The ABCs of ACOs

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You've probably been hearing a lot about Accountable Care Organizations (ACOs) lately. But, like many other health care professionals, you may not have the time or inclination to research the latest developments in clinical integration. So, here, in just a few pages, is your primer on what ACOs are, what the latest news on ACOs has been about, and what the critics and proponents of ACOs have been saying.

What is an ACO?

The Centers for Medicare & Medicaid Services (CMS) has defined an ACO as "a recognized legal entity under State law … comprised of a group of ACO participants (providers of services and suppliers) that have established a mechanism for shared governance and work together to coordinate care for Medicare fee-for-service beneficiaries."[1]

The concept of ACOs is relatively new. ACOs gained attention in 2010 when they were included in the Patient Protection and Affordable Care Act (PPACA). PPACA requires CMS to create a Shared Savings Program that incorporates ACOs. This program is intended to improve beneficiary outcomes.

Eligible providers, hospitals, and suppliers can choose to participate in the Shared Savings Program by creating or joining an ACO. ACOs would enter into a 3-year agreement with CMS to be accountable for the quality and cost of care of at least 5000 beneficiaries of Medicare Parts A and B. Medicare would continue to pay individual providers and suppliers participating in ACOs for the specific items and services it does currently under the fee-for-service payment systems. However, ACOs would also be eligible to receive additional payments from Medicare in the form of shared savings.

Under the program, CMS would compare Medicare payments made to an ACO for beneficiaries assigned to that ACO to estimates of what the total Medicare expenditures for those beneficiaries otherwise would have been in the absence of the ACO. If the ACO achieves cost savings compared to this benchmark, while achieving specific quality performance standards, it will be eligible to receive up to 60% of those savings back from Medicare in addition to the fee-for-service payments.

How are beneficiaries assigned to an ACO?

Under the ACO model, Medicare beneficiaries may seek services from any provider they prefer, regardless of whether the provider is part of the ACO. Beneficiaries will be "assigned" retrospectively to an ACO by Medicare after the end of each year based on a determination of whether the ACO has provided the bulk of the patients' primary care during that year. Due to this retrospective assignment, Medicare beneficiaries generally would not be aware of whether they are "assigned" to an ACO.

What types of providers can be part of an ACO?

An ACO may include the following types of groups of providers and suppliers of Medicare-covered services:

- Physicians, physician assistants, nurse practitioners, and clinical nurse specialists (collectively known as "ACO professionals") in group practice arrangements
- Networks of individual practices of ACO professionals
- Partnerships or joint venture arrangements between hospitals and ACO professionals
- Hospitals employing ACO professionals
- Other Medicare providers and suppliers as determined by the US Department of Health and Human Services

In order to participate in the Shared Savings Program, providers would need to form or join an ACO and apply to CMS.

What's the latest news on ACOs?

On March 31, 2011, CMS issued proposed regulations for ACOs, as required under PPACA.[2] These long-awaited regulations provide important guidance but also raise significant questions for those considering establishing an ACO.

The proposed regulations cover a number of topics, including measures to assess the quality of care furnished by an ACO, quality performance standards, and reporting requirements. An example of the regulations' level of detail can be seen when reviewing CMS's proposed method of calculating ACO quality performance standards. CMS has

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proposed 65 measures for this calculation. To qualify for shared savings, an ACO would need to report data accurately on an annual basis on all of these measures.

The high level of complexity provided by the proposed regulations has supplied those interested in the formation of ACOs with a great deal of information to evaluate and has given detractors fodder for criticism, resulting in ACOs being a hot topic in recent health care news.

What's the controversy all about?

Proponents of the Shared Savings Program believe the ACO model will improve health care quality and lower health care costs by encouraging greater coordination of care between providers and by giving providers incentives to improve patient outcomes. Some patient advocates are also pleased with the program, which allows patients freedom to choose their providers while focusing on improving care delivered to the elderly.

However, critics of the program argue that the proposed regulations are so complex that they are unworkable, and that the benchmarks for achieving shared savings are too difficult to meet. Critics also argue that the retrospective assignment of beneficiaries to an ACO does not allow providers to track benchmarks and quality standards throughout the year.

So what's next?

The comment period for the proposed regulations closed in June 2011. Currently, CMS is considering the comments it received and plans to issue final rules at some point in 2011. Once these final rules are published, providers can determine whether they wish to participate in the Shared Savings Program, which is slated to begin on January 1, 2012.

It remains to be seen whether ACOs will become popular among Medicare providers as a means of increasing their Medicare revenues while more efficiently providing care to their patients. It also remains to be seen whether the Shared Savings Program will result in increased quality of care or reduced health care costs. However, regardless of whether the program is a success, there is little doubt you can expect to hear a great deal more about ACOs in the coming months and years.

References

1. Shared Savings Program Overview. Centers for Medicare & Medicaid Services. https://www.cms.gov/sharedsavingsprogram/. May 17, 2011. Accessed July 3, 2011.

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