



## Advanced risk management, operational excellence and top-tier service position AppleCare for value-based reimbursement

Today's healthcare providers are being asked to do something most have no experience doing: put their revenue at risk, based on patient outcomes. This is an uncomfortable position for many providers. On one hand, they see that the marketplace is headed for value-based reimbursement, which entails taking on varying amounts of risk. On the other hand, they understand that taking on patient risk isn't like flipping a switch. Providers with no patient risk experience need guidance to help them prepare for their transition from volume to value.

### Highlights

- AppleCare Medical Group is an independent practice association (IPA) in Southern California
- It has become a critical fixture of the healthcare delivery network in its communities
- AppleCare's success has hinged on its ability to manage risk, its physician focus, and its culture of coordinated care
- Its model has an 18-year track record

### AppleCare's history of growth started with meeting unmet needs

Vinod Jivrajka, MD (known to his colleagues and patients as Dr. Vinod) and Surendra Jain, MD founded AppleCare Medical Group in 1996. Dr. Vinod and Dr. Jain met in the early 1970s in medical school at the University of Bombay in India. Both received medical fellowships in the eastern United States, and both set up their private practices in Southern California.

While building one of the busiest cardiology practices in Southeast Los Angeles, Dr. Vinod saw an opportunity to improve the delivery of healthcare among the patients he served. By promoting operational excellence in both medical care and medical management, physicians as well as patients could benefit.<sup>1</sup>

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Dr. Vinod, AppleCare Medical Group

AppleCare has become a critical fixture of the healthcare delivery network in the communities of southern Los Angeles county and northern Orange County. They have enabled the provider community to access nearly all available managed care contracts, which provides physicians with a stable, reliable income. By doing so, they improve access to care, especially in inner-city neighbourhoods. For patients, AppleCare's focus on directing care to the most appropriate provider supports the best outcome through its care management programme, AppleCare has also helped patients to better engage in their own care.

AppleCare manages the care of about 100,000 HMO members. Members have access to approximately 450 primary care physicians in 300 different locations in the two counties. Co-founders Vinod and Jain say certain principles they follow have both ensured their success and could help other organisations better manage patient risk.

## Be sophisticated about managing risk

When AppleCare landed its first contract in 1996, Vinod and Jain were not selective about the terms — they were thankful for the business. Over the past decade and a half, AppleCare has become more sophisticated about the risk it accepts. It has its financial analysts run contract terms through financial and clinical risk models, including models that analyse future medical cost. Before AppleCare agrees to terms, it understands the opportunities and risk involved.

Once AppleCare takes on patient risk, it has a sophisticated care management infrastructure that helps the organisation promote appropriate utilisation in both inpatient and outpatient settings. Its care management programme includes a team of full-time hospitalists, nurse case managers, social workers, pharmacists, and medical directors. This team manages patient referrals for care as well as on-site evaluation of patients in its primary hospital facilities and comprehensive care clinics.

AppleCare's experience in managing risk will be a key capability in the coming years, according to Dr. Vinod, AppleCare's president and CEO. Most of the risk his organisation took on before 2014 was physician-based. But payers are asking groups such as his to take more direct risk for hospital care.

"I think the way the market is changing, risk profiles for providers are going to become more and more complex," Dr. Vinod said. "Health plans understand that they can't make much of a difference in the risk profiles of their members. They want providers to take on more risk because they know that providers can make more of a difference."

## Because the doctor is the customer, treat the doctor like a king

Physicians are the key to managing patient risk; without their cooperation and buy-in, care coordination becomes much more difficult. Patients are likely to know and trust their physician and don't generally understand the role of an IPA. For AppleCare, developing and maintaining physician relationships is the key to managing a population well.

"It is all about doctors," said Dr. Vinod. "When we take care of the doctors, the doctors will take good care of the patient. If we can remember that, we will all be very successful, but the day we lose touch with that, patients will teach us a lesson. Happy doctors are better doctors."

"Doctors deal with many complex problems already, and they do not need one more headache from the AppleCares of the world. We make sure that we support them and not get in their way so they can focus on taking care of their patients and practice," he said.

Dr. Jain, AppleCare's chief medical officer, said that treating doctors like partners, especially when it comes to sharing incentives, is crucial.

