

Getting Up to Speed on Accountable Care Organizations (ACOs)



The Basic Premise of the Accountable Care Organization (ACO)

No one would disagree that better quality of service for less cost is highly desirable in any industry. It seems the Healthcare Delivery Industry has, for a long time, been “behind the times”.

Sparked by the incentives of the Affordable Care Act (ACA), a new and innovative approach to Healthcare Delivery, the Accountable Care Organization (ACO) has come into the forefront of patient care models. ACOs are groups of primary care physicians, specialists, hospitals, and other health care providers, who come together voluntarily to give coordinated high quality care to the patients they serve.



The basis of the ACO model can be represented with this acronym: **PEACE**

- Prevention of Illness and Disease
- Evidence-based Treatment
- Access to Care Resources
- Coordinated Medical Care Team
- Electronic Health Records

We can look at each of these points and explore how and why the ACO model may provide a great start to improving the Healthcare Delivery System in America.

Prevention of Illness and Disease - The best way to control health care costs is to stay healthy. Reducing readmissions and hospitalizations for preventable conditions alone could save the Medicare program at least \$12 billion per year. It is estimated 50% of Americans don't get the recommended preventive care and screening tests that science recommends. ACOs believe in wellness and preventive care. Patients receive reminders for the tests, screenings, and immunizations they need, and health information, classes, and advice are easily available.

Evidence-Based Treatment - Scientific advancements are so rapid that no single physician can stay on top of all the current and best treatment options. ACOs support their patients and doctors by providing information about up-to-date treatments based on research and evidence.

Access to Care Resources – A significant numbers of Americans do not get the recommended health counseling and education for their conditions. Providing the right care at the right time is the goal of ACOs. Patients of ACOs are able to get professional medical advice day or night, in offices, by phone, and even via e-mail. Quick treatment helps maintain health and reduces cost.

Coordinated medical care team - It is estimated that unnecessary care or “overtreatment” kills 30,000 Americans a year. Care teams and care coordination are very important when patients need to see more than one doctor, or are hospitalized. In the ACO model, coordinating patient care among all the care providers ensures that each knows what the other is doing for the patient.

Electronic Health Records - The Institute of Medicine (IOM) has estimated that 44,000 to 99,000 patients die in hospitals each year due to medical errors and that there could be at least 1.5 million preventable adverse drug events in the U.S. every year. A high percentage of U.S. patients have reported that medical records and test results were not available during a visit or that tests were duplicated unnecessarily. Shared electronic medical records help both primary care doctors and specialists know the entire patient health history, the drugs that have been prescribed, and test results. This improves the cost, quality and safety of the care you provided.

These five principles are integral in these 4 typical ACO models identified by [Leavitt Partners](#):

- Formed by smaller physician groups. These involve fewer physicians and patients and may be more conducive to more personal patient engagement and coordination of care.
Example: Primary Partners in Florida comprises 55 physicians serving 7,500 patients in the Orlando area.
- Governed by large hospitals where ACO principles are incorporated into the existing practices of the parent health system.
Example: Abington Health contracts with Independence Blue Cross to provide care in two hospitals and several outpatient facilities located in Eastern Pennsylvania.
- Combinations of entities that Include multiple hospitals and physician groups.
Example: OSF Healthcare System in Peoria, IL offers care provided in eight hospitals by 700+ physicians in the OSF Medical Group.



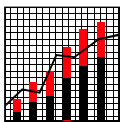
In July 2013, a group of 23 acute care hospitals and 1,700 non-acute care providers in the central and southern part of Georgia formed a not-for-profit limited-liability corporation called [Stratus Healthcare](#), which was conceived as a way for its members to collaborate while remaining independent. The members intend to follow the premises of the ACO, but without officially participating in a shared-savings program.

- Formed by states for Medicaid, CHIP, and other state-managed health care populations are referred to as Regional Care Collaborative Organizations (RCCOs).
Example: The Colorado Community Health Alliance serving Boulder and surrounding counties includes 260 physicians from three entities: Centura Health System, Physicians Health Partners and Primary Physician Partners.



