Scenario - Physician Led ACO

It is now 2018. Rural Kansas counties continue to be heavily weighted to a Medicare population who receive their primary care in their community, but are referred to larger communities for most of their inpatient acute care and specialty consultations. Physicians are primarily employed in the smaller rural communities while larger rural communities have a mixture of employed and independent medical providers averaging about 75% of the medical staff employed. Physician recruitment and retention in small, frontier communities is difficult at best as physicians feel isolated from their peers and up-to-date information as well as the stress of maintaining 24/7 health services.

The payment system, public and private, has continued to increase requirements for population health management, shared savings incentives and bundled payments. Clinical integration is a larger focus of the health care industry. Successful clinical integration models are primarily led by physicians. These new organizations have significant financial incentives and disincentives tied to their quality and performance metrics.

There is a group of Kansas physicians who have created a physician led organization, KPLO, which is aggressively recruiting physicians across the state. Their goal is to increase the number of Medicare beneficiaries assigned to their organization by CMS. KPLO is professionally led and employs a clinical staff and staff with insurance and analytic expertise. Employed physicians are being recruited as heavily as independent physicians across the state. KPLO provides weekend coverage for their member physician practices as part of the incentive package, but charges a premium to cover hospital emergency calls. Mid-level providers are not the focus of the KPLO’s recruitment and market strategies, however mid-levels in partnership with local physicians are in some cases following their supervising physician.

KPLO is not contracting with hospitals. They assume that they will share in the savings of preventing hospitalizations at all levels. Physicians are torn between whether to retain their local employment or become an employee of this larger physician led organization within which they will share profits and incentives.

Questions/Comments:

- How willing is my board/community/physicians to be a part of an ACO?
- Can our hospital maintain its profitability under this model?
- What impact will there be on the services available within the community?
- What should the hospital have done five years earlier in order to prepare for this scenario?
- What is our relationship with our medical staff? Would we be surprised if they signed up for this ACO model without discussing it with us?
- Is there language in our physician contracts that allows/permits this type of affiliation?
- Will there be a financial benefit to the hospital?
- What is the financial benefit to the physician?
- Is the hospital at risk of an ACO clinic being placed in its service area?

Updated: May 2014