

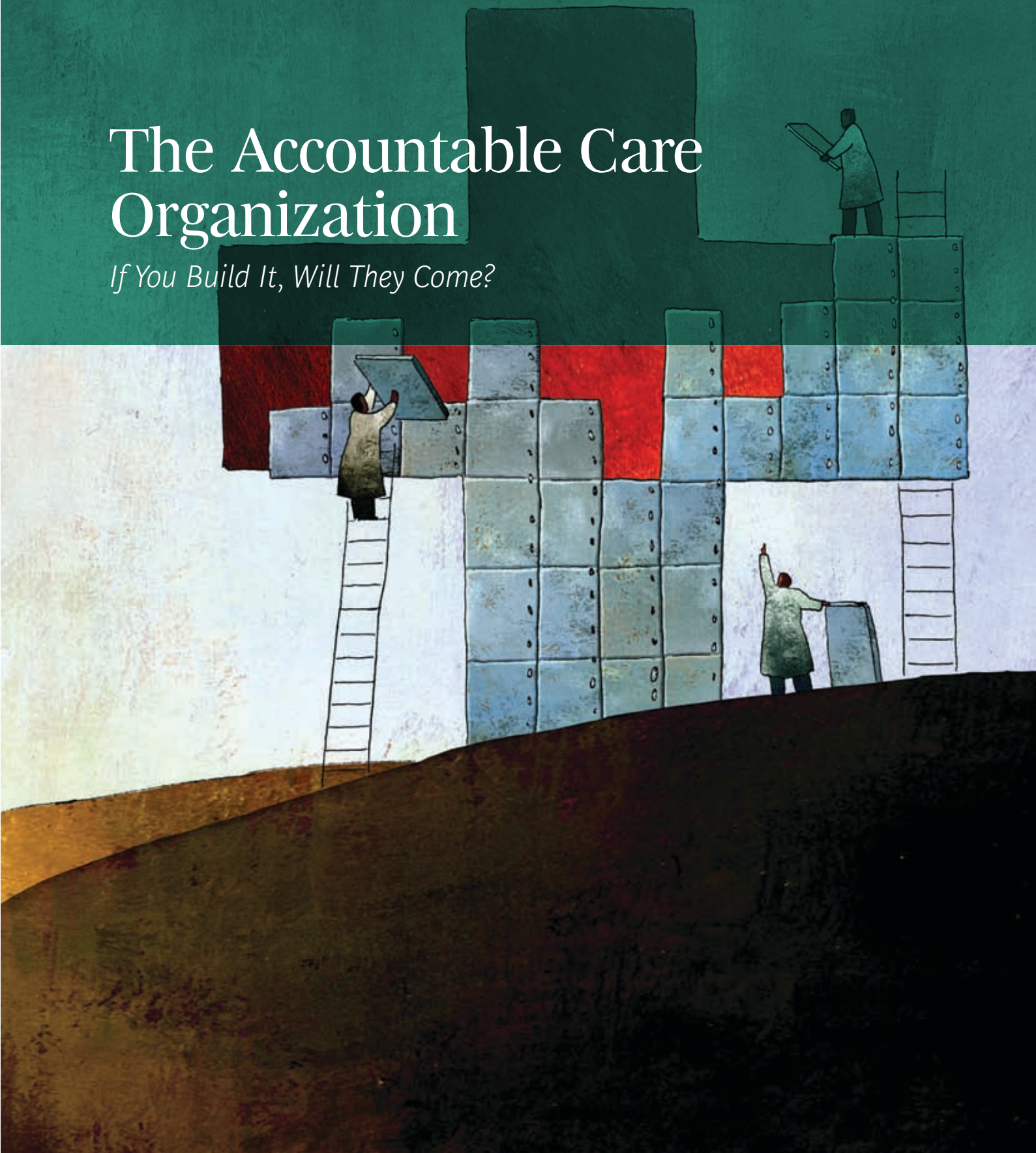
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# The Accountable Care Organization

*If You Build It, Will They Come?*



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# The Accountable Care Organization

*If You Build It, Will They Come?*

**Martin B. Silverstein, MD, Giri Rao, and Carolyn Noble**

May 2013

## AT A GLANCE

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A key feature of U.S. health care reform is the premise that accountable care organizations (ACOs) can slow cost growth while improving quality. But few payers and providers have strategies that will engage consumers and win their business.

