



cutting through complexity

Convergence through Accountable Care Capabilities

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Over the last decade, the U.S. healthcare system has been struggling to redefine itself. What we know is that the current system is unsustainable, does not always deliver the highest standard of care, and is disjointed. What we don't know, is what form of new care delivery and business model will emerge as the new standard to resolve these issues while still ensuring the continued relevancy and sustainability of all of the players – new and old – in the sector.

Essentially, we have been focused on attaining a more “accountable” system for the delivery of health. For some, this was embodied by the movement towards Accountable Care Organizations (ACOs). But, as we start to practically apply the requirements of an ACO into existing healthcare systems, it quickly becomes clear that what is really needed is more accountable care “capability.”

What's the difference? An “Accountable Care Organization” (ACO) is simply one form of care delivery/business model that has been met with varying degrees of acceptance. Accountable care “capable” organizations, on the other hand, focus less on the model itself and more on having the capability to truly manage the health of a defined

population, enhance the quality of care rendered, and improve the access to, and lower the costs of, that care. This means having the right people, skills, processes, incentives, enabling technologies, and evidence-based medicine protocols to achieve these goals.

While ACO models are a good step, we believe that not until organizations become more accountable care capable will the healthcare system in the United States be able to move away from its current predisposition to volume-based fee-for-service payments and towards a model of funding based on the achievement of quality goals and outcomes that result in cost savings.

A difficult legacy to break

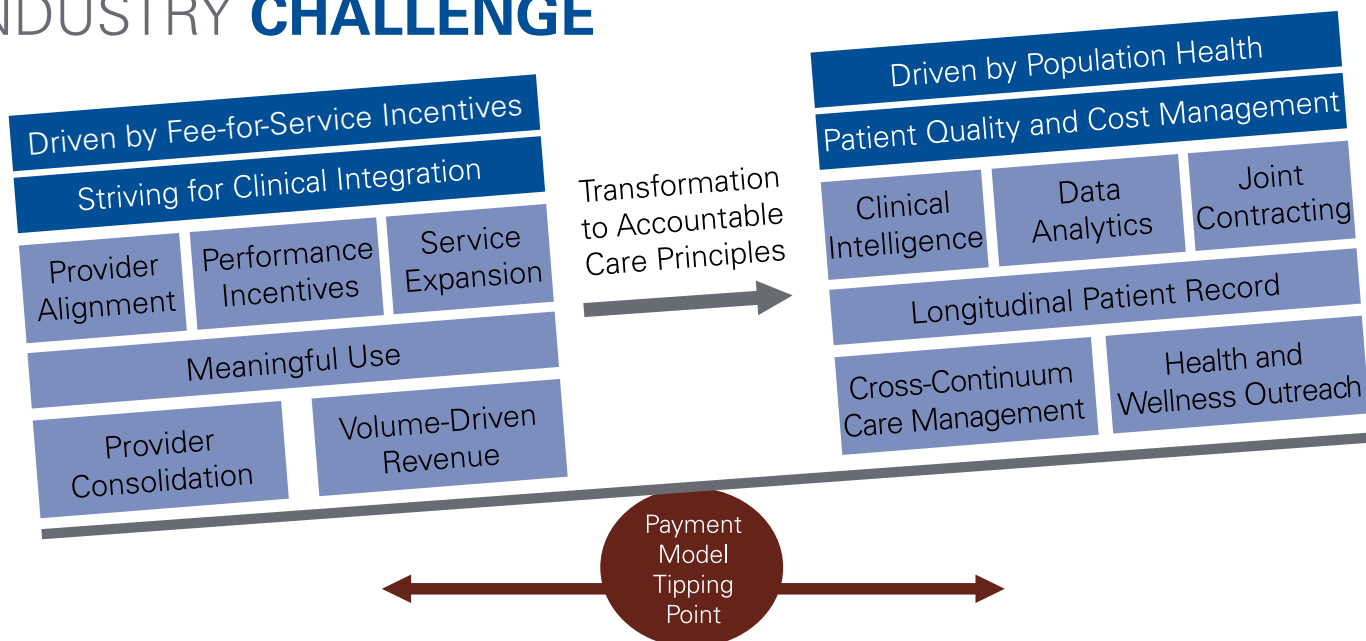
Few people in today's U.S. healthcare system will argue against the fact that good clinical outcomes (including material reduction in variability), patient satisfaction, and cost efficiency can be linked, and that accountable care pilots and demonstrations, whether government sponsored or commercially piloted, have shown promise.

Indeed, the question challenging our system today is not whether we need more accountable care, but rather how we will achieve a more accountable system. More to the point, how will we design a future-state operating model that will be relevant and sustainable for the long haul, while still managing through the disruption that this type of systemic change will entail?

