Accountable Care Organizations

- What are they?
- What’s New?
- Will ACOs work in Hawaii?
Accountable Care Organizations

Current Environment

Fragmented care
No clear goals
Conflicting financial incentives

ACOs

Organized care
Defined goals
Incentives aligned
What is an ACO?

• Organization of providers starting with physicians (hospital medical staff, physician groups), probably hospital(s), OP services, and maybe a health plan, with *shared governance*; PCPs required, but not specialists

• Goal is to achieve better care at lower cost

• Key Attributes: provider accountability for cost and quality; aligned financial incentives; better data/information usage; ability to coordinate care; culture of teamwork
That’s what they are

Now, take a step back
Accountable Care Organizations

- Part of Medicare – not a pilot program or demonstration project
Entitled: The Patient Protection and Affordable care Act
Affordable Care Act Provisions:

- PCPs for 5,000 Medicare beneficiaries
- 3 yr participation
- A formal legal structure
- Process to promote evidence-based medicine
- Shared governance (hospital & physicians)
- HIT for registry & care coordination
- Protection from Stark (i.e. admitting patients to a participating hospital)
Accountable Care Organizations

• Part of Medicare – not a pilot program or demonstration project
• Provide the continuum of care across different institutional settings – ambulatory, in-patient, and post acute-care
Accountable Care Organizations

• Part of Medicare – not a pilot program
• Provide the continuum of care across different institutional settings
• Aligns incentives; removes payment incentives to increase volume
Accountable Care Organizations

- Part of Medicare – not a pilot program
- Provide the continuum of care
- Aligns incentives
- Fosters (requires) coordination of care among all participating providers
Accountable Care Organizations

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- Aligns incentives
- Fosters coordination of care among all participating providers
- Incentives for following practice guidelines
Accountable Care Organizations

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- Reward: Shared savings based on Medicare projected costs minus actual per capita costs for the ACO
Prometheus Payment System

Bundled Payments
Comprehensive bundled payment around an episode of medical care that covers *all patient services related to a single illness or condition*

- Payment for providers across all settings (hospital, physicians, lab, pharmacy, rehab)
- Severity adjusted
- **Evidence-informed Case Rates** for acute MI, hip and knee replacement, diabetes, asthma, CHF and hypertension
Provider Quality Scorecard

- 70% on what the individual provider does
  - Meet clinical practice guidelines
  - Avoid preventable complications
Provider Quality Scorecard

- 30% on what every other provider does
  - Preventable Complications
  - Clinical outcomes
  - Patient satisfaction
Will ACOs work in Hawaii?
Medicare Physician Group Practice Demonstration

- 5 year project (2005–2010)
- 10 large physician groups
- Shared–savings incentive
- Results: 5 saved $$$ ($40MM); 5 did not

| 1  | Billings Clinic, Billings, Montana          |
| 2  | The Everett Clinic, Everett, Washington    |
| 3  | St. John’s Health System, Springfield, Missouri |
| 4  | Marshfield Clinic, Marshfield, Wisconsin   |
| 5  | Park Nicollet Health Services, St. Louis Park, Minnesota |
| 6  | Geisinger Health System, Danville, Pennsylvania |
| 7  | Dartmouth–Hitchcock Clinic, Bedford, New Hampshire |
| 8  | Forsyth Medical Group, Winston–Salem, North Carolina |
| 9  | Middlesex Health System, Middletown, Connecticut |
| 10 | University of Michigan Faculty Group Practice, Ann Arbor, Michigan |
Medicare Physician Group Practice Demonstration

- $8,256 = average Medicare spending per beneficiary in the group’s State
- $7,634
- $7,168 if remove an outlier

Saved $$$$  No savings
If 500,000 covered lives, the Medicare beneficiaries = 100,000 in each group. The $600 difference means that each group that saved money received $60 million more than the groups that had no saving. Each group that saved money, saved on average $8 million.

Implies that the baseline amount of Medicare spending per beneficiary may have made a material difference.
Hawaii Medicare spending per beneficiary in 2007 was $5,926.

In 2007 of all the states Hawaii ranked #51.

Large, established physician groups with sophisticated computer systems, care coordination resources, and utilization control systems with $7,600 Medicare spending per beneficiary saved nothing.
## ACOs and Hawaii in 2008: Medicare Spending per Beneficiary

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<tr>
<th></th>
<th>Location</th>
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<tr>
<td>1</td>
<td>FL – Miami</td>
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<td>TX – McAllen</td>
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<td>306</td>
<td>SD – Rapid City</td>
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Kaiser Family Foundation – 2008
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Criticisms of ACOs

- Employers and patients preferred open panels managed by health insurers to closed panels managed by providers.
- An entire generation of >60-hour-a-week physicians are retiring and being replaced by younger physicians who want to work <40 hours a week.
- Absence of collegiality; >40% of doctors have no Medicare hospital-related fee income.
- The big will get bigger, regardless of how they perform.
- CMS shared savings -- not a fair system.