### **WHY CONSUMER ATTITUDES MATTER**

The changing industry is putting consumers at the center of plan choice, increasing their cost sensitivity, and raising their awareness of where they receive care. Given this new landscape, consumer acceptance is critical to the success of ACOs.

### **GAUGING CONSUMER ATTITUDES**

BCG surveyed more than 1,000 insured individuals in the U.S. to identify their attitudes toward ACOs. Key hurdles to acceptance include lack of awareness of the pending changes and what being a patient within an ACO means, the perception that lower costs equal lower quality, and reluctance to give up trusted providers.

### **WINNING STRATEGIES FOR ACOS**

Payers and providers pursuing ACO-based strategies must refine their offerings on the basis of consumer needs, optimize the patient experience, and educate consumers and physicians on the new model of care delivery.

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**T**HE AMBITIOUS PATIENT PROTECTION and Affordable Care Act (PPACA) is already changing the health care landscape. Beyond increasing access to medical care, the PPACA includes the premise that accountable care organizations (ACOs) can slow the growth of health care costs while improving the quality of care. As coordinated groups of health care providers, ACOs will benefit from Medicare's new risk-sharing arrangements that reward providers for managing costs and achieving better outcomes. Commercial payers are already following suit, and we expect the trend to continue as payers include ACOs in their new reimbursement programs. Hospital executives and physicians must be listening: the number of recognized ACOs has grown from 32 pioneers in 2011 to more than 200 as of January 2013.

Consumer acceptance is critical to the success of the ACO model, in that the role of the consumer is massively elevated under the reform, particularly given the anticipated growth of individual business from insurance exchanges and Medicare Advantage.

But according to a recent consumer survey by The Boston Consulting Group, gaining this acceptance will be a challenge. For one thing, ACOs are poorly understood: 90 percent of the people we surveyed were completely unfamiliar with the concept. Other hurdles include convincing consumers that lower costs don't equal lower quality, addressing concerns about privacy, and overcoming reluctance to give up trusted health-care providers.

Although payers and providers are rapidly developing the ACO capabilities and tool kits needed to execute the new model, few industry players have created strategies that will engage consumers and win their business.

## Why Consumer Attitudes Matter

ACOs are intended to address some of the broadly recognized fragmentation of today's health-care system in the U.S. Based on the approach of well-known integrated-care organizations such as Kaiser Permanente, Intermountain Healthcare, and Geisinger Health System, ACOs provide patients with care that is coordinated by a team of health care professionals—including physicians, nurses, and other physician extenders—who are collectively accountable for cost and quality. It is hoped that this coordinated approach will enhance patient access and engagement while minimizing medical errors, duplication of efforts, unnecessary testing, and inappropriate referrals.

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ACOs are poorly understood: 90 percent of people we surveyed were unfamiliar with the concept.



Indeed, in its core markets on the West Coast, Kaiser has been able to provide employers with health benefits that cost up to 30 percent less than traditional managed-care plans, without sacrificing quality. Kaiser's largest plans took the top three Medicare spots in the National Committee for Quality Assurance's (NCQA's) 2012–2013 health-insurance-plan rankings, which measure quality and customer satisfaction. Further, all of Kaiser's commercial plans were in the top 10 percent of the NCQA's ranking of national commercial plans. And members are happy: according to a recent J.D. Power and Associates study, Kaiser had the highest member satisfaction in its regions.

Despite this health-care trifecta of lower cost, higher quality, and high member satisfaction, Kaiser's membership has been stagnant in its largest market (California), with market share holding steady at about 35 to 40 percent. Geisinger's market share is only about 30 percent. If these established and well-run ACO-like entities have not been able to grow, how much confidence should federal and state regulators have that the new model will attract enough patients to justify the investments being made?

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The changing marketplace is putting consumers at the center of plan choice.

## Growing Consumer Choice

The changing marketplace is putting consumers at the center of plan choice, increasing their cost sensitivity, and raising their awareness of where they receive care. Even prior to the reform, high-deductible health plans—often with high copays—were common, particularly for small and midsize employers. Under the new plans, consumers will no longer be insulated from the vast price differentials among physicians and hospitals and will start to make conscious choices regarding where to receive care.

