatives/documents/Hennepin percent20Health_Public percent20Affairs percent20Summary percent20- percent20November percent202013.pdf

7 McClellan M, McKethan AN, Lewis JL, Roski J, Fisher ES. A national strategy to put accountable care into practice. Health Affairs (Millwood) 2010;29:982-990.

County Snapshot

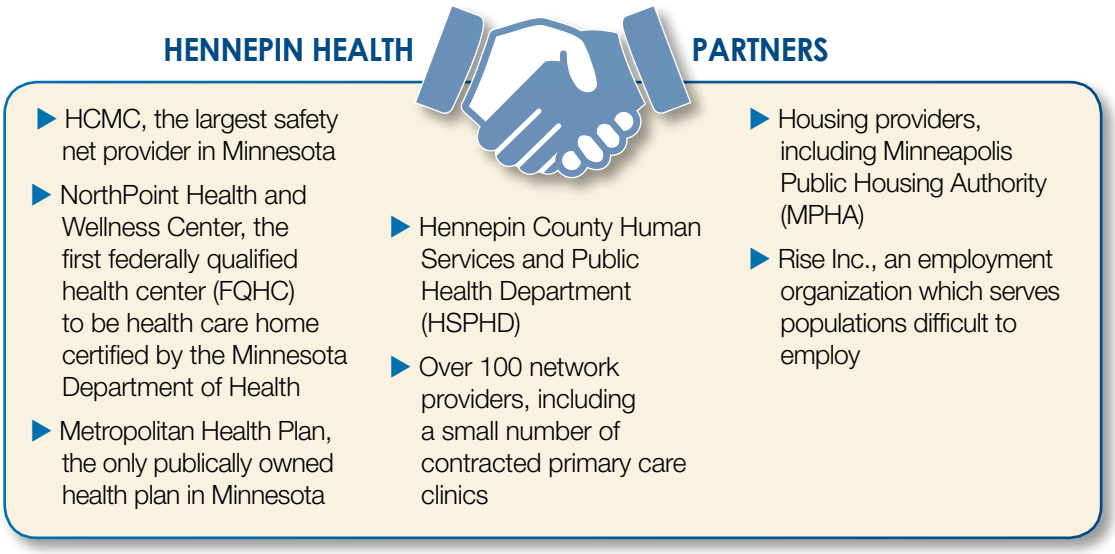
Hennepin County, Minnesota

Population (2010 Census): 1,152,425

Overview

In 2008, the Hennepin County Board realized each of its partner organizations providing health services was serving the same clients in a fragmented way and if all of the parties collaborated, services to the clients would improve. Additionally, Hennepin County Medical Center (HCMC) had been serving a complex adult population through a state block grant that began in 2010 when budget cuts eliminated a previous state-funded coverage program. To offset this loss of funding, HCMC created a special clinic for high users of hospital services and built care coordination resources to shift management of this population to an outpatient setting. With Minnesota undergoing voluntary early Medicaid expansion in 2011, Hennepin County wanted to continue its efforts to reform care delivery for this population under a more sustainable funding model. An ACO was seen as an opportunity to improve outcomes while integrating services and addressing the social determinants that drive much of the population's health spending.

However, Hennepin County needed the authority to create an alternative and innovative delivery system. In 2010, state legislation provided the county with the authority to conduct a pilot project and develop Hennepin Health, an ACO. The initial target population of the ACO was the 10,000 childless adults between the ages of 21 and 64 with incomes at or below 75 percent of the federal poverty level. The county leveraged its agencies' resources and engaged this population through a broad-based effort. To expand its primary care services, multilevel care coordination and use of health information technology; and to improve patient engagement the county partnered with the entities in the figure below.



Impact(s)

Over a 2-year period, the county experienced decreases in emergency department visits and inpatient admissions resulting in an increase in utilizing outpatient services. The county also increased housing placements for medically complex members, thus reducing this population's emergency department use and inpatient claims.

Additionally, individuals with behavioral health issues and those leaving the county's correctional facility, are able to engage with employment consultants to assist this population with employment services.

Lessons Learned

- **Concentrate on medical risk and utilization frequency.** Hennepin Health needed to concentrate on high risk and frequent users of services as high utilization may indicate the needs of these individuals are unmet. This is often an opportunity where savings can quickly emerge and free up dollars for further system improvements.
- **Leverage existing county agencies.** Bringing currently available resources such as corrections, social services and health agencies together to leverage funding streams can help reduce costs across all funds and produce better outcomes. Reducing "siloed thinking" and actions are critical to achieving success.
- **Balance payers and providers.** Hennepin County needed to level the playing field between payers and providers in order to ensure the size of the system was appropriate, to obtain funds and place supports in the right places.
- **Include a neutral entity.** The inclusion of a neutral party (such as the Hennepin County Human Services and Public Health Department) in building trust across systems and initial launch.
- **Housing is a critical factor.** Hennepin Health worked with the federal HOME Investment Partnerships Program to obtain short-term, private rental subsidies for these clients receiving employment support. Hennepin Health also worked with the MPHA to create a program where Hennepin Health leases housing units from MPHA for short-term use by their homeless clients who had been discharged from the hospital.

Next Steps

Hennepin Health's work has led to the realization that reform must occur in county-wide arenas and beyond. Examples of this include:

- Working with the State of Minnesota to (1) have detoxification services moved from welfare to a medical benefit and (2) to provide a greater continuum of chemical health services. The latter has become a priority due to large number of patients are using the hospital emergency department for detoxification;
- Removing barriers to housing for clients who return to work and earn a higher income by working with the State of Minnesota to change the rules for Group Residential Housing;
- Integrating primary care services into Hennepin County's Mental Health Center patients to ensure that all Hennepin Health patients benefit from care coordination; and
- Expanding Hennepin Health's reach to the Hennepin County jail. This ensures justice-involved individuals, some of whom are Hennepin Health members, are connected to services to help end the revolving door of incarceration.

As Hennepin County continues to enhance its efforts, it will seek to expand the population served, address housing and support services needs of individuals with behavioral health diagnosis and expand population health expertise into primary care venues. Other activities will include development of sobering centers, jail diversion and transition planning.

Resources

- Hennepin Health website: www.hennepin.us/healthcare
- Hennepin Health Facebook page: www.facebook.com/hennepinhealthcare
- Hennepin Health also has a monthly newsletter that is available on their website, Facebook page or by subscription. To subscribe, please email Hennepin Health's program coordinator at lori.imsdahl@hennepin.us

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25 MASSACHUSETTS AVENUE, NW
SUITE 500 | WASHINGTON, DC 20001

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