Understanding the Important Role of ACOs in Health Care Delivery Reform

Background and Overview

The Accountable Care Organization (ACO) model is a market-based solution that relies on local groups of physicians, hospitals and other providers working together to improve health care quality and reduce costs for millions of patients. ACOs represent a new approach to the delivery of health care and have a long history of bipartisan support. They were created to facilitate coordination and cooperation among providers to improve the quality of care and reduce unnecessary costs. ACOs were developed during the Bush Administration and grew under the Obama Administration through the Medicare Shared Savings Program (MSSP), a program that has experienced significant growth and early success since its inception in 2012.

The ACO model is already providing higher quality, coordinated care to Medicare beneficiaries and saving money for the Medicare Trust Funds. It is one of the most promising solutions to shift Medicare away from the traditional fee-for-service payment model to one based on value and quality. Medicare ACOs now serve almost eight million Medicare beneficiaries, representing almost half the number in Medicare Advantage and 20 percent of beneficiaries in traditional Medicare.

Key Points about the Effects of ACOs on Beneficiary Care and Medicare Spending

- ACOs compete with the traditional, solely fee-for-service model and are an option for Medicare beneficiaries, who can also continue to see providers outside of ACOs or can pursue coverage through Medicare Advantage (MA). However, unlike MA plans, many of which rely on provider networks that are increasingly narrower, ACOs are effectively an open network since ACO beneficiaries can see Medicare providers inside and outside of the ACO. Both political parties recognize the importance of patient choice in care models.
- The transition from fee for service to value-based payment models will take time, but we are already seeing the early benefits of ACOs.
    - 2015 MSSP performance results show that ACOs that have been in the program longer are more likely to generate savings. Specifically, twice as many 2012 ACOs (42 percent) generated and earned shared savings compared to ACOs that began the MSSP in 2015 (19 percent). This demonstrates that ACO are making long-term investments, estimated to average $1.6 million annually, which yield positive results over time.
- ACOs are providing comparatively better quality care than fee-for-service providers outside of ACOs, as demonstrated by quality measure performance. Further, ACOs are improving quality performance over time. For example, the overall quality results from the 2015 performance year are impressive at 91.4 percent, which is up from 83.1 percent from the 2014 performance year.
- As detailed in a recent study published in the Annals of Internal Medicine, there are many benefits to Medicare and the overall healthcare industry from the spillover effects from ACOs' investments and efforts to redesign care delivery. ACOs undertake efforts for attributed patients, but these also benefit non-attributed Medicare beneficiaries and those covered by other payers. These spillover effects lower Medicare spending and are not fully captured in ACO performance results.

- According to recent Medicare Payment Advisory Commission (MedPAC) data, fee-for-service spending in 2016 is 5 percent less than Medicare Advantage spending. Further, there is growing evidence that ACOs are reducing Medicare fee-for-service spending overall.
    - For example, a recent study in The Journal of American Medical Association explored savings from ACOs from 2012 to 2014. This report examined changes to Medicare spending over time for ACO-attributed beneficiaries and compared ACO-attributed beneficiaries to those who would have been attributed to non-ACO providers. The research showed that ACOs had spending reductions when compared to Medicare fee-for-service providers outside of ACOs and when compared to pre- and post-ACO participation.
- ACOs invest in changing how care is delivered, including investments in care coordination and care improvement initiatives, health information technology and other population health management initiatives, in order to benefit patients. The incentive for many of these providers to continue these types of investments is directly tied to their participation in the MSSP.
- ACOs provide care to public and private payer patients, which demonstrates their critical role in the overall industry across payers. Private payers recognize the value these ACOs bring and are increasingly developing commercial ACO arrangements as a result.

Key Points about Excluding ACOs from ACA Repeal Efforts

- President Bush first advanced the ACO concept through the Physician Group Practice (PGP) Demonstration, which was an early Medicare pay-for-performance initiative and a prototype for the MSSP. Although the Patient Protection and Affordable Care Act formally established the MSSP, ACOs are rooted in Republican efforts to support value in health care.
- ACA repeal efforts have largely focused on the ACA health insurance exchanges, insurance coverage requirements, Medicaid expansion and mandates for individuals to obtain health insurance as well as mandated contributions or coverage from certain employers. ACA repeal efforts have not sought to reverse the legislative authority of the MSSP or the important progress transitioning to value-based care models, and NAACOS urges Congress to continue to separate ACOs and the evolution of Medicare payment from ACA repeal efforts.
- The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) further cemented the important status of ACOs and was passed by a Republican-controlled Congress with overwhelming bipartisan support (Senate passage 92-8; House passage 392-37). The ACO model was carefully defined and positioned as part of the foundation of value-based payment in MACRA, and the evolution under MACRA does not make sense without ACOs, which are premier Advanced Alternative Payment Models.
- *The ACO Improvement Act of 2016* (H.R. 6101) is a bipartisan bill sponsored by Rep. Diane Black (RTN) and Rep. Peter Welch (D-VT) that was recently introduced to strengthen the Medicare ACO model.

In closing, the Medicare population is growing at a considerable rate and neither the financing nor the demand can be met though continued use of an uncoordinated healthcare system based on fee-for-service payment. Medicare faces considerable challenges of rising costs and inefficiencies in healthcare delivery and ACOs are one of the most promising solutions to bend the cost curve and provide high quality patient care. To ensure the continued growth and future success of the ACO model, NAACOS advocates for key program changes such as limiting regulatory burdens, revising certain program criteria, creating a level playing field with other value-based payment models and providing flexibility for ACOs to pursue innovative solutions to improving care and lowering costs.