5 Key Financial Challenges Hospitals Face Under ACOs, Other New Payment Arrangements

Written by Leigh Page I December 08, 2010

Tags: accountable care organization I ACO I Craneware I Sandra J. Rasmussen

Sandra J. Rasmussen, vice president of operations with Craneware, a developer of financial performance software for healthcare organizations, identifies five key financial challenges for hospitals as they enter new payment relationships, such as accountable care organizations and bundled payments.

1. **Denials won’t go away.** “Many people think if the health plan is going to pay you a bundled payment or capitation, denials by the payor will go away,” Ms. Rasmussen says. “Not true.” Health plans will still have the power to deny services within the bundled payment and expect some of them to do so, because denying claims helps them “bend the cost curve.”

2. **Partners have to divvy up payments.** When providers partner in an ACO or share bundled payments, they will have to decide how to divvy them up. “The provider needs a set of skills to negotiate payments,” Ms. Rasmussen says. This was an issue in the old physician-hospital organizations that received capitated payments in the 1990s. “In PHAs, the primary care physicians would demand 110 percent of their usual fees, which meant payments shifted from specialists to generalists,” she says.

3. **Providers will be dependent on health plans for data.** The ACO won’t possess all of the data needed to monitor payments, so it will have to depend on the health plan to get the data.

4. **Charging for someone else’s patient.** Since patients in ACOs can visit other providers, one ACO may be treating patients who are assigned to another ACO. The treating ACO needs to make sure it get paid fee-for-service for these patients.

5. **Lagging payments.** Under the Medicare Physician Group Practice Demonstration, it took months for CMS to crunch utilization data, determine shared savings and pay providers. “You may not know where your final compensation will be for six months after the year is over, and you may even have to pay some money back,” Ms. Rasmussen says. “It could be a guessing game.”

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