colorado health INSTITUTE

Accountable Care Organizations: Trying to Provide Better Care at Lower Costs

WHAT IS AN ACCOUNTABLE CARE ORGANIZATION?

A network of providers that coordinate health care. The accountable care organization, also known as an ACO, is a new health care delivery model being tested in Colorado and across the nation. The goal is to improve the quality of care and reduce health care costs.

HOW DOES IT WORK?

ACOs aim to curb health spending by keeping people healthy and preventing costly medical conditions. They require providers to work together for the health of their patients, giving them financial incentives to cooperate and save money by avoiding unnecessary tests and procedures. For ACOs to work, they must share information across the spectrum of health care services: primary care, acute care, post-acute care, long-term care and behavioral and mental health care.

ACOs that save money while meeting quality targets would keep a portion of the resulting savings. This differs from a more traditional payment system in which providers are paid for any and all services. Instead, it rewards them for providing the *right* service at the *right* time in the *right* setting.

THE ACO MODEL

A coordinated network of providers, with an emphasis on the medical home, that is accountable for all of a patient's health care services;

A payment system that rewards providers for delivery of services that are cost-effective and lead to positive patient outcomes;

The active assessment and improvement of care coordination practices using health data and analytics.

ACOs IN ACTION

ACOs have been developed in public and private systems, including primary care medical groups, hospital-based systems