eHEALTH INITIATIVE
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FACT SHEET

MEDICARE SHARED SAVINGS PROGRAM: Health IT in Accountable Care Organizations (ACOs)

Background

The passage of the Patient Protection and Affordable Care Act (ACA) in March 2010 established new initiatives to transform how healthcare is delivered and reimbursed in the United States. In an effort to control the rising costs of care for the elderly and disabled, the ACA included provisions to reduce the economic burden of retiring baby boomers and Medicare beneficiaries. In November 2011, the Centers for Medicare and Medicaid Services (CMS) finalized new rules under the ACA to help lower the cost of Medicare. These rules include 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) is one of the new programs being implemented. Beginning in January 2012, the MSSP provides incentives for Medicare providers to development of Accountable Care Organizations (ACOs) to achieve the goal of delivering higher quality of care, while reducing healthcare expenditures.

What is an ACO?

In general, an ACO brings together 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 group of healthcare providers must coordinate care to achieve a list of objectives and meet pre-determined cost and quality benchmarks to receive financial rewards. ACOs emphasize providing patient-centered medical care that targets chronic disease management and prevents avoidable hospital readmissions. The success of an ACO in meeting these objectives will depend on the providers' utilization of health information technology (health IT) systems to report on measures and center their efforts on care coordination.

MSSP ACOs are assigned a certain number of Medicare beneficiaries and are held accountable for keeping their patients healthy. MSSP only represents one version of an ACO. CMS also oversees the Pioneer ACO model, a more rigorous model for healthcare organizations already experienced with care coordination. Private sector ACOs have also developed alongside CMS's MSSP and Pioneer program. Private ACOs are built on the same foundations and payment models, yet they differ by allowing healthcare providers more flexibility to design the structure of their ACO.

Payment Arrangement

ACO providers are responsible for meeting the cost and quality benchmarks for their patient population and if they succeed, the ACO is rewarded with a savings bonus. Thus, healthcare providers are incentivized to act efficiently and economically while delivering quality care.

Under the MSSP program, participating ACOs will continue to receive traditional fee-for-service payments, in addition, ACOs can choose one of two payment tracks that tie payment to quality and cost savings:

- **First Track ("One-Sided"):** ACOs that meet the quality standards and have their health care expenditures fall below a pre-defined cost benchmark will receive a savings bonus. If the ACO does not succeed in meeting the benchmarks, no savings bonus is given.
- **Second Track ("Two-Sided"):** ACOs receive a higher percentage of the savings bonus if they meet the quality standards and if their health care expenditures fall below the cost

benchmark. However, if the ACO's health care expenditure exceeds the cost benchmark, the ACO must pay a penalty charge.

For example, if a diabetes patient is being treated in an ACO, the primary care physicians and specialists need to communicate and share data to provide appropriate and efficient care for a the patient and manage the illness. If the patient's diabetes gets worse and the patient is readmitted, the ACO providers must treat the patient with more costly services, thereby increasing the ACO's likelihood of having their healthcare expenditures exceed the cost benchmark.

Health IT: The Key to Success for an ACO

Health IT is essential in three ways to help an ACO meet their objectives and transition to the new payment system:

1. **Care Coordination and Communication:** By connecting providers and institutions across the healthcare system, care coordination is central to the success of an ACO. An effective care coordination strategy includes a focus on effective health information exchange (HIE) between participating providers. The benefits of HIE and data integration include increasing patient engagement, reducing communication errors, and lowering administration costs.
2. **Securely Gather and Report Data:** The MSSP final rule requires ACOs to report on 33 quality metrics. Therefore, ACOs must leverage the use of electronic health records (EHRs) and HIE to access and compile data from disparate sources, from hospital systems, physician systems, and data from CMS, to name a few.
3. **Analyze Data for Population-Health:** The payment method of an ACO is tied to the improvement of the ACO patients' well-being. Health IT provides tools to measure care, create patient risk profiles, and analyze trends. ACOs need to build effective analytic capabilities to create performance management strategies to stray away from healthcare costs that can be prevented.

An eHealth Initiative survey of ACOs in 2013 revealed that interoperability and integration are significant challenges to realizing the benefits of a robust health IT infrastructure. As recent policies and market forces continue to drive the adoption and use of health IT, it will be critical for ACOs to select scalable solutions that will provide a seamless flow of information and connectivity in a rapidly changing landscape of healthcare.

Bottom Line

As of January 2013, more than 250 ACOs span across all 50 states. CMS lists 106 of these as MSSP ACOs that covering as many as 4 million Medicare beneficiaries[1]. Poised for further growth, ACOs are being looked upon as the most promising model of change for the U.S. healthcare system. Leveraging Health IT tools will be critical for the success of an ACO.

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.org.

[1] (Jan 2013) Press Release: "More Doctors, Hospitals Partner to Coordinate Care for People with Medicare." Center for Medicare & Medicaid Services (CMS) < http://goo.gl/uTTMUv>