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Community Health Centers

### **Important Content Note:**

This technical assistance resource was developed prior to the August 2017 release of the Health Center Compliance Manual by the Health Resources and Services Administration's (HRSA) Bureau of Primary Health Care (BPHC). The BPHC Compliance Manual, issued August 2017, indicates where PINS, PALs and other program guidance are now superseded or subsumed by the BPHC Compliance Manual.

See: <https://bphc.hrsa.gov/programrequirements/pdf/healthcentercompliancemanual.pdf>



## Successful Practices in Accountable Care: Understanding Risk

### Company Profile

**Company Name:** Optum®

**Website:** www.optum.com

**Location:** Eden Prairie, MN

**Company Overview:** Optum® is a health services and innovation company on a mission to help make the health system work better for everyone. They combine data and analytics with technology and expertise to power modern health care.

Source: Ellertson, N (2017 January 18) Telephone Interview.

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*“Risk is the chance that any activity or action could happen and harm you. Almost everything we do has an associated risk. Living is a risky business.”*

*Royal College of Obstetricians and Gynecologists 2010*

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**As one might expect, centers exposed to financial risk have the greatest impetus to think differently about managing their population health.** Take, for instance, the following three scenarios “ABC Health Center” could find itself considering as the health center transitions towards value-based payment:

1. ABC Health Center has been approached by a Managed Care Organization that for years has been paying fee-for-service. The MCO is now looking to enter into a risk-based contract with ABC Health Center.
2. ABC Health Center is part of a group of health centers considering forming a messenger model Independent Physician Association (IPA). After achieving clinical integration, the IPA is looking at contracts containing “downside risk” meaning the potential to lose money.
3. ABC Health Center is part of an Accountable Care Organization (ACO) participating in the Medicare

Shared Saving Program (MSSP). While the ACO is currently “upside-risk” only or no risk, in a couple of years they will be moving to downside risk. ABC is considering how the benchmarks will change in that environment.

In all three scenarios, ABC Health Center needs to better understand risk and how it will impact their practice and population. Based on the vast experience of Optum®, this paper will provide ABC Health Center with some of the tools and expertise necessary to analyze and prepare for risk-based contracting.

Natalie Ellertson, Vice President of Clinical Improvement Solutions at Optum® has counseled many health centers about how to understand and accept risk. She has found when providers play a role in their patient’s health care beyond simply delivering services, they achieve more effective care coordination, better management of benefits, and increased engagement, which contributes to efforts to achieve the quadruple aim which is at the heart

of accountable care. The quadruple aim seeks to improve the patient experience of care, improve the health of populations, reduce the per capita cost of healthcare, and improve the work life of clinicians and staff.

Utilizing nearly 30 years of experience in federal, state and local government funded programs, Natalie works to build and operate clinical management programs for Medicaid recipients served by both Managed Care Organizations (MCOs) and Accountable Care Organizations (ACOs). The key to these clinical management programs is risk. By better understanding and accepting risk, and using the unique skills actuaries bring to the table, health centers can improve patient experience, achieve population health goals and reduce the per capita cost of care.

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## Understanding Risk

The simplest way to describe risk in a health care setting is the financial burden accepted by a health center for the services provided compared to the amount of reimbursement the health center can expect in return. This can often include some guessing as to the range and quantity of services the patients may use, which is why health centers have to think about the array, location, amount and cost of services a patient might need. Managing risk requires health centers to think beyond their own four walls to consider other options outside what they typically deliver.

However, health centers have an advantage by already providing many ancillary services and are already working with other social service providers. This makes them uniquely qualified to understand patient needs and potentially manage risk. Based on her experience, Natalie recommends Health Centers find ways to work together as clinically integrated networks. Information technology (IT) and care management requirements are most effective and affordable when centers aggregate resources and learn from each other. Leveraging these relationships are

critical skills to master as health centers begin to think about risk.

In her vast experience, Natalie has worked with many risk-based contracts and has identified five key considerations.

### Key Considerations for Risk-Based Contracts

Health centers should be able to understand and answer all of these questions before they move forward with a risk-based contract:

- 1. Attribution**  
Does a health center know which patients they are responsible for from the payer?
- 2. Total Cost of Care**  
Does the contract define total cost of care? What is and what is not included within that cost (primary care, specialty care, acute care, pharmaceutical etc...)?
- 3. Historic Utilization**  
Has the historic utilization of services and cost been considered for the population to be served?
- 4. Risk Adjustment**  
Is there a risk adjustment based on the health status of the population?
- 5. Data Sharing**  
Exactly what data will be shared with the health center, how often will it be shared, and in what format will it be shared with the payer partner?

These five considerations, when combined, provide a health center an advantage - to follow the money to understand how it was spent in the past and how it can be accounted for in the future. This helps ensure the health center gets paid appropriately for the care provided and balances the risk the health center is taking on.

## The Role of the Actuary

In order to successfully take on risk, planning is key. Capital planning should have a significant part, and two areas where Natalie strongly recommends investing are actuarial and legal services. These services better prepare health centers for entering risk-based (value based) contracts.

An actuary can play a key role in helping health centers understand, accept, and manage risk. Actuaries help practices understand the population that could be attributed to them by defining their historical data and usage to project future care and costs. An actuary's expertise can help a health center answer the key questions outlined for risk-based contracts above. In the end, Actuaries can help determine if the health center is getting a "good" or "bad" deal and, therefore, determine whether the operation is a good risk (make money) or bad risk (lose money).

Actuaries are also able to risk adjust by helping health centers create clinical policies and procedures to reduce the cost of care. Natalie warns that practices can find themselves in trouble if they enter into a value-based contract without understanding the risk they are accepting. Actuaries, particularly those able to communicate important concepts in a way staff and boards can understand, are a key piece of the puzzle when it comes to preparing for the future.

## Accepting Risk

With thin margins, health centers tend to be risk adverse, but if conceived correctly and with an appropriate quality care delivery system in place, risk-based contracts should lead to better patient outcomes and better quality of life for underserved populations. However, doing so requires the education of staff and boards about the financial and operational implications. A health center can successfully manage risk by focusing on the following four areas.

### Key Strategies for Managing Risk

#### 1. Strong Population Health Analytics

##### Infrastructure

Basic EMRs do not provide a thorough, comprehensive population health picture.

In Natalie's experience, a best practice for incorporating risk programs into health center systems is to work with technologies that can effectively combine clinical and claims information, which provides a broader understanding of the population.

#### 2. Thoughtful Care Management Programming

The care management program should be built on the plans for total cost reduction and addressing areas of large spending as identified through population health analytics.

#### 3. Adaptable Practice

The practice must be able to change through care management and population health strategies.

#### 4. Governance

The governance structure must be able to understand and act upon data they receive in terms of health center performance.

Risk, for many, is a new and frightening consideration; however with proper preparation a health center can utilize risk to better serve their patients and population. Like ABC Health Center, providers will increasingly be in a situation where they are faced with the question of risk-based contracting. By understanding the key considerations and strategies, they will be better prepared to face the future.

This document was produced by the National Association of Community Health Centers.

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