

# Lessons from an Early Adopter: The Wellmark ACO Story

After 18 months of development, Wellmark Blue Cross and Blue Shield of Iowa® launched a groundbreaking ACO shared savings payment model in early 2012—one of the first commercial ACOs in the Midwest. The following case study, *Lessons Learned from an Early Adopter: The Wellmark ACO Story*, provides an overview of the Wellmark model, offers an in-depth view of the successful elements, details lessons learned, and shares next steps.



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**An accountable care organization (ACO)** is a local healthcare organization that is held accountable for the quality and cost of care delivered to a defined population.

## Overview: Wellmark ACO

One of the key goals of Wellmark Blue Cross and Blue Shield of Iowa is to reduce and sustain the percentage increase in the annual healthcare costs (trend) for their members to equal the rate of inflation (measured by the Consumer Price Index – CPI). During the past decade, Wellmark, with its strategic partner Treo Solutions, has been working with physicians, hospitals, customers, and other stakeholders to transform the healthcare system to achieve this goal. An early adopter in transforming physician payments and payments for inpatient and outpatient services, Wellmark built a strong foundation from which to develop this latest initiative—the ACO shared savings payment model—designed to improve quality outcomes, enhance member experience, and reduce the rate of increase in costs.

There are significant differences between Wellmark’s ACO initiative and previous attempts at managing healthcare.



*Sheryl Terlouw,  
Director of  
Network Innovation,  
Wellmark*

First and foremost, quality care is the primary focus. “It’s not about withholding care to reduce costs,” said Sheryl Terlouw, Wellmark’s director of Network Innovation. “It’s about better health outcomes for our members, which in turn, help control costs.”

Second, population risk-adjustment is essential when healthcare organizations are responsible for the care of designated populations. While early risk adjustment methodologies took patient age and sex into account, today’s risk adjustment approaches measure illness burden and health status.

Finally, the Wellmark ACO relies on actionable data to help healthcare organizations understand and manage performance—not insurance—risk.

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The standardized, five-year ACO contract for each participating health system includes the following key components:

- **Phasing in members.** Initially, the ACO’s financial performance is measured using only Wellmark’s fully insured members. Quality performance is measured using both fully insured and self-funded members, often including the health system’s own employees. The goal is that the ACO and Wellmark will recruit self-funded employers to participate by year three.
- **Member attribution.** The ACO first identifies its service area, participants, and primary care physicians (PCPs). Members then designate a PCP and are assigned to the ACO. If a member does not designate a PCP, one is attributed based on the ACO physician group with the most evaluation and management (E/M) services for each member. The attribution process is refreshed monthly and reported to the ACO throughout the performance year.
- **Shared savings.** The ACO payment system is a shared savings/losses model. Options for participating health systems include 50, 60, or 70 percent of the applicable shared savings or shared losses. As with most components of the Wellmark

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## The Goals of Wellmark's ACO Strategy

Wellmark's ACO strategy enhances members' care through:

- **Quality outcomes.** Keeping healthy people well and improving the outcomes for Wellmark members when they need care.
- **Better experience/more informed patient.** Ensuring all appropriate care is received in a timely manner and patients are actively engaged in the care they receive and that they understand the costs.
- **Reducing the rate of increase.** Wellmark supports participating providers' efforts in lowering costs.

## Overview: Wellmark ACO

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model, shared losses are introduced later in the contract, in this case in the third year. In order to receive a shared savings payment, an ACO must achieve certain quality measures equal to or better than an established target. For the first year, shared savings triggers are related to primary and secondary prevention (breast cancer and colorectal screenings, and well child visits for children birth to 15 months and for children 3 to 6 years of age) and chronic and follow-up care (potentially preventable readmissions, members with hospital discharge with provider office visit < 30 days post discharge, and members with chronic disease with > three provider visits). In subsequent years, additional domains (measures) will be added.

- **Financial Targets.** There are two financial targets for participating ACOs—Consumer Price Index (CPI) Per Member Per Month (PMPM) and Wellmark Trend PMPM. PMPM is defined as the total cost-of-care Per Member Per Month calculated using the Allowed Amount for inpatient, outpatient, professional and pharmacy services. The ACO must perform better than the trend PMPM target to receive a shared savings payment—and the payment increases as the ACO actual PMPM approaches the CPI PMPM target.
- **Quality Incentive Payment.** This payment is determined by achieving the Quality Index Score, developed by Treo Solutions, which represents a single composite score of quality measures in six domains: member experience, primary and secondary prevention, tertiary prevention, population health status, continuity of care, and chronic and follow-up care.

