

Accountable Care Organizations

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NATIONAL CONFERENCE of STATE LEGISLATURES

The Forum for America's Ideas



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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

	Providers Included	Possible Cost Savings
Level 1	Multiple primary care practices	Prevention, early diagnosis, care management, fewer ER visits
Level 2	+ Major specialties	+ More efficient specialist use
Level 3	+ Hospitals	+ Improved complex patient care management
Level 4	+ Safety net clinics, public health	+ Coordinated health, social service supports

Exhibit ES-1. Organization and Payment Methods



Source: The Commonwealth Fund, 2008



Cost Containment Target

- Lack of accountability for total cost, quality of patient care
- Estimated potential Medicare savings:



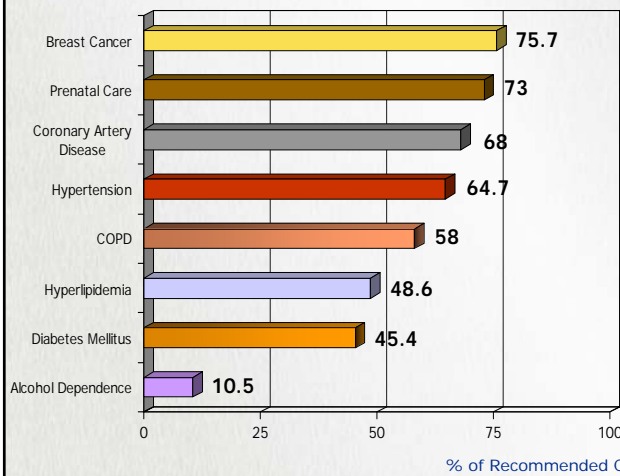
\$5.3 billion between 2010 and 2019

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

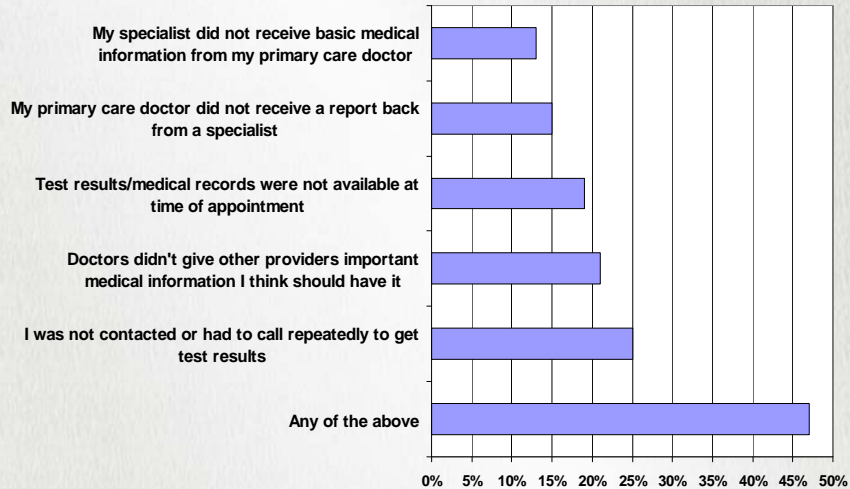
53.5% = Acute care

56.1% = Chronic care

% of Recommended Care Received



Uncoordinated Care



Source: Commonwealth Fund Survey of Public Views in the U.S. Health Care System, 2008.



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



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Anti-Trust Issue



Doctors

Hospitals



Integration

Consolidation

Improved Outcomes
Lower Costs

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Higher Prices
Improved Outcomes



Thanks

