Bill Would Expand "Accountable” HealthCare In New Jersey

Accountable Care Organizations pull together doctors and bill payers to deliver better healthcare at lower cost to indigent patients

By Lilo Stainton, March 14 in Healthcare

With 400-plus visits to Trenton area hospitals during 2010, Betty racked up some serious healthcare bills. She also wasn’t getting any healthier. And as a homeless drug addict with no income or insurance, the cost of her care -- hundreds of thousands of dollars annually -- fell largely to the public.

Today, Betty has her own apartment; she’s been off the streets for six months; she’s struggling to stay clean; and she has only visited the emergency room a handful of times this year. Thanks to a coalition of doctors, nurses and specialists that make up the Trenton Health Team, Betty and others like her have seen real improvements in their health. And if early indicators hold true, the bill for their treatment could be cut nearly in half.

Trenton Health Team Vice President Christy Stephenson shared Betty’s story with members of the Assembly health committee this past Monday, during a hearing on a bill that would license a handful of three-year demonstration projects throughout the state that are similar to the Trenton effort. A Senate version of the bill could be up for a full vote as early as today.

Accountable Care

The measure calls for the creation of a so-called Accountable Care Organization (ACO), a collaborative of nonprofit groups that bring providers, patients and bill payers together as a network of healthcare managers dedicated to providing higher quality care at lower cost. The plan targets Medicaid patients and calls for potential savings to be returned to the organization and reinvested in patient care.

"This really holds the promise of significant savings," said Dr. Jeffrey Brenner, a founding member of the Camden Coalition of Healthcare Providers, an organization that has led the ACO movement in New Jersey, at Monday’s Assembly hearing. “It offers us the opportunity to provide better care at lower costs."

The ACO model -- which plays a prominent role in the federal health care reform effort now being developed -- is centered on improving treatment of chronic conditions, like diabetes and high blood pressure, reducing emergency room visits and hospitalizations, and coordinating patient care among all providers in a geographic region, like Camden or Trenton. It is technology-dependent, requiring good healthcare data to identify the patients and communities most in need, as well as electronic patient records immediately accessible to all doctors and hospitals treating a patient.

The federal healthcare reform bill, the Patient Protection and Affordable Care Act, encourages groups of providers to come together to form organizations focused on the same mission: better care at lower cost. The federal law does not limit ACOs to Medicaid patients, but in New Jersey the demonstration projects will be limited to the indigent. It is Medicaid patients who most frequently use the emergency room as a doctor’s office and thus have no coordinated care. Support for the concept is widespread, although some doctors, hospital executives, insurance companies and medical attorneys are cautious about potential devils in the regulation details.
Legislation is required because the program would require the state Department of Human Services (DHS), which oversees Medicaid, to also oversee the ACO projects. This would be a new role for DHS. (There are some hospital groups that recently started calling themselves ACOs, but they do not have this same strict model and they are not regulated in this form by DHS.)

There is some concern that the ACO model will be just a warmed over HMO. But supporters, including some insurance providers, insist there is an important difference. Medical decisions will be led by a patient’s primary care doctor -- the person who knows the patient best -- with input from other members of the ACO team. In HMOs, these treatment choices are often made by doctors at the insurance company, who could be far removed from patients, their concerns and the reality of their lives.

Supporters agree the law’s focus on primary care doctors makes sense, since improving the patients’ relationship with this key provider can help them manage chronic conditions and avoid expensive hospitalizations. But some specialists are concerned that this model will sideline them, costing them patients and cutting them out of any potential savings-sharing plan. Others worry that a widespread rollout of ACOs could be hampered by a general lack of primary care physicians, as an increasing number of medical students choose more lucrative specialty fields over primary care.

**Forged in the Mines**

It was data mining that helped shape the mission of the Camden Coalition, a broad partnership formed in 2002 that includes primary care doctors, nurses, hospitals, mental health caregivers, patient advocates and insurance representatives. (The Camden Coalition is the model that Vitale and others are using in creating demonstration projects.)

The data also focused the group on healthcare “hot spots,” city blocks with concentrations of the sickest and most costly patients. The vast majority of these patients are covered by Medicaid, the publicly subsidized health insurance program for poor, blind and disabled residents.

Examining seven years of patient records, spanning 2002 to 2008, revealed something startling to the coalition leaders: 20 percent of patients absorbed 90 percent of the healthcare expenditures in Camden. In fact, an extraordinary number of patients came from just a few blocks, primarily the Abigail House nursing home and the Northgate II apartment towers. Northgate residents visited city hospitals 3,900 times in those years, at a cost of $83 million.

The coalition set out to change those numbers. The group formed outreach teams that visited patients at home, helping them with medication, proper nutrition, even transportation and housing. It connected patients with primary care physicians, so they didn’t end up in the emergency room seeking treatment for colds, digestive problems or viral infections -- problems that could be treated through a simple office visit and medication. Addicts were referred to appropriate treatment and those with depression saw mental health experts.

Members of the coalition realized that by focusing on these clusters of high-cost, chronically ill patients, they could have a real impact on the city’s overall healthcare picture. So far, the work is paying off in many ways. Patients are happier and healthier, the group says, and the savings are astounding: initial results show a 40 percent to 50 percent reduction in healthcare costs.

"It’s an amazing model. It’s very well-designed," said Sen. Joe Vitale (D-Middlesex), chairman of the health committee and a lead sponsor of the Senate bill, referring to the Camden Coalition. "Patients are being cared for in a more appropriate manner. Hospitals are saving money," he said, "and the savings can be used to build capacity."