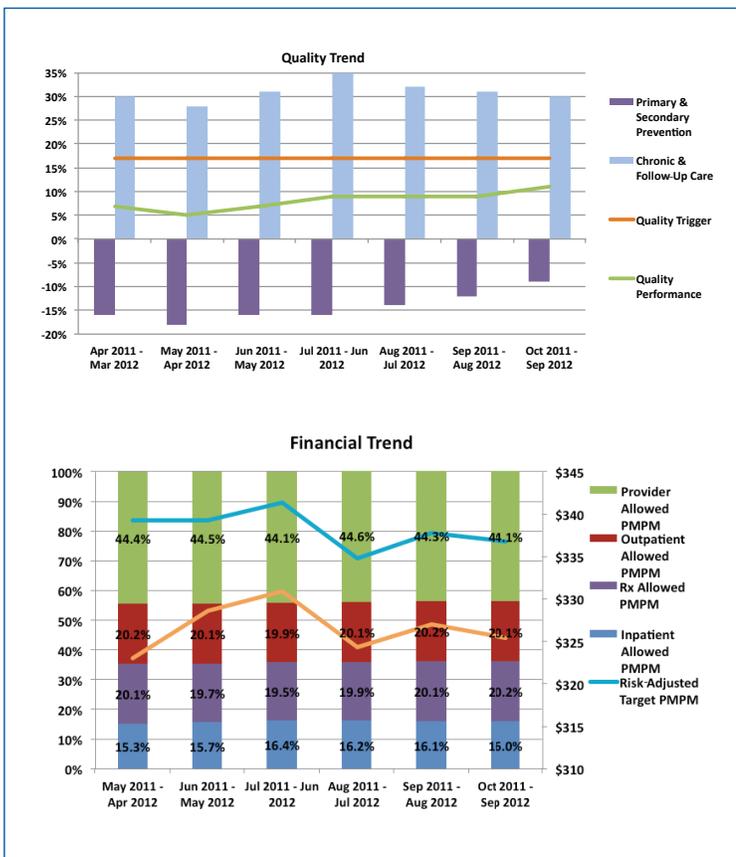
There are three quality incentive targets: 1) the ACO compared to the network, 2) the ACO compared to itself, and 3) the ACO compared to best practice. Each target has increasing quality incentive payments.

An important underpinning of the Wellmark ACO model is the delivery of real-time analytical tools to providers. These tools, designed and developed in partnership with Treo Solutions, include online performance dashboards, created using claims data, which are updated monthly. These dashboards offer actionable financial, population, preventable, and quality information that enable better, more targeted care management for high-risk members, and the ability to examine, track, and improve performance in terms of costs, quality, and member health.

Today, four health systems—Iowa Health System (Des Moines, Cedar Rapids, Waterloo, Fort Dodge, and Quad Cities), Mercy Medical Center (Des Moines), Genesis Health System (Davenport), and Wheaton Franciscan Healthcare (Waterloo)—are engaged in the Wellmark ACO.

### Early Results Show the ACOs are Making a Difference

As shown in the accompanying charts on financial and quality trends, during the first year of experience, the initial three health systems in the ACO showed strides in improving health and lowering costs.



## Elements for Success

Two hallmarks of the Wellmark healthcare transformation journey—which began with a new inpatient payment program and a primary care physician pay-for-quality incentive program in 2006—have been integral to the success of this ACO initiative. The first is engagement and collaboration with health systems and physicians, and the second is the transparency and trust that has been forged over the last decade.

### Engagement and Collaboration

As it had done with other healthcare transformation initiatives, Wellmark engaged providers in the design of the ACO. During the 18-month development process, Wellmark was “patient and we listened,” said Mike Fay, Wellmark’s vice president of Health Networks. “We recognized that we’re in this together. We weren’t going to force this down anyone’s throat—that would not have helped to advance our mutual goals.” A joint operating and steering committee, composed of representatives from both organizations, was created as part of the launch, and it meets regularly to review data, discuss opportunities and address issues.

Over the years, Wellmark has built a reputation of and a system for transparency with its hospitals and physicians. In the initial phases of healthcare transformation, Wellmark focused on sharing information about fees and payment rates with its network providers. This gave Wellmark providers a better understanding of the payment methodologies and minimized price variation among the healthcare providers. As the ACO initiative rolled out, there was a recognition and focus on examining the true drivers of healthcare costs—patient risk factors and differences in utilization.

