Accountable Care Organizations
Presentation to
NCSL Fall Forum Dec. 10, 2010

Overview of Presentation

• 2010-11 NCSL health project - fresh look at state options for containing costs

• Accountable care organizations - vehicle for cost containment
Containing Health Costs, Realizing Efficiencies

- Series of briefs on strategies to:
  - Reduce expenditures
  - Slow expenditure growth
  - Get better value
  - Eliminate waste, excessive payments

- Focus: state examples, laws

- Emphasis: documented savings, efficiencies

State Cost Containment Strategies

Examples

Payment reform
- Global provider payments
- Episode-of-care payments
- All-payer claims databases
- Provider performance-based payments
- All-payer rate setting

Purchasing strategies
- Rx volume purchasing
- Generic drugs, brand-name discounts
- Pooling public employee health care
State Cost Containment Strategies (p. 2)

Examples (cont’d)

Delivery system reforms, prevention
- Accountable care organizations
- Medical homes
- Public health—promoting healthy habits
- Employer wellness programs

Other
- Administrative simplification
- Fraud and abuse control
- (See handout for complete list)

Accountable Care Organizations (ACOs)

Elements:
- Local, provider-led entity
- Wide range of collaborating providers
- Care monitored across providers (physician practices, clinics, hospitals, etc.)
- Accountable to payers for overall cost, quality for a defined population
Accountable Care Organization

If you've seen one ACO, you've seen one ACO

- Relatively new concept
- Exact definition varies
- Nonetheless, forming quickly

“DMC doctors join march toward accountable care”

“CIGNA Piedmont Physicians Group Launch ACO Pilot Program in Atlanta for Better Care Coordination”
## Types of ACOs

<table>
<thead>
<tr>
<th>Level</th>
<th>Providers Included</th>
<th>Possible Cost Savings</th>
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</thead>
<tbody>
<tr>
<td>Level 1</td>
<td>Multiple primary care practices</td>
<td>Prevention, early diagnosis, care management, fewer ER visits</td>
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<tr>
<td>Level 2</td>
<td>+ Major specialties</td>
<td>+ More efficient specialist use</td>
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<tr>
<td>Level 3</td>
<td>+ Hospitals</td>
<td>+ Improved complex patient care management</td>
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<tr>
<td>Level 4</td>
<td>+ Safety net clinics, public health</td>
<td>+ Coordinated health, social service supports</td>
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### Exhibit ES-1. Organization and Payment Methods

- **Less Feasible**
  - Full Population Prepayment
  - Global Case Rules
  - Medical Home Payments
  - Fee for Service
  - Small practices; unrelated hospital associations; physician delivery system; hospital organizations

- **More Feasible**
  - Care Coordination and intermediate outcome measures; moderate % of total payment
  - Simple process and structure measures; small % of total payment
  - Outcome measures; large % of total payment

**Continuum of Payment Bundling**

**Continuum of Organization**

Source: The Commonwealth Fund, 2008
Cost Containment Target

- Lack of accountability for total cost, quality of patient care
- Estimated potential Medicare savings: $5.3 billion between 2010 and 2019 from reduced service volume and intensity.

Congressional Budget Office

Adherence to Quality Guidelines

Adults receive about Half recommended care:
- 54.9% = Overall care
- 54.9% = Preventive care
- 53.5% = Acute care
- 56.1% = Chronic care
Uncoordinated Care

My specialist did not receive basic medical information from my primary care doctor
My primary care doctor did not receive a report back from a specialist
Test results/medical records were not available at time of appointment
Doctors didn’t give other providers important medical information I think should have it
I was not contacted or had to call repeatedly to get test results

Any of the above


State Examples

- **MA**—Commission: set risk rules to accept global payments
- **OR**—Committee: establish accountable care districts
- **WA**—2 multi-payer pilots—integrated and non-integrated
- **VT**—national pilot participation
  - Medicaid, CHIP shared savings contracts
  - Anti-trust provisions
- **Medicaid programs** (ACO-like)
  - Community Care of North Carolina
  - Colorado Regional Care Coordination Organizations
Federal Health Reform Pilots

- Medicaid/SCHIP pediatric ACOs demonstration (2012 - 2016)
- Medicare ACO shared savings program

Savings, Quality Evidence

- Insufficient evidence
- New concept, not fully tested

"Any projections of savings from the formation of ACOs are subject to a high degree of uncertainty."

Medicare Payment Advisory Commission
Savings, Quality Evidence (p. 2)

- Integrated health systems—more efficient care
  - Kaiser
  - Geisinger
  - Group Health Cooperative
- Private Minnesota Patient Choice program—savings, quality improvement
- Medicare Group Practice Demonstration—unclear
- 1990s risk-bearing provider groups—problems

Possible State Roles

- Authorize creation
- License, certify
- Authorize Medicaid, CHIP contracts
- Address anti-trust issues
- Address rural issues
- Fund enhanced payments, coordination fees
- Handle provider, consumer complaints
- Collect, analyze data
- Evaluate
Anti-Trust Issue

Improved Outcomes
- Lower Costs

Consolidation

Higher Prices
- Improved Outcomes

Integration

Doctors
Hospitals