Providers face a particularly difficult road ahead. Under the current fee-for-service reimbursement model, providers will likely see their revenues fall as fewer unnecessary procedures are conducted and greater emphasis is placed on preventative and outpatient care. Given that many providers are currently enjoying some of their best years (financially) in decades, there is likely little incentive—and lots of risk—in proactively moving towards a more accountable care capable model of care for providers.

Payers will also struggle to move towards more value-based and accountable care capable payment models. Newer models—while already demonstrating some success—will need to be refined, with appropriate incentives; and better insight into the operations, costs, and activities of providers will need to be achieved before we will truly migrate toward new care delivery and business models in the U.S. system.

INDUSTRY CHALLENGE



CONSIDERATIONS			
Operational Infrastructure	Function Centralization	Quality and Outcome Levels	Human Capital Investment
Information Integration	Transaction Costs	Speed to Market	Build vs. Buy

Both the chicken and the egg

What is clear is that the transformation towards a more accountable health system cannot happen unless we are able to catalyze a series of simultaneous changes over the next three to five years. New models will need to be created, data will need to be shared, risks will need to be addressed, and collaborative relationships will need to be formed.

This will require unprecedented levels of cooperation and trust, and a willingness to share risk among everyone in the ecosystem—not just providers and payers, but also employers, government, device companies, pharmaceutical manufacturers, technology firms, and others.

Payers, for example, will need to start working closely with their provider networks to help transition them into new models. Some of our payer clients are entering the discussions on the basis that provider revenues will remain whole for the first few years, while providing bonus payments as incentives for measurable achievements in the improvement of quality and value.

We have also worked with provider communities seeking to evolve their relationship with the rest of the ecosystem by, for example, negotiating with payers rather than contracting against them; collaborating with research centers to identify divergence in care; or working with insurers and employers to move towards a greater focus on population health.

It's all about convergence

We firmly believe that the move towards creating more accountable care capable organizations and a more value-based system of care will not be possible without greater convergence of the various segments of the healthcare industry.

We will need to see convergence at a strategic level to create new models and incentives; convergence at a system level to integrate data and IT; convergence at the patient level to deliver an integrated model of care; and convergence at the ecosystem level to ensure best practices and new approaches are tested and results shared.

To achieve this, we will also need a strong dose of leadership, and not just better leadership alignment. The reality is that the move towards a value-based system that encourages more accountable care capability requires long-term vision and an ability to collaborate across the value chain: payers, providers,

life sciences organizations and patient groups will all need to apply equal leadership to create and implement a new model for our U.S. healthcare system.

Signs of leadership are already emerging with some networks across the country demonstrating that success can be achieved when payers and providers converge on mutual goals and approaches, as well as new care delivery and business models. Clearly, the lines that currently separate the various segments of the healthcare industry are already starting to blur, and will eventually fade away.

What remains to be seen is whether the lessons being learned in countless initiatives now being piloted across the country can be brought together to develop new models for driving greater accountable care capability.

Follow us, #kpmghc, as we continue this ongoing series on becoming Accountable Care "Capable."

These days, it seems everyone is talking about healthcare transformation. However "transformation" really only focuses on a subset of what is currently happening in the U.S. healthcare ecosystem, and does not adequately address what is happening more broadly at a systemic level.

At KPMG, we believe that healthcare payers, providers, and life sciences companies should be thinking beyond transformation and focus more on healthcare "convergence" and the broader implications of operating in a more collaborative and integrated U.S. healthcare delivery model. While transformation of current operations is likely going to be a business requirement, the real question for forward looking organizations is what role they plan to play in a new and more converged health system.



About KPMG LLP

KPMG LLP is a leader in healthcare convergence, assisting organizations across the Healthcare & Life Sciences ecosystem to work together in new ways to transform the business of healthcare. With more than 1,500 U.S. partners and professionals supported by a global network in 156 countries, we offer a market leading portfolio of tools and services focused on helping our clients adapt to regulatory change; design and implement new business models; and leverage technology, data, and analytics to guide them on their path to convergence.

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Related Links

For more perspective on the convergent marketplace in the United States and in other countries, please see:

- **[Convergence is Coming: A Brave New World for U.S. Healthcare](#)** provides perspective on the broader implications of operating in a more collaborative and integrated U.S. healthcare delivery model.
- **[Volume to Value](#)** reports on a KPMG-sponsored study that provides perspective on future business models spanning major industry segments.
- **[Something to Teach, Something to Learn](#)** provides a snapshot of the thinking and learning that emerged from KPMG's Global Healthcare Conference in October 2012 in Rome.
- **[More Than Medicine](#)** examines opportunities for life sciences companies to position themselves as a partner in the system rather than a supplier.