



Five Chances For Seizing The ACA These Areas of Reform Provide The Most Opportunity

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The Affordable Care Act clarifies the general path forward for healthcare organizations in 2013 and beyond. At the same time, changes demanded by the market are forcing the healthcare industry to transform away from old models into new. While some of the ACA has already come into being, major components take effect in 2014 and that makes 2013 the year for executives to truly consider how they are going to seize the opportunities that reform will bring. Here are five such opportunities particularly worth noting:

- 1. Health Management.** The future of health care in America is evolving from the fee-for-service model (which has been one of the underlying causes of unsustainable health costs) to one based upon providing value based care. That includes a transition from episodic management of “events” to care management of entire populations. Health systems and insurers will be responsible for the total cost of care in which quality is a defined metric. If your success has been built upon selling volume (fee-for-service) to insurance companies and the government, you will need to find a way to evolve and do it quickly! The old “heads in beds” model is a recipe for disaster.
- 2. Partnering.** Under new models and new forms of reimbursement, very few single purpose entities will be able to succeed on their own. Finding strategic partners who share common values and with whom you can build a trusting relationship is key. Say goodbye to the old “win-lose” model of doctors versus hospitals, or payers versus providers. CMS just announced over 100 new ACO’s based upon the Shared Savings model. While it is logical that local health systems that encompass both physicians and hospitals are joining together, it is fascinating to see how many of these ACO’s are sponsored by large payer organizations as well.
- 3. Dual-Eligibles.** Federal and state governments pay approximately \$320 billion annually to provide care to the roughly 7 million beneficiaries eligible for both Medicare and Medicaid. CMS is now co-sponsoring pilot programs for up to two million duals to create an integrated program that is consistent with the concept of population management and high quality of care. This may be the single largest economic opportunity for both payers and providers in the near future.
- 4. Exchanges.** The ACA requires that all 50 states participate in either a state-based exchange, a partnership exchange with the Federal government or default to the Federal exchange by January 1, 2014. While it’s too soon to tell if this is a true opportunity for both payers and providers, it appears that local and regional insurers are more likely to “play,” especially the Blues. Whether or not you choose to participate, developing a proactive strategy to Exchanges will be critical for all healthcare companies.
- 5. Access to Capital.** The majority of capital expenditures on healthcare in the U.S. is funded through the issuance of debt (loans)—either taxable or tax-exempt. The opportunity to borrow is at historically low interest rates and nearly all levels of credit quality can access these markets. Investors in bond funds, searching for yield and willing to “pay up” for it, are making loans to health care organizations with BBB ratings for 30 years and only demanding a 5% rate of return. As an investment banker colleague said recently, “I can loan you more money than you can ever repay.”

Clearly there are a number of other opportunities for healthcare executives to consider. But each of these five work in concert (they’re not siloed strategies) and purposefully addressing them now will be critical for success in 2014 and beyond.

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