"We believe in partnering with our physicians," Dr. Jain said. "Our physicians understand risk — they know it gives them the opportunity to benefit from their efforts. We support our physicians with a clinical team that knows how to manage patient care very effectively, but we are best when our physicians see us as a partner in caring for their patients."

AppleCare also creates physician and patient loyalty through high-touch service. AppleCare's business is physicians, and it has created a culture in which physicians know they are number one in the eyes of AppleCare's leaders.

"Ours is a very provider-centric culture. Providing what you could call 'Nordstrom' service to our providers is our first priority. Members or beneficiaries will follow. But it is the providers who are helping to create a strong and successful organisation, and unless we create a flawless service model, we will not be successful," said Dr. Jain.

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Dr. Jain, AppleCare Medical Group

## Create a culture of provider-centric coordinated care

Keeping doctors happy takes more than answering their phone calls and resolving their concerns. Dr. Jain emphasised that corporate culture needs to be carefully directed toward care coordination.

“From top to bottom, you have to create your culture,” Dr. Jain said. “It starts with the leaders, then people who are working for the IPA, and then our primary care providers, specialists, ancillary providers and hospitals.”

The corporate culture of AppleCare has evolved over the past decade to become rigorously provider-centric. Everything from claims processing to capitation management to bonus programmes is executed with the physician as the customer. The same goes for clinical programmes, such as those that manage the cost of medications, reduce unnecessary surgeries, increase access to palliative care, or enrol more patients in case management. “I have always believed the key to our success in managing risk successfully is by creating a culture of provider-centric coordinated care,” said Dr. Jain.

“Within this atmosphere where everyone understands that the provider is our highest priority, we can also focus our energies on improving the cost and quality of care,” Dr. Jain said. “We partner with our physicians to eliminate duplication of services and get patients to the right clinician, in the right setting, at the right time.”

## Being part of Optum can only improve AppleCare’s risk-bearing ability

In 2011, AppleCare became part of the Optum Collaborative Care delivery system for integrated care.<sup>2</sup> AppleCare’s affiliation with Optum is just beginning to take shape, and it has been business as usual for AppleCare since it became part of Optum. But AppleCare’s leaders see potential for growth and further risk-bearing as a result of their partnership.

One particular area of interest to Dr. Vinod is data and analytics. Even with AppleCare’s years of experience in modeling risk, adding the depth of data and advanced tools Optum has to offer will further AppleCare’s ability to understand risk and convert it into opportunity. He sees Optum analytics being applied to risk stratification and patient access concerns.

“Optum definitely has the data and the technology to help us clinically and financially model our risk; that is something that can make us more sophisticated,” Dr. Vinod said. “We can be at the forefront of changing the delivery of healthcare.”

## Can other providers apply the AppleCare model?

AppleCare’s recipe for success is one part high-touch service, one part operational excellence and one part advanced risk management. Dr. Vinod said: “These capabilities need to become as natural a skill for provider organisations as evaluating patients.”

“Everybody is tired of high healthcare costs, so providers have got to learn these factors,” he said. “How do you manage cost, not just take on the risk? Risk-taking is only profitable if you can cut costs and make a margin. Nobody is going to pay you more just to take on risk. That would be my advice for anyone starting this effort of risk management.”

Engaging physicians and keeping them on board as you move to risk-based reimbursement is a must. AppleCare’s Dr. Jain believes that physicians participate when they can receive great service and fair incentives.

AppleCare’s model has an 18-year track record, and it is positioned for further success with the backing and technology strength of Optum as the U.S. healthcare system continues its steady march toward more risk-based reimbursement.

1. “How Dr. Vinod Jivrajka saw an opportunity to innovate an industry,” Smart Business, June 30, 2013. <http://www.sbnonline.com/component/k2/15-orange-county-editions/26895#.Ur31uPRDv5l>.
2. “Farewell to Fee-for-service? A Real World Strategy for Health Care Reform,” UnitedHealth Center for Health Reform and Modernization (Minnetonka, MN), December 2012, 44-45. <http://www.unitedhealthgroup.com/~media/UHG/PDF/2012/UNH-Working-Paper-8.ashx>