

# Governing in an Era of Accountable Care

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Patient-centered care. Seamless care continuums. More assertive and discerning consumers and purchasers of healthcare services. More transparent care processes with smarter clinical outcomes and safety. Value for money. Media and regulatory scrutiny.

**THESE, AND OTHER PRESSURES** in a rapidly changing U.S. healthcare sector, call for a new level of governance professionalism and transparency. No matter how much of the accountable care organization (ACO) movement remains within the federal law, provider- and insurance-driven ACOs will need to be more formal and disciplined in their governance structures, strategies, and style.

There is general consensus in the industry that, regardless of the type of ACO in which a hospital or health system participates, two strategic observations are essential for success:

1. ACO success will be dependent on the involvement of physicians in governance and leadership.
2. In order to lead or participate in an ACO, hospitals and health systems will need new competencies and significant resources.

Purchasers of healthcare services will expect a value equation that maximizes access to needed services with excellent clinical outcomes at reasonable costs.

We believe a third success factor is *smarter governance*, both across the continuum of care and concerning payment arrangements. Success in this complex and challenging era will require careful leadership consideration of these five key governance imperatives:

- Measuring and managing value
- Maximizing patient and physician stakeholder engagement
- Enhancing outcome reporting transparency
- Strengthening internal pay-for-performance
- Making board work more intentional

## Board Oversight in the Accountable Care Era

Healthcare provider organizations and the ACOs they form or participate in face a variety of opportunities and challenges. Their boards, in their fiduciary capacity, will need to be cognizant of the following issues, among others:

- Medicare and Medicaid fee-for-service payments are expected to decline steadily in the years ahead.



- Payment changes will further reduce reimbursement to providers with poor scores on quality measures.
- Shifts to pay-for-performance, bundled payments, and global or population-based payments will require further infrastructure investments and carefully balancing the bottom-line implications of a mixture of fee-for-service and accountable care payment methodologies.
- ACO boards and senior management will need to balance stakeholder representation required by CMS, NCQA, or others with perceived community and management representation, and the need for independent directors (pending CMS's final rule on ACO representation on the board and any reconciliation with IRS's requirement that a majority of directors be independent).
- Today's provider-based health systems will need to consider what entity—one that currently exists or one to be formed—will serve as the ACO (including how many ACOs it may want to form or work with); how to structure ACO boards to meet legal, fiduciary, and mission requirements; and how to coordinate ACO boards with other boards within the health system.
- The increasing focus on quality reporting may result in fraud and abuse enforcement against providers making claims to public payers for care deemed substandard.
- Greater quality data reporting and transparency will require oversight, including assurance that reporting is accurate, thus creating significant additional compliance requirements.
- ACO boards will need to review their oversight structure regarding quality—as it relates both to the ACO and its provider components—and consider the establishment or restructuring of board quality committees into “accountable care” committees.
- ACO boards will need to ensure that appropriate and effective management and clinical personnel and protocols are in place to meet CMS, NCQA, and other requirements and to achieve the ACO's quality goals.
- ACO boards will need to actively oversee quality reporting and auditing activities in accord with evolving regulatory requirements and fiduciary standards.

The leadership of tomorrow's integrated care delivery systems must design new recognition and reward systems linked to more disciplined performance management cultures and processes.

## Measuring and Managing Value

Purchasers of healthcare services, especially for chronic disease care, will no longer accept annual price increases in excess of inflation, nor bills for services caused by surgical infections or medical errors. They will expect a value equation that maximizes access to needed services with excellent clinical

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outcomes at reasonable costs. Governing the ACO will require boards to ask hard questions from management:

- What metrics inform us that we are delivering the appropriate services, with high quality, in the most cost-effective manner?
- How can we be sure that our clinical care teams are managing their care within industry-accepted norms of care quality?
- How can we tell if our payers judge our service value as superior?
- How does our value performance benchmark against other systems similar to ours?

For board members to believe their time and talents are being maximized for their neighbor's healthcare, new cultures and systems are needed to govern tomorrow's integrated and accountable care delivery systems.

### Maximizing Patient and Physician Stakeholder Engagement

To define the ACO's value metrics, boards must invite patients and physician colleagues into the care design and performance evaluation processes. Stakeholder engagement is an essential imperative for a new governance of integrated delivery systems. Engagement methods will include: Web surveys, focus groups, interviews, participation in board committees, and innovative service design labs that can inform service line planning, design, and performance management.

### Enhancing Outcome Reporting Transparency

As boards enhance their capacity to deliver on the promise of good outcomes and value, their performance progress must move out of the boardroom and into the community.

Explicit reporting of results, good and bad, will be expected by patients and their families, the media, government and private purchasers, and employers. A growing cadre of



Web-based consumer reporting resources will be the norm for this transparency era. Boards will need to enhance their investments in performance management systems and multi-media, transparent reporting systems.

### Strengthening Internal Pay-for-Performance

As the public grows weary of large income gaps between frontline workers and senior leaders, pressures will escalate to move external pay-for-performance arrangements inside, and to move to bolder incentive pay for physicians, managers, and employees. The leadership of tomorrow's integrated care delivery systems must design new recognition and reward systems linked to more disciplined performance management cultures and processes. As IRS and CMS/OIG auditing expands, boards will be developing and managing these new internal pay-for-performance arrangements under intense scrutiny for reasonableness and compliance with developing enforcement priorities regarding the delivery of and payment for healthcare services.

### Making Board Work More Intentional

It will not be easy to attract, engage, and retain superior board members in this new era of high-performance governance. For board members to believe their time and talents are being maximized for their neighbor's healthcare, new cultures and systems are needed to govern tomorrow's integrated and accountable care delivery systems. High-performance boards must continuously explore and practice intentional governance that embraces these attributes:

- Competency-based governance—recruiting and educating diverse and talented board members to achieve a balanced set of skills, attitudes, and experiences within the board and its committees, advisory councils, and task forces.
- Information for governance decision making that is driven by data from electronic medical and health records; episodes of care cost profiles; and satisfaction scores of patients, physicians, employees, and purchasers. This data should be posted to board portals and/or intranets and made available at all times.



- Meeting calendars that have fewer but smarter meetings with agendas that encourage meaningful conversations with periodic expert speakers, clinicians, middle managers, and industry analysts about strategic challenges and future opportunities, rather than flat reviews of past statistics.
- Patient stories that ground and inform the board's deliberations about the reality of clinical frontline challenges and the continuous call for value from care that is convenient, comfortable, customized, and cost effective.
- Governance processes and structures that are evaluated each year to develop "governance enhancement plans," establish at least one action each year that the board will make to improve performance in the coming year, identify one attribute that each committee will improve upon, and identify one behavior or action that each board member will commit to enhancing in the coming year.

Accountable care demands accountable governance. Great boards must design critical conversations about governance best practices into their journey toward continuous governance improvement. ●

*The Governance Institute thanks James A. Rice, Ph.D., FACHE, vice chairman of The Governance Institute and executive vice president of Integrated Healthcare Strategies, and Douglas A. Hastings, chair of Epstein Becker & Green, P.C., for contributing this article. James A. Rice can be reached at (612) 703-4687 and Douglas A. Hastings at (202) 861-1807.*