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2011 ACCOUNTABLE CARE ORGANIZATION SURVEY

HEALTHCARE FACILITY CHALLENGES AND PARTICIPATION IN ACOs

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OVERVIEW

Both the 2010 Patient Protection and Affordable Care Act and economic realities are compelling hospitals and physicians to rethink how they deliver care. The current system, which generally rewards physicians and hospitals for “doing more,” is no longer sustainable. New models and payment methods are being sought that reward participants on the basis of quality and cost effectiveness rather than volume.

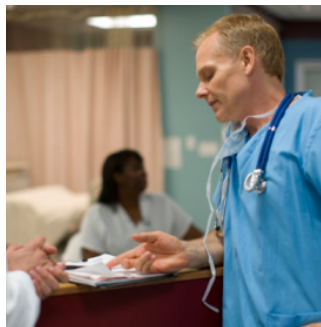
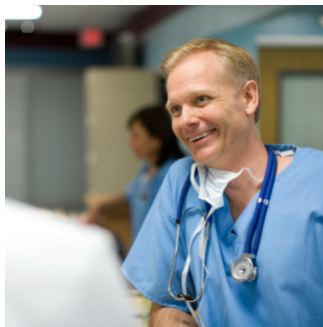
Principal among these models are Accountable Care Organizations (ACOs). ACOs create incentives for healthcare providers to work together to treat an individual patient across care settings – including doctor's offices, hospitals, and long-term care facilities. The Medicare Shared Savings Program and participating private payers will reward ACOs that lower growth in healthcare costs while meeting performance standards on quality of care.

Participation in ACOs is voluntary, and not all health facilities or physicians may be willing or able to adopt this model.

AMN Healthcare's 2011 Accountable Care Organization Survey examines, among other things:

- How many healthcare facilities are participating in ACOs or intend to in the future
- The challenges healthcare facility administrators and physicians face in adopting the ACO model
- Facility administrators and physician perspectives on whether or not ACOs will deliver significant cost and quality benefits

The survey was sent via email to just over 105,000 healthcare facility administrators and physicians nationwide in May 2011 and 882 responses were received during a two-week period.



QUESTIONS ASKED AND RESPONSES RECEIVED

Is your facility part of a government or insurer-sponsored ACO pilot project?

Answer Options	Response Percent
Yes, government	7.3%
Yes, insurance-sponsored	5.4%
No	87.3%

Is your facility moving toward becoming an ACO?

Answer Options	Response Percent
Yes, currently in progress	14.9%
Yes, but haven't started yet	13.6%
Not now, but are considering	29.2%
Not in the foreseeable future	42.3%

If your facility is NOT moving toward becoming an ACO, why not?

Answer Options*	Response Percent
Physician/staffing alignment	39.9%
Lack of capital	31.4%
Lack of integrated IT systems	26.2%
Lack of evidence-based protocol data	22.5%
Not now, but are considering	29.2%
Other	23.6%

*Respondents could respond to multiple options.



If your facility is moving toward becoming an ACO, do any of the following pose serious obstacles to your efforts?

Answer Options*	Response Percent
Physician/staffing alignment	42.3%
Lack of capital	38.1%
Lack of integrated IT systems	31.5%
Lack of evidence-based protocol data	24.5%
Not now, but are considering	37.9%
Other	11.9%

*Respondents could respond to multiple options.

ACOs are very likely to deliver significant cost and quality benefits over time and are key to enhancing quality and reducing costs.

Answer Options	Response Percent
Agree strongly	11.2%
Agree somewhat	48.0%
Disagree somewhat	22.0%
Disagree strongly	18.8%



TRENDS AND OBSERVATIONS:

AMN Healthcare's 2011 Accountable Care Organization Survey reveals a disparity among health facility administrators regarding their participation in ACOs and how they evaluate the potential benefits of ACOs.

Fifty-eight percent of survey respondents are either currently participating in ACOs, are moving toward the ACO model, or are considering moving toward it. The remaining 42 percent indicated they will not move toward the ACO model in the foreseeable future.

Similarly, 59 percent of respondents either strongly agreed or somewhat agreed that ACOs are very likely to deliver significant cost and quality benefits over time and are key to enhancing quality and reducing costs. The remaining 41 percent either strongly disagreed or somewhat disagreed with this statement.

The survey suggests that the majority of physicians and administrators (just under 60 percent) buy into the potential cost and quality benefits of ACOs and are moving toward or at least considering the ACO model. However, a substantial minority (just over 40 percent) do not believe ACOs can deliver cost and quality benefits and are not moving toward the ACO model in the foreseeable future.

The "snapshot" of current attitudes provided by the survey shows a front-line constituency of healthcare administrators and physicians still generally accepting of ACOs, but one whose opinions could change. Only 11 percent of respondents "strongly agreed" that ACOs will provide cost and quality benefits, while 48 percent "somewhat agreed." Twenty-two percent of respondents "somewhat disagreed" that ACOs will provide cost and quality benefits, while only 19 percent "strongly disagreed." Most respondents are not strongly invested in their opinion of ACOs (pro or con) and could alter their views as events unfold.

THE CHALLENGE: PHYSICIAN ALIGNMENT

The survey shows no disagreement among healthcare facility administrators and physicians regarding the primary challenge when adopting or considering the ACO model. Forty percent of those who said their facilities are not moving toward an ACO identified "physician/staffing alignment" as the primary reason why they are not.

Similarly, among respondents who are moving toward an ACO, 42 percent cited "physician/ staffing alignment" as the primary obstacle they are facing.

Aligning the interests of physicians and hospitals has historically been difficult, as the two sides have often conflicted over patient care, cost, reimbursement and governance issues. These issues continue to resonate in the ACO model, as it is unclear who will be at the helm of these organizations, how risk will be shared, and how reimbursement will be calculated. In addition, in an era of physician shortages, it is uncertain whether or not hospitals and other facilities will be able to staff the primary care and other physicians required by federal regulations to form ACOs.

Respondents identified other obstacles to forming ACOs, including lack of capital, lack of integrated IT systems, and lack of evidence-based treatment protocol data. Congressional leaders, health professional associations, and others have been vocal about the cost of forming ACOs, which may be higher than initial government projections. Lack of capital has, therefore, emerged as a highly problematic issue.

Nevertheless, while capital and other issues remain concerns, the survey suggests that the primary challenge to ACO formation centers more on physician/hospital cooperation than cost, making ACO formation essentially a "people" issue.

As in healthcare generally, the ability to appropriately staff, motivate and manage people will be critical.

ABOUT AMN HEALTHCARE

Founded in 1985, AMN Healthcare Services (NYSE: AHS) is the nation's largest provider of comprehensive healthcare staffing and workforce solutions. As the leading provider of travel nurse, per diem (local) nurse, allied and locum tenens (temporary physician) staffing and physician permanent placement services, AMN Healthcare recruits and places healthcare professionals on assignments of variable lengths and in permanent positions with clients throughout the United States.

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