ACOs
Past, Present and Future
Making Sense of Healthcare Reform
Ever since the Affordable Care Act, commonly known as healthcare reform, established the creation of Accountable Care Organizations (ACOs) there have been questions as to what precisely it means for healthcare providers. The purpose of this brief is to decipher exactly what ACOs are, their history, and what the future looks like.

**What Is an ACO?**
The Centers for Medicare and Medicaid Services (CMS) broadly defines ACOs as “groups of doctors, hospitals, and other health care providers, who come together voluntarily to give coordinated high quality care to their Medicare patients.” The ultimate goal of this care coordination is to streamline services and ensure that patients get the right care at the right time with better clinical outcomes. A secondary goal is to create savings to the Medicare program by eliminating duplicate services, medical errors and preventable rehospitalizations.

**ACO Performance to Date**
The first year featured 23 Pioneer ACOs and 114 Shared Savings ACOs. In late 2013, the Centers for Medicare and Medicaid Services (CMS) released data detailing the first year of performance for all ACOs. Overall data indicates that the ACO model saved the Medicare program $380 million in the first year. However, the data released by CMS does not identify which ACOs were able to produce savings and which ones were not able to reduce costs for patient care.

**Cost Savings Slim, But Quality Indicators Are High**
While the savings sound significant, analysts were quick to point out that this translates to an average savings of only $80 per each of the 1.6 million beneficiaries covered by these ACOs, or a little less than 1 percent of spending. CMS was quick to point out that, “On 15 out of 15 quality measures, [the ACOs] did better than national benchmarks, as well as on four out of four patient satisfaction benchmarks.” Additionally, some analysts further defended the program by pointing out that the savings are a good start and the program is relatively new.

To date, the program has steadily grown by about 100 ACOs each year, with a total of 360 ACOs participating today covering the lives of 5.3 million Medicare beneficiaries.
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The Future of ACOs
The initial data just released by CMS represents less than half of current ACOs, so the future of ACO performance, popularity, and the formation of new ACOs will likely rely on consistent positive results. With the first year of data showing a “good start,” experts believe that some groups still considering whether to form an ACO may wait for another full year of data before forming and establishing value-based contracts.

While this may mean that the pace of the formation of new ACOs may be a little slower in 2014, this should not be misinterpreted as a failure of the program.

Future Legislation May Require Risk-Based Payments
Congressional leaders and policy leaders in the Administration continue to support endeavors that break down the silos between care settings, improve care outcomes and incentivize collaboration through sharing in the savings to the Medicare program – the precise goal of ACOs. Therefore, it is anticipated that future legislation and regulations will require risk-based payments for physicians and providers. Discussing moving from prospective payment systems to ones that are more risk based signals Congress’ support for value-based care and payments and may encourage more participation in ACOs.

Is Bigger Better?
Looking back at growth patterns in the development of ACOs may provide insight into future growth. The earlier adopters – both Pioneer and Shared Savings ACOs – tended to be larger hospitals and health care systems because of their size and number of patients under their care. This seems to have had mixed results. More recent ACO development has tended to be primarily smaller physician’s groups, which don’t cover as many patient lives; however, keeping the care management at a smaller, more local level may produce better quality outcomes. Most experts believe that in the short term, most development will be focused on physician practice-based ACOs.

ACOs Are Sticking Around
It is evident that there is much more data that needs to be tracked, over a prolonged period, to truly understand the impact that ACOs are having in terms of quality, value and cost savings. CMS remains confident that ACOs and the partnerships between multiple care providers will improve the patient experience, and ultimately save critical funds for the Medicare program. Therefore, it can be concluded that CMS will continue to encourage participation, provide support for and grow the ACO program.
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