### Providing Tools and Support

Another critical element for success has been Wellmark’s support, tools, and education for health systems.

In the early stages of ACO development, Wellmark gave health systems an opportunity to engage in a strategic opportunity assessment, conducted by Treo Solutions, which would give them a high level review of their readiness and opportunities for risk sharing.

“These findings helped our health systems turn their vision for change into a workable plan,” said Fay. “It’s not a simple task to align incentives and change behavior. This is a big challenge and the assessments helped by opening up the dialogue and providing a road map.”

Risk-adjusted data on costs, quality, and population health status is also available to the ACOs through an online dashboard, developed by Treo Solutions. An important distinction about the Wellmark population-based risk adjustment approach is that it focuses on the whole person and that it segments patients into health status categories; it does not categorize individuals using their disease state. This helps to identify those members who are at risk, either by cost or by illness burden, and enables more effective and targeted interventions and care management.

“When you’re responsible for 50,000 members, the data helps you target those who are most at risk and who require the most attention,” said Fay. “By filtering this data, we can help physicians identify how to focus their limited resources. We know, for example, that the ‘sweet spot’ where we can both improve health and reduce costs is for those individuals with two or more chronic conditions. They represent a big opportunity for better care management as well as cost savings.”

To ensure that health systems were provided with the information they needed to succeed in the ACO endeavor, Wellmark conducted a multi-week education curriculum about every aspect of this initiative—from an overview of the ACO to an in-depth examination of the risk-adjustment tools and quality measures.



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Vice President of  
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Wellmark*

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## Lessons Learned

Reflecting on more than two years of experience with its ACO strategy, Wellmark leaders cite a number of lessons they have learned, which can help others as they craft their accountable care strategies.

**Look at quality through different lenses.** “When we talk about quality, it’s important to ask the question: From whose perspective?” said Fay. “For physicians, it’s generally about clinical quality, but for members it’s their own experience and how their physicians perform. This makes a difference in terms of how we talk about quality and the tools we provide to measure and improve it.”

**Implement all quality domains, rather than incorporate them in over time.** “One of the things we would have done differently, in retrospect, was start with all the quality measures in place,” said Fay. “The phased-in approach conceptually made sense, but practically it has been more challenging.”

**Don’t underestimate the challenges of moving from process- to outcomes-based measurement.** “Our initial educational efforts focused more on the calculation of the quality measures, rather than how providers can use them,” said Terlouw. “We found that providers are looking more for the insight, support, and how-to education and training for using these measures to be successful.”

**Be prepared to expand your engagement to new constituencies.** Traditionally, health plans have worked primarily with health systems’ financial or managed care executives. However, the intersection of cost and quality means there are new constituents, including members, now engaged in accountable care. “Because the number of people you now work with has grown exponentially, you need to have an intensive onboarding program,” explained Fay.

And, Terlouw points out, members are playing a larger role through the ACO. “They get a vote,” she said, “They have a choice of physician, and they vote with their feet.” This means more education and information for consumers and a keen focus on improving the member experience.

**Pay attention to the market and capitalize on opportunities.** Staying abreast of the dynamic healthcare marketplace—both locally and nationally—helps in crafting and adjusting your strategy along the way. For example, Wellmark launched its ACO around the same time that the CMS Pioneer ACO Model and Medicare Shared Savings Programs were introduced. “This enabled health systems to compare and contrast the different models,” said Fay.

## Next Steps

The Wellmark ACO initiative will continue its growth and expansion in the coming years. This means adding new health systems and large physicians groups into the mix, as well as incorporating new populations. Other items on the drawing board include the planned phase-in of additional quality measures and the integration of a consumer engagement strategy that helps drive consumers to meaningful and actionable financial and quality information.

“We never stop learning,” said Fay. “We continue to learn every day and use this knowledge to adapt, grow, and continually evaluate and change.”

Wellmark Blue Cross and Blue Shield is a mutual insurance company owned by its policyholders. Wellmark and its subsidiaries provide health coverage to more than 2 million members in Iowa and South Dakota. And through the Blue Cross Blue Shield Association, Wellmark is part of a trusted national network that covers more than 100 million people.

Since 2002, Treo Solutions has been an essential partner with healthcare payers, healthcare systems, providers, and state government agencies in transforming healthcare to achieve the Triple Aim: enhancing the experience of care, improving the health of populations, and reducing total cost-of-care. Through healthcare data and analytics, which create and track value, Treo serves as a catalyst for clinical delivery and payment change and enables transparency and collaboration.

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