

# An ACO View on Medicaid Reform

*William A. Hensel*

**To the Editor**—In 2015, the North Carolina General Assembly will again have the opportunity to consider Medicaid reform and expansion. Lawmakers have framed this issue as a choice between a managed care organization (MCO) approach and an accountable care organization (ACO) approach. The physician leaders of Triad HealthCare Network (THN) have well-formed opinions based on our experience as an ACO in the Medicare Shared Savings Program (MSSP). Not surprisingly, THN's physicians tout the superiority of the ACO approach and believe a better frame would be: What steps would give the ACO approach the best chance for success?

Certain local factors—such as physician engagement, leadership, and governance—are critical to the success of an ACO. Physician engagement requires a cultural shift. The business culture of medicine favors practice independence over physician unity around common goals at the community level. THN created a physician-led governance structure as an important, early step in bridging that gap. Physician governance must strike good balances between health system-employed physicians and independent physicians and between generalists and specialists. Trust is vital and will not emerge unless each physician feels that his or her perspective is considered.

Health care reform cannot happen without physicians, health systems, and health plans uniting around common goals—such as quality, cost, and patient satisfaction—and creating aligned incentives to achieve those goals. In our community, Cone Health led reform efforts by initiating overtures to Triad-area physicians and by funding THN's start-up costs. Once this collaboration solidified, we sought relationships with payers, as through our MSSP participation.

The same alignment can occur in North Carolina with Medicaid reform. The biggest challenge will be to create a mutually acceptable balance between risks and rewards. The legislative goals are 2-fold: fiscal restraint and budget certainty. Lawmakers want to transfer the risk for Medicaid budget overruns to ACOs. While ACOs need time to develop the capacity to assume risk, they must take ownership of costs. ACO proponents should articulate our goals with equal clarity. We want rules and regulations that provide a fair balance of risks versus rewards.

THN's experience with the MSSP provides a good example for both aligned incentives and balanced risk versus reward.

Cone Health and THN accepted the risk of our \$7.4 million start-up costs with no promise of a return. After reviewing the MSSP's requirements, we felt that the quality targets were generally reasonable and that THN and the Centers for Medicare & Medicaid Services had common goals. For the period ending December 2013, we saved approximately \$21 million, despite starting from baseline per-capita spending that was 15% below the national average. Half of those savings went to THN and will fund our continued efforts to bring better health care value to our communities. We will want a similar opportunity for successful alignment in the Medicaid program.

Medicaid expansion will test our ability to collaborate. I feel that North Carolina's elected leaders have adopted the mantra of "no Medicaid expansion without Medicaid reform." THN physicians, Cone Health, and our communities have directly felt the negative financial impact of that decision. More importantly, our physicians have witnessed the angst of poor families who lack health insurance coverage. As a partner in Medicaid reform—and recognizing how Medicaid expansion affects our balance of risk versus reward—THN leadership has its own mantra: No Medicaid reform without Medicaid expansion.

I have reason for cautious optimism. We are all diligent people of good faith aligned around common goals. Together, we can achieve Medicaid reform and expansion in 2015. NCMJ

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