Delaware is the only state currently without an ACO. The Delaware Health Care Commission has recently issued an official proposal request for a Statewide Health Care Innovation Plan with a submission due date of September 17, 2013.

ACO Availability and Statistics



[Leavitt Partners](#), a research firm that has been tracking the growth of accountable care organizations since 2010, spelled out its observations in a new report, "Growth and Dispersion of ACOs: August 2013 Update" ([PDF](#)). A few details from the report are:

- 488 = number of ACO's per Leavitt Partners through July 2013. More than twice the number in June 2012.
- 50 states, District of Columbia and Puerto Rico all have ACOs now.
- States with highest population (California, Florida, Texas and the Northeast) typically have the highest number of ACOs.
- The South, Great Plains and Midwest have seen steady growth in ACO creation.
- Where non-Medicare used to be the majority, 52% of the current ACOs are contracted with Medicare either via the Medicare Shared Savings Program or the Pioneer ACO model.
- Medicare ACOs tend to be concentrated in Florida, Boston and Southern California with some areas containing up to 15 entities.

Medicare Reports on Its ACO Progress

CMS is an integral player in the participation of the ACO movement with their **Pioneer ACO model**.

For calendar year 2012, 32 organizations participated in this innovative program with locations from Maine to California.

In July 2013, CMS published data on the results for the first year of this program with promising results showing success in improving the quality of care and lowering Medicare costs. See details below:

Pioneer ACO Savings



Program savings were driven, in part, by reductions that Pioneer ACOs generated in hospital admissions and readmissions.

- Costs for the more than 669,000 beneficiaries aligned to Pioneer ACOs grew by only 0.3 percent in 2012 where as costs for similar beneficiaries grew by 0.8 percent in the same period.
- 13 out of 32 pioneer ACOs produced shared savings with CMS, generating a gross savings of \$87.6 million in 2012 and saving nearly \$33 million to the Medicare Trust Funds.
- Pioneer ACOs earned over \$76 million by providing coordinated, quality care.



Franciscan St. Francis Health earned a \$6.6 million bonus from the Medicare program for its success.



Pioneer ACO Quality

All 32 Pioneer ACOs successfully reported quality measures and achieved the maximum reporting rate for the first performance year, with all earning incentive payments for their reporting accomplishments. Overall, Pioneer ACOs performed better than published rates in fee-for-service Medicare for all 15 clinical quality measures for which comparable data are available. (Seven measures had no comparable data in the published literature.) Examples of the high quality care provided by the Pioneer ACOs include:

- **Readmissions:** 25 of 32 Pioneer ACOs generated lower risk-adjusted readmission rates for their aligned beneficiaries than the benchmark rate for all Medicare fee-for-service beneficiaries.
- **Blood Pressure Control:** Pioneer ACOs performed better on clinical quality measures that assess hypertension control for patients. The median rate among Pioneer ACOs on blood pressure control among beneficiaries with diabetes was 68 percent compared to the comparison value of 55 percent as measured in adult diabetic population in 10 managed care plans across 7 states from 2000 to 2001.
- **Cholesterol Control for Diabetes Patients:** Pioneer ACOs performed better on clinical quality measures that assess low density lipoprotein (LDL) control for patients with diabetes. The median rate among Pioneer ACOs for LDO control among beneficiaries with diabetes was 57 percent compared to 48 percent in an adult diabetic population in 10 managed care plans across 7 states from 2000 to 2001.



In addition, Pioneer ACOs were rated higher by ACO beneficiaries on all four patient experience measures relative to the 2011 Medicare fee-for-service results.



Other Information

To learn more about the Pioneer ACO Model, visit <http://innovation.cms.gov/initiatives/Pioneer-ACO-Model/>.

For more information on the models available to providers, or the new incentives in the Affordable Care Act that have been lowering costs and improving care, please visit: <http://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-Sheets/2013-Fact-Sheets-Items/2013-02-28.html>.

General information on ACOs can also be found at cms.gov/aco and this [HealthCare.gov ACO Fact Sheet](#).



Commercial Payers are Joining In

Three notable, nationwide commercial payers Aetna, Cigna, and UnitedHealth Group are each involved in ACOs by partnering with institutions and Physician Groups to provide the benefits of the model to their patients and to their own bottom line.

