



## Accountable Care Organizations ACOs

“May you live in interesting times.”  
*Ancient Chinese Proverb*

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## ACO Overview

- New healthcare legal entity
- Formed by PPACA of 2010
  - Establishment of Medicare Shared Savings Program
- ACO will share in some of the savings or **absorb some of the costs** for care provided to an assigned set of Medicare beneficiaries
- Goals
  - Better care for individuals
  - Better health for populations
  - Lower growth in expenditures

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## What is an ACO?

- Separate legal entity
- Separate governing body
  - Must include beneficiary representation
- Participants may include
  - Physicians, group practices, hospitals
  - Networks of individual practices
  - Partnerships or JVs between hospitals and practitioners
  - Hospitals employing physicians

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## Beneficiary Assignment

- Beneficiaries are **retrospectively** assigned to an ACO at the end of each year
- Assignment is based on whether a beneficiary receives the plurality of care (as measured by charges) from a primary care physician in that ACO
- Not an HMO
  - Not a predefined population
  - Beneficiaries are not limited in their choice of provider (ie they can see other physicians in or outside the ACO)
- Nonetheless **all** Medicare A and B charges generated by a beneficiary will be assigned to the ACO even if they were generated by a non-ACO physician

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## How does shared savings work?

- CMS (Medicare) establishes expenditure benchmarks for the ACO
  - Minimum Savings Rate – a percentage of the expenditure benchmark that must be exceeded for an ACO to qualify for shared savings
  - Benchmark based on:
    - Historical Medicare A and B services generated by the patient population of the ACO's primary care physicians
    - An estimate of what the Medicare expenditures would be in the absence of the ACO
    - Adjusted for beneficiary characteristics

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## ACO Models

- 2 proposed models – each based on 3 years of operations
  - One sided model
    - Shared savings opportunity in the first 2 years of operations
    - Shared saving or shared loss in the year 3
    - ACOs may receive up to 50% of the shared savings
  - Two sided model
    - Shared savings or shared loss in all three years of the program
    - ACOs may receive up to 65% of the shared savings
  - Medicare will withhold 25% of each years shared savings in order to fund potential loss repayment

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### Quality Measures and Adjustment

- CMS wants to ensure that ACO quality does not decline as a result of limitation or denial of services to achieve better shared savings
- Shared savings will be adjusted based on ACO quality performance (% to total)
- 65 ACO measures in 5 domains
  - Patient experience of Care
  - Care coordination
  - Patient safety
  - Preventative health
  - At risk populations

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### ACO Quality Measures Examples (1)

- Patient caregiver experience (7 measures)
  - Getting timely care and appointments – patient assessment survey (PAS)
  - How well does your doctor communicate – PAS
  - Patients rating of doctor – PAS
- Care coordination (16 measures)
  - Rate of readmission within 30 days – CMS claims data
  - Compliance with CHF measures – self reported
  - % of PCP meeting "meaningful use" – CMS reported
  - % of PCP using eRx – CMS reported

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### ACO Quality Measures Examples (2)

- Patient safety (2 measures)
  - Hospital acquired conditions composite – CMS data
- Preventative Health (9 measures)
  - Influenza immunization - PAS
  - Mammography screening – self reported
  - Cholesterol management– self reported
- At-risk populations (31 measures)
  - Diabetes composite – self reported
  - Foot exams in diabetics – self reported
  - BP control in patients with hypertension – self reported

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## ACO Problems

- Retrospective patient assignment
- Do the economics align?
  - In the shared savings enough?
  - Still less revenue to the system
  - Infrastructure start-up and maintenance costs
- Is quality measurement as prescribed for ACO doable?
  - Many measures not in EHR systems
  - Need to develop quality reporting infrastructure to comply
- No penalty for non-participation

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