Moving forward, many in the industry expect exchange-based products to reinforce this trend. With full PPACA implementation, exchanges will go live, growing from coverage of an estimated 7 million individuals in 2014 to 27 million in 2018, according to the Congressional Budget Office. In addition, Medicaid managed care and Medicare Advantage plans will be among the fastest-growing segments. As a result of these industry changes, the direct-purchase segment of the health care market is growing five times faster than the overall market.

To better position themselves in these exchanges—where plans are expected to be very competitively priced—payers are revisiting their product portfolios and network design strategies. One common cost-saving design strategy is to use “narrow networks” that limit the number of providers that plan members can use, a concept adopted by many early health maintenance organizations. Because a narrow network forms the basic infrastructure of an ACO, the ACO model is a convenient fit for payers embracing this design strategy. Indeed, most payers have embraced ACOs as a core part of their strategy for exchanges, and national health plans such as Aetna, Cigna, United HealthCare, and many Blues are building new businesses that support ACOs. Alternatively, ACOs will vertically integrate into insurance and market themselves directly to individuals and corporations.

But this path makes sense only if consumers embrace the ACO concept. Will individuals be willing to forgo choice and more-open networks? And should payers bet their futures on it?

## Gauging Consumer Attitudes

To find the answers to those questions, BCG recently conducted a detailed survey of more than 1,000 insured individuals in the U.S. to identify their behaviors, preferences, and concerns with regard to health care provision in general and ACOs in particular. Our survey respondents represented all adult age groups, races, genders, and income levels. Although only 10 percent of the respondents knew what an ACO was, almost half expressed an interest in the concept once it was explained to them and only a small number of consumers expressed a lack of interest. Clearly, potential adoption rates are promising.

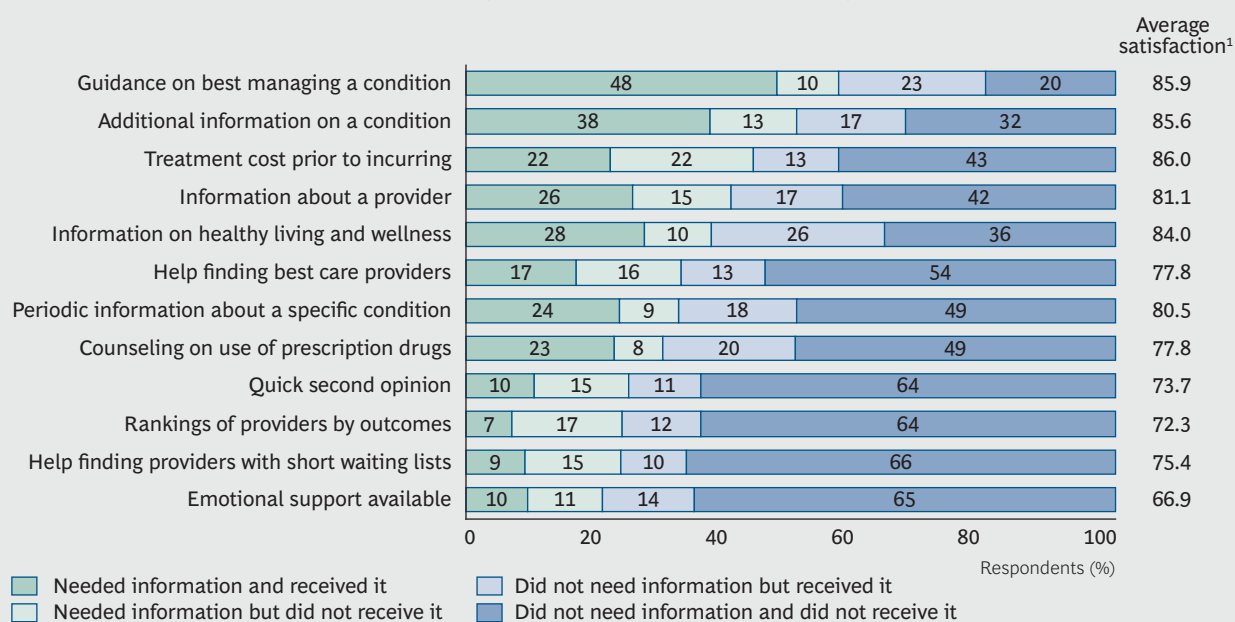
We designed our survey to reveal consumer attitudes across the full patient life cycle: information gathering, provider selection, and the patient experience. Finally, we explored attitudes toward key ACO elements to determine which segments of the market would be most likely to accept the new model and where consumers are most likely to grapple with tradeoffs.

