



Health Care Reform: Clinical Integration and Accountable Care Organizations

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Many hospitals today are finding themselves between a true rock and a hard place. On one hand, they face continuing reductions in payments by Medicare and commercial payors, along with an obligation to implement various healthcare reform measures. At the same time, they are expected to maintain or improve the quality of care they provide, and to quantify such quality. As a result, hospitals continue searching for ways to meet these demands, some of which involve working in a conjunctive manner with the hospital's medical staff. One such approach that is quickly gaining traction is a process known as clinical integration.

"Clinical integration" has been defined in different ways by different parties. One commentator has described it as an "innovative program to accelerate the implementation of advanced clinical technologies, facilitate the adoption of evidence-based medicine, and generally reduce the underuse, overuse, and misuse of clinical resources." A key element in any such program is "interdependence" – the notion that all of the participants benefit when they all perform well, and the existence of true integration within the program, rather than a mere loose affiliation between the participants.

To some, clinical integration may sound a lot like a "physician-hospital organization" or PHO. Those entities were developed in the past usually for purposes of receiving lump-sum payments from payors in return for the PHO bearing responsibility for the care of a defined population. While PHOs fairly withered away during the 1990s, today's clinical integration programs can benefit from advances in information technology infrastructures, in particular electronic medical records, and other advanced means for tracking outcomes and quality of care.

Clinical integration, though, has to walk a fine line with antitrust compliance. Price fixing is always a concern for the Federal Trade Commission, and so any clinical integration program must have legitimate objectives and sufficient mechanisms to meet those objectives, and must truly offer a new product for the public, as opposed to a mere affiliation that lacks sufficient integration. Along those lines, since 2002 the Commission has issued three advisory opinions approving particular clinical integration programs and one opinion disapproving such a program. These opinions provide valuable guideposts for what is required in a legitimate program of clinical integration.

While antitrust compliance is an ongoing concern, presently it appears to be a good time for providers to evaluate a potential clinical integration strategy. The Obama Administration is on the record as favoring clinical integration. In fact, the recently-enacted Patient Protection and Affordable Care Act ("PPACA") calls for the creation of Accountable Care Organizations ("ACOs") by 2012. ACOs are entities that accept responsibility for the cost and quality of care provided to a given population of patients and provide data on their performance. The goal of ACOs is to pay providers in a way that encourages them to work together and reward them for providing high-quality care. There are several different types of ACOs; however, early research has demonstrated that the best ACOs are integrated delivery systems and multi-specialty group practices. In fact, the greater the extent of network integration, the higher the quality outcomes experienced by the ACO.

More information on ACOs will be provided as the Obama Administration issues further regulatory guidance. However, it appears clinical integration is the first step to the formation of an ACO, and so healthcare providers adopting clinical integration programs may have a head start on forming ACOs by 2012. Moreover, in the right market and under the right circumstances, collaboration between physicians and hospitals through clinical integration can increase the quality and efficiency of patient care, decrease costs, and offer payors an attractive product for the provision of care for their members.