Aetna

Detailed information on Aetna's position on the ACO model can be found by on their website by clicking [here](#). Aetna began utilizing ACOs in 2007 with their Medicare Advantage ACO and is currently in talks to add approximately 200 additional ACOs that would be available to its members.

May 2013 saw Aetna reach an agreement with Riverside Health System; their third Accountable Care Solutions contract in Virginia. This enables most of Aetna's 500,000 Virginia members to have access to care through the accountable care model and a new provider network known as Coastal Virginia Health Partners. The network will be comprised of Riverside Health System, Bon Secours Health System, Children's Hospital of The King's Daughters and Chesapeake Regional Medical Center.

In July 2013, Aetna partnered with New Haven Community Medical Group (NHCMG) in Connecticut. The agreement will include nearly 5,800 Aetna members covered under fully insured plans in the Greater New Haven area.

More recently they have announced deals with five Maine health systems or medical groups: InterMed, Mercy Health System, MaineHealth, Martin's Point Health Care, and MaineGeneral Health.



These contracts represent their first with hospitals in that state, which brings the insurer's total number of ACO contracts to 27.



Maine Medicare Advantage ACO benefits reported by Aetna in 2012 include:

- **45%** reduction in hospital admissions
- **50%** fewer patient hospital days
- **\$600** annual savings per patient

Cigna

Cigna uses the term **collaborative accountable care (CAC)** to refer to their ACO-like initiatives; currently there are 66 available 26 states.

These programs encompass more than 700,000 commercial customers and more than 27,000 doctors, including more than 12,500 primary care physicians and nearly 14,500 specialists.

Cigna launched its first CAC program in 2008 with a goal of 100 CACs providing care to one million customers in 2014.

Examples of the varied nature of the current CAC programs include:

- ProHealth Physicians in Connecticut, Medical Clinic of North Texas in the Dallas/Ft. Worth Metroplex, large primary care group
- Holston Medical Group in northeastern Tennessee, multi-specialty physician group
- Piedmont Physicians Group in Atlanta, including physicians and facilities
- Health Choice in Memphis, a Physician Hospital Organization (PHO)
- Renaissance Physician Organization in Houston, an Independent Physician Association (IPA)

A recent addition in July 2013 to the Cigna CAC portfolio is:

- CaroMont Medical Group that promises to continue to expand their successful collaborative accountable care program across the Carolinas



During calendar year 2012, the Jackson Clinic, a Cigna CAC in Jackson, Tennessee outperformed its peers on a number of important measures:

- **19% better than market** for annual eye exams for people with diabetes
- **25% better than market** for annual screenings for kidney disease for people with diabetes
- **7% better than market** for breast cancer screenings
- **50% better than market** for adolescent well-care visits
- **5% lower than market** of the overall total medical cost trend

- **10.5% better than market** for inpatient hospital cost trend
- **½ the number of market** of frequent emergency room users
- **70% better than market referral rate** to Cigna Care Designated specialists

UnitedHealth Group

UnitedHealth, the biggest U.S. insurer, reports in July 2013 spending \$20 billion in ACO contracts reflecting slowed increases in medical cost and reducing ER visits by 17%. Predictions by the company estimate payments to more than double to about \$50 billion by 2017.



The company insured about 42 million people as of March 30, 2013 and reported in January 2013 spending \$80.2 billion on medical claims in 2012.

UnitedHealth has had successful operations with ACO operations such as:

- Southern Arizona Accountable Care Organization (SAACO), including Tucson Medical Center and independent physicians in the community
- WESTMED Medical Group, a multi-specialty group practice comprised of more than 220 physicians in Westchester County, N.Y.

UnitedHealth has also entered into recent arrangements with ACO operations such as:

- Mount Carmel Health Partners of Columbus, Ohio
- Seton Health Alliance of Austin, Texas



ACO benefits to the UnitedHealth bottom line include:

- reduced the use of out-of-network laboratory services by 25 percent
- shortened the average hospital stay for organ-transplant patients by a quarter
- decreased the rise in medical costs under accountable-care programs by almost 4.5%

Patient's Guide to Accountable Care Organizations

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