### INFORMATION GATHERING

One of the most prominent goals of the PPACA is to create more transparency for consumers regarding the cost and quality of care. Interestingly, few of our respondents are currently seeking information about their care, providers, costs, or outcomes. (See Exhibit 1.) For example, less than half sought information on treatment costs prior to incurring them, while fewer than one in four requested information on provider rankings based on outcomes. However, when they do want information,

#### EXHIBIT 1 | Few Consumers Are Seeking Information on Care, Providers, Costs, or Outcomes

Which of the following types of information and advice did you need within the last two years?  
Which did you receive? Select all that apply.



they don't always get it. For instance, half of those seeking cost information and nearly three-quarters of those seeking outcome rankings for different providers were unable to obtain it. Still, the demand for information on critical topics such as these is low overall: for most topics, a significant percentage of respondents stated they did not need information even when they received it. However, of those receiving information, about 80 percent were satisfied or very satisfied.

A challenge for ACOs will be to educate consumers about the importance of asking for and getting critical data when making choices about where they get their care. Not only will this be necessary to attract patient volume, but studies suggest that more-informed patients are actually less expensive to treat, further emphasizing the need for patient education in general.

### PROVIDER SELECTION

Insured consumers describe themselves as rational when it comes to choosing a health care provider. On an absolute basis, quality and convenience were the top two criteria. Cost was ranked as the third highest selection factor, and one in four respondents listed high out-of-pocket (OOP) costs as a key challenge. In fact, behavior in the face of rising costs shows that consumer loyalty is elastic. Our survey revealed that although loyalty to primary-care physicians (PCPs) tends to be extremely strong, it quickly dissipates with the threat of higher OOP costs: 55 percent of our respondents had zero tolerance for a cost increase and would switch providers to keep costs low, 37 percent had a tolerance for modest cost increases of up to \$25 per visit, and only 7 percent were willing to “pay to stay” with a provider in the face of OOP cost increases in excess of \$25 per visit.

Behavior in the face of rising costs shows that consumer loyalty is elastic.

Cost was particularly important to younger and healthier consumers. The implication for ACOs is that members tend to be “sticky” once they've established relationships with in-network physicians. But ACOs must first win those patients—possibly by attracting them with lower-cost solutions that can outweigh the reservations that consumers harbor about quality compromises. Not surprisingly, lower-income consumers also expressed concerns about costs.

Older patients on Medicare and those with chronic illnesses placed a greater emphasis on the physician relationship than on cost concerns and convenience. Individual purchasers and those who have changed physicians in the last five years (“switchers”) value convenience over quality. Furthermore, younger switchers are more mobile and cited moving as a reason for changing physicians. Their relationships are also less developed, and they were more likely than older switchers to say they'd switched because they'd lost confidence in a particular physician.

The degree of loyalty to one's current provider plays a key role in a consumer's willingness to consider the ACO model of care. Many of our respondents indicated that their own physician's recommendation or participation in an ACO would be a key incentive for enrollment. Moreover, our findings showed that younger people were 29 percent more likely to be interested in ACOs because they tend to be healthier, more open to change, and still forming health care behaviors and preferences. Besides being younger, early adopters were more likely to be minorities, individual purchasers who are less tied to their PCPs, and lower-income consumers



interested in minimizing their health-care costs. Interestingly, younger females were twice as likely as older males to switch PCPs (40 percent versus 20 percent). Older, PCP-loyal consumers in general, patients who are chronically ill, and more affluent consumers were more resistant to the concept of ACOs.