The results in Camden depend on close cooperation among organizations that may not have worked together in the past, Dr. Brenner stressed. In some cases, these groups may have once been competitors. And building the collaboration needed to create widespread support for the New Jersey ACO bill involved two years of “painsstaking work,” he said.

**A Delicate Balance**
This delicate balance appeared to be somewhat threatened by last-minute amendments to the Assembly bill that would eliminate the prior-approval process insurance companies usually require before patients can receive certain treatments or procedures. Health insurance representatives said Monday that they would be willing to work with certain providers to end pre-certification for specific conditions, but a widespread ban on the process could be problematic.

Wardell Sanders, president of the New Jersey Association of Health Plans, conceded that there are times when the prior-approval process seems like a waste of time to doctors, patients and payers. “But it also plays a useful cost-containment role,” Sanders told the committee.

Regardless of the amendments, a wide range of supporters have expressed to legislators how ACOs could bring tremendous benefits not just to New Jersey’s urban areas, but to residents -- and businesses -- throughout the state. At Monday’s Assembly hearing 21 people signed up to testify in support of the measure, including business groups, pharmacy representatives, patient rights advocates, clergy members and Camden residents. A similar mix of two dozen individuals spoke in favor of the Senate version at a hearing the previous week.

“I look at this bill as the most promising bill we’ve had in at least twenty-some years, maybe longer,” Gary Young, an executive vice president at Cooper University Hospital in Camden, told the Assembly committee.

“For the first time you’re putting accountability into the hands of stakeholders who are not used to working together. They’re not used to solving problems together,” Young said. “But this bill gives those stakeholders the opportunity to work together to solve those problems.”

The ACO model, if effective, holds the potential for significant savings for hospitals like Cooper, which often end up treating the same chronically ill patients in their emergency rooms year after year. Many of these patients are uninsured and state and federal assistance does not always cover the full bill, leaving hospitals short.

Studies of statewide data, going back to 1996, have shown that 15 percent to 20 percent of hospitalizations are "completely, completely preventable," Young said. In Camden, these cases add $35 million to $40 million to the cost of health care.

“Obviously, that’s a big problem. That’s a big expense,” Young said. “And it’s a preventable expense.”

**Business Benefits**

Although the bill specifies that the ACO demonstrations target Medicaid patients, business leaders say these organizations will also benefit businesses and workers statewide. A New Jersey Chamber of Commerce survey shows that employer-paid health insurance has shot up by 78 percent in the past decade and businesses of all sizes are struggling to keep pace. If the overall cost of healthcare is reduced, insurance companies are under less pressure to raise premiums, which in turn reduces health insurance costs for businesses of all sizes.

"Avoidable medical conditions result in thousands of sick days and more than $1.8 billion in medical costs,” chamber president and CEO Thomas Bracken noted in a press release issued earlier this month. He concluded: "reducing healthcare costs improves the business climate in New Jersey.”

Currently, Medicaid covers roughly 1.3 million people in New Jersey. The state’s Medicaid budget in fiscal year 2010 was $10.7 billion, with more than half of the funds provided by the federal government. The program is run by the state’s Department of Human Services, which the ACO bill would require to approve and oversee any demonstration projects.

Based on the experience in Camden and the early results from Trenton, sponsors of the ACO bill made widespread community support from healthcare providers a key factor in a project’s approval. The measure requires all of the hospitals in the geographic area selected to participate, as well as 75 percent of the primary care physicians. Approval also requires support from at least four qualified behavioral care specialists in the area.
While the bill does not target any particular region for the projects, it required that an ACO focus on a geographic region that includes at least 5,000 Medicaid patients and a hospital that treats a large number of so-called charity care patients, or those without insurance or an ability to pay. While the measure drastically alters the coordination and delivery of care, it does not seek to change the reimbursement process: doctors, hospitals and other caregivers will continue to bill the state’s Medicaid program, which is administered through four private insurance providers, as they have in the past.

The measure also calls on state officials to approve of an ACO’s “gainsharing plan,” or its strategy for distributing any savings, some time within the first year of operation. This plan, and any potential payouts, will be tied to specific patient care benchmarks to be developed by state Medicaid officials along with experts at the Rutgers Center for State Health Policy and ACO leaders. For example, the organization will have to show not just that it saved money on care, but also that patients had better experiences going to the doctors and saw clear improvements in their physical health.

In the past, “the waits were too long and too often the care was poor,” said Pilar Perry, a resident of the Northgate II apartment building in Camden. “And when we were forced to wait months before we get care, our conditions worsen.”

Today, as a patient of the Camden Coalition for Healthcare Providers, she gets greater individual attention and the doctors focus on keeping her healthy before she gets sick. “I see ACOs as a way to help people be seen as individuals, and to help avoid stereotyping,” she added.

The Assembly measure is now destined for a second hearing in the Appropriations Committee. A fiscal statement attached to the bill by lawyers in the Office of Legislative Services (OLS) concluded it was too soon to say what the fiscal impact of the demonstration project would be, since there are far too many undetermined factors. The Senate bill passed that health committee in January and cleared that house’s Budget and Appropriations Committee last week.

Lilo Stainton has covered local, state and national news for New Jersey newspapers for more than a decade, first as a reporter for the Home News Tribune and then as a statehouse correspondent for Gannett’s chain of six daily newspapers. She has written about politics and policy of all kinds, with a focus on healthcare. Her work has received numerous awards and she was a regular guest on NJN’s Reporters Roundtable TV program. Lilo took a break from journalism to serve as press secretary to former Governor Jon S. Corzine and as communications director at the New Jersey Meadowlands Commission.

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