



FACT SHEET: MEDICARE SHARED SAVINGS PROGRAM ACCOUNTABLE CARE ORGANIZATIONS

Background

The Patient Protection and Affordable Care Act (ACA) enacted in March 2010, spawned new initiatives to control the cost of health care in the U.S. One major cost driver is Medicare, care for the elderly and disabled. As the ‘baby boomer’ age group reaches retirement age, the cost of Medicare continues to rise for the federal government. In November of 2011, the Centers for Medicare and Medicaid Services (CMS) finalized new rules under the ACA to help lower the cost of Medicare. The ACA authorizes a number of programs to test new delivery and payment models aimed at improving access, reducing costs, and improving quality of healthcare. The Medicare Shared Savings Program (MSSP), which includes Accountable Care Organizations (ACOs) is one of the new programs being tested. Healthcare providers within an ACO work to deliver better coordinated care for their assigned Medicare patients. ACOs represent a shift in the U.S. healthcare system by creating incentives for health care providers to work together to lower healthcare costs, and meet performance standards of quality care delivery.

What Makes an Organization an ACO?

An ACO brings together the different providers of patient care— primary care, specialists, hospitals, home health, etc. —as a legal entity with shared governance in charge of managing the health of an assigned group of patients. The healthcare providers within an ACO are responsible and are held accountable for keeping their patients healthy. The goal of an ACO is to deliver seamless, coordinated and high-quality care for its beneficiaries. A number of private ACOs, including arrangements between private insurers and healthcare providers, have formed in recent years.

Payment Arrangement

Under the MSSP program, participating Medicare providers will continue to receive traditional fee-for-service reimbursement. However, ACOs can choose one of two payment tracks which tie payment to quality and cost savings:

- **First Track:** ACOs that meet quality standards and achieve savings below a pre-defined cost benchmark will receive payment bonuses based on the amount of achieved savings. There is no bonus provided for failing to achieve the cost and quality standards.
- **Second Track:** ACOs receive a higher percentage of the savings bonus if they meet quality standards and fall below the cost benchmark. However, ACOs whose costs exceed the benchmark must pay a penalty charge.

For example, ACO providers are rewarded to work together to provide appropriate care for a diabetes patient and manage the illness. If the patient’s diabetes gets worse and requires more expensive procedures, ACO providers are not rewarded with a savings bonus and may face a penalty.

What are the Benefits of ACOs?

ACOs focus on improving patient care, health outcomes, and healthcare costs. Here are a few of the benefits explained:

1. **Care Coordination & Communication:** By connecting providers and institutions across the healthcare system, ACOs encourage collaboration for better care coordination and quality of care. Care coordination is central to the success of an ACO, and an effective care coordination strategy should include a focus on effective health information exchange and data integration between participating providers. Benefits of effective information exchange and data integration include reducing miscommunication errors and redundancy on the patients' behalf.
2. **Lower Healthcare Costs:** In contrast to only relying on the fee-for-service payment system, ACO providers are responsible for meeting the cost benchmarks, and are rewarded for achieving cost savings. Thus, healthcare providers are incentivized to act efficiently and economically while delivering quality care.
3. **Some ACOs are Physician-Led:** A network of physicians can organize and apply to become an ACO through the CMS MSSP, allowing providers on the front-line of healthcare delivery the ability to manage an ACO. According to CMS, nearly 50% of Medicare ACOs are physician-led organizations and the other 50% are hospital-led ACOs¹.

What are the Challenges?

Many ACOs are facing substantial challenges in operation and sustainability. Here are a few reasons why:

1. **Reporting and Communication Challenges:** An ACO network can involve multiple hospitals, clinics, and organizations. An eHealth Initiative (eHI) survey of ACOs in 2013 revealed that health IT is critical to achieving accountable care; however, health IT interoperability and data collection remain major challenges. ACOs may face barriers in communication and quality reporting, leading to an increased administrative burden.
2. **Out of Network Care:** Patients involved in an ACO may choose to consult a physician out of the network. However, ACOs are still accountable for their care. This concept of "leakage" creates additional risk and obstacles to effectively managing the health of the population.
3. **Physician Barriers:** Establishing an ACO requires healthcare providers to partner with other providers, and share responsibility for the care for the Medicare ACO patients. Some physicians may hesitate to engage in an affiliation with other healthcare provides.

Bottom Line:

As of January 2013, 259 ACOs are participating in the MSSP program nationwide, covering as many as 4 million Medicare beneficiaries¹. Poised for further growth, ACOs are being looked upon as the most promising model of change for the U.S. healthcare system.

How Can I Learn More?

The eHealth Initiative is a leader in understanding how to improve and support Accountable Care with technology. eHI works with multi-stakeholder groups including ACOs, hospitals, health IT vendors, and health information exchanges (HIEs) around the country to work on strengthening ACO programs. For more information on ACOs and other eHealth topics, check out the eHI Resource Center on our website at www.ehidc.com.

¹Center for Medicare & Medicaid Services (CMS) Press Release (Jan 2013) "More Doctors, Hospitals Partner to Coordinate Care for People with Medicare"