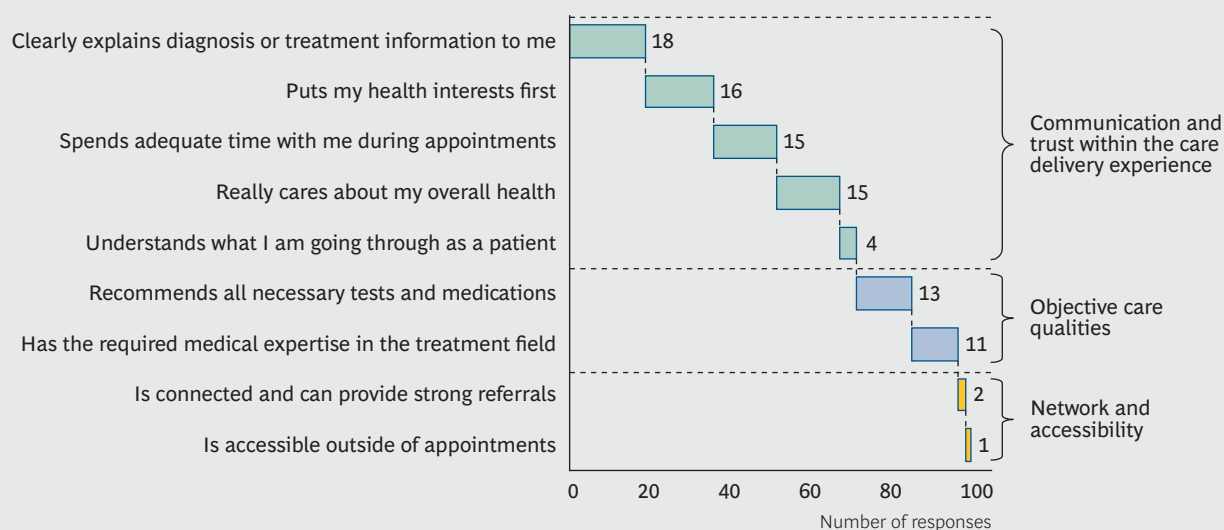
## PATIENT EXPERIENCE

Patients have a clear view of what they like and dislike about their health-care experiences. Many of these issues are predictable, and management attention can address them. For example, a lack of coordination and follow-up by current providers was a key “pain point,” noted by half of our survey respondents. Long wait times were another problem cited by consumers. However, about 70 percent of our respondents ranked the “softer” elements of the care experience and physician interactions—such as trust, time spent, and communication—as the most important considerations. (See Exhibit 2.) Other “harder” perceptions of a physician’s qualifications, such as perceived medical expertise and a belief that physicians recommend all necessary tests and medications, were deemed most important by fewer respondents. Ranked most important by the smallest number of patients were a physician’s accessibility outside of appointments and having a strong referral network. Taken together, these findings suggest that ACOs must pay much more attention to the multiple interactions that constitute the patient experience—from coaching the extended provider team on communication to how they help patients navigate a complex referral.

Many ACOs are exploring the use of different communication channels such as e-mail, text messaging, and Web portals to enhance the patient experience. At present, however, few consumers are using these channels except for a very narrow

### EXHIBIT 2 | The “Softer” Elements of the Care Experience Are Highly Ranked by Consumers

Based on your most recent appointment or interaction with your primary-care physician, which factor was most important to you? Select one.



Source: BCG consumer survey data.

Note: Results exclude “others.”

subset of younger patients who are active users of mobile devices. We expect ACOs to increase their use of telehealth technologies to reduce the cost of care, avoid penalties (such as readmissions), and improve access going forward, but they should be forewarned that gaining broad adoption will require significant focus and energy.

### ATTITUDES TOWARD SPECIFIC ACO ATTRIBUTES

Our survey also measured consumer attitudes toward key aspects of the ACO concept that are different from the traditional provider model, such as increasing the role of nurse practitioners, physician assistants, and other physician extenders in care delivery; having physicians manage costs; and using alternative communication channels such as e-mail.

Most of our respondents—especially younger, more progressive consumers and those with high confidence in nurse practitioners or physician assistants—were willing to use extenders. Still, the heaviest users of extenders were 29 percent less likely to be “very satisfied” with their care—a red flag that may indicate potential concerns about tradeoffs between cost and quality. Overcoming this concern will be critical for ACOs, given the shortage of PCPs and the importance of physician extenders under the new health-care act.

### COST AND QUALITY TRADEOFFS

If there is one finding that health care executives *must* address in their operating plans, it’s the perception among consumers that lower costs have a negative impact on quality—a sentiment especially prevalent among lower-income populations and those on Medicaid. Our respondents were deeply conflicted about the tradeoffs. (See Exhibit 3.) Half of the consumers surveyed believed that the cost of care has an impact on quality and that higher costs generally lead to higher quality. Their

## EXHIBIT 3 | Consumers Are Conflicted About the Tradeoffs Between Cost and Quality

### Consumers perceive a cost-quality compromise...

Half of respondents **believe that the costs of care have an impact on the quality of treatment** they receive (consistent for both PCPs and specialists).

This perception is more pronounced among the less affluent (low-income respondents were approximately 14.5 percent more likely than high-income respondents to believe this) and Medicaid patients (who were approximately 12.5 percent more likely than those with employer-based coverage to believe this).

#### Select survey responses:

*“Better outcomes and cost efficiency are contradictory. Better outcomes should take priority over cost efficiency. No health care rationing!”*

*“What keeps this from becoming ‘Health Care by Accountants’? It seems like this system simply aggravates the role money already plays in health care.”*

### ...but see a role for physicians in managing costs

More than half (54%) agree that physicians should favor the care with lowest costs.

Also, 44% agree that physicians should be rewarded for managing the costs of care.

#### Select survey responses:

*“We must reduce health care costs in the U.S. I understand there are sacrifices that I must make to achieve this.”*

*“It would all depend upon the cost. When one doesn’t have hardly any money, costs must play a major factor, unfortunately.”*

Source: BCG consumer survey data.

underlying fear is that the low-cost system really means lower quality and poorer outcomes. At the same time, more than half agreed that physicians should play a role in cost management and 44 percent believed that physicians should be rewarded for managing costs. Successful ACOs will have to overcome the perception that lower costs equate to lower quality and show conclusively with data on outcomes that they can actually deliver higher quality at the same or a lower cost—particularly if they plan to participate in exchanges or Medicaid managed care plans.

## Winning Strategies for ACOs

The stakes are high as providers and payers invest in building ACOs in response to the PPACA. But unless ACOs and related insurance products are able to attract and retain a meaningful market share, these investments will fall short of expectations. Drawing on the insights from our survey, reaching this critical mass of patients will require action on a number of fronts:

- *Segment consumers and service offerings.* To achieve their goal of increasing their market share, providers investing in ACOs will need to customize their offerings and the patient experience to meet the needs of different consumer segments. ACOs are initially a natural fit for two distinct segments: lower-income consumers who lack established relationships with providers and younger, healthier consumers who are open to using technology channels to manage costs and enhance care coordination. Older, chronically ill, or more affluent patients are the least likely to switch providers and are more resistant to new technology channels, and to change in general. To reach these more challenging patients, ACOs must provide a differentiated value proposition, which—as our research implies—is likely to comprise a more streamlined experience combined with higher confidence from the patients of better outcomes. For all segments, ACOs should look beyond added services to highlight (and deliver on) a promise of superior outcomes. If the virtuous cycle is, in fact, achieved, superior outcomes will lead to lower costs, enabling reinvestment into new provider capabilities.
- *Educate and inform consumers.* Many aspects of the ACO value proposition are new to consumers—from coordinated care to transparency and accountability for cost and quality. The promise of population health initiatives by ACOs will be achieved only if consumers modify their behavior and comply with the recommendations of their physicians or care coordinators. These behavioral changes should not be assumed. Patients who enroll in ACOs must learn to appreciate the potential benefits of this new model and their role in capturing its benefits.

Our survey clearly showed that for most consumers, lower costs mean lower quality—a perception that ACOs must overcome if they are to build up their memberships. To this end, ACOs and their partners must shape consumers' view of health care in the new world, driving home the message that low cost and high quality can coexist. Another key message is the appropriateness and importance of seeking information on providers, costs, and outcomes. Consumers must view it as appropriate to seek out information on provider costs and

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ACOs will have to overcome the perception that lower costs equate to lower quality.

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Behavior change in health care is a two-way street that must involve physicians as well as consumers.

outcomes (and not just bedside manner) just as they would for electricians or contractors on Angie's List. They must become as comfortable checking the performance of their ACO on key quality metrics as they are checking the performance of their 401(k).

- *Train physicians.* Behavior change in health care is a two-way street that must involve physicians as well as consumers. Ultimately, physicians must adopt practices that deliver high-quality care at a lower cost. To this end, most ACOs are changing reimbursement strategies and providing more feedback to physicians on their performance relative to their peers. However, ACOs shouldn't assume that physicians will simply adopt best practices and know how to use the information. Training and education programs will be critical to help physicians adapt to this new environment.

Physicians are also at the front line in terms of getting patients comfortable with the idea that the restricted choice of an ACO's narrow network does not imply a compromise in quality. They must also ensure that the newly prominent role of physician extenders and care coordinators enhances the patient experience and overall outcomes. To accomplish this, physicians must build patient trust by discussing topics that they are not accustomed to discussing, such as delving more deeply into patients' healthy (or risky) behaviors and their attitudes toward the care they receive. All in all, provider education and change management will be critically important for success in addressing consumer sentiments as they relate to ACOs.

- *Optimize the patient experience.* Our survey respondents were most concerned about the care delivery experience and that providers have the consumer's best interests at heart. Moreover, "coordination of care across providers" was consistently cited as the most-valued aspect of the ACO concept, but it is not a capability that magically comes about when the label of ACO is placed over a group of providers. The Mayo Clinic is a prime example of how to build a service organization with a consistent set of values focused on the patient experience. These values include putting the patient first, polling talent for more effective teams, and delivering time-efficient care. As a result, Mayo patients fly or drive hundreds if not thousands of miles to visit and most are delighted with the streamlined, uncomplicated nature of their visit. ACOs have an opportunity to define the patient experience across their network and differentiate it from competing alternatives. This means truly understanding the members and their needs, attitudes, and behaviors. For instance, which patients are willing to see a physician extender in exchange for enhanced access, and which would rather wait for an appointment to see the doctor? These more qualitative attributes will become increasingly important as cost differences narrow among plans.
- *Increase the transparency of costs and outcomes.* Relative to other industries, the health care sector provides minimal information on cost, quality, and patient satisfaction. Consumers consistently list treatment costs as an important consideration and highly value the ability of payers to provide that information. Young consumers (70 percent of those aged 18–34) and those who are healthy (61 percent) or lower-income (59 percent) especially value this information—even

though it doesn't necessarily change patient decisions today. Still, presenting clear data and easy-access tools is an effective way to engage consumers. Imagine an ACO that provides the same type of competitive information that Progressive Insurance does for auto insurance. Of course, this degree of transparency may not apply to all medical procedures or conditions, but a significant portion would lend themselves to such comparisons. While our survey revealed relatively low levels of information seeking today, we anticipate that as more information becomes available, it increasingly will drive patient behaviors and inform their choices—just as it does in other consumer markets. In part, this growing availability of information will result from the pervasive influence of the Internet, but successful ACOs with impressive data to share will want to make themselves heard as well.

ACOs will redefine the landscape of health care and become a permanent fixture in the industry only if consumers accept them. This acceptance requires significant behavioral changes, particularly on the part of patients. As in the other areas of their lives, they must make price and quality comparisons and understand that unlimited choice comes at a premium and may not lead to better outcomes. Making the transition to this new mindset will not happen overnight, however. Providers and payers that recognize this reality and can get into consumers' minds and guide them into this new world will have the best chance of filling their ACO "stadiums" in the future—even ones that are built in a field of dreams today.



### About the Authors

**Martin B. Silverstein, MD**, is a senior partner and managing director in the Boston office of The Boston Consulting Group. You may contact him by e-mail at [silverstein.martin@bcg.com](mailto:silverstein.martin@bcg.com).

**Giri Rao** is a partner and managing director in the firm's New York office. You may contact him by e-mail at [rao.giri@bcg.com](mailto:rao.giri@bcg.com).

**Carolyn Noble** is a health services knowledge expert in BCG's Boston office. You may contact her by e-mail at [noble.carolyn@bcg.com](mailto:noble.carolyn@bcg.com).

### Acknowledgments

The research described in this publication was sponsored by BCG's Health Care practice. The authors would like to thank their BCG colleagues Ozgur Adigozel, Kate Manfred, and Juan Felipe Rendon for their contributions to the research and Martha Craumer, Catherine Cuddihee, and Angela DiBattista for their contributions to the writing, editing, design, and production of this report.

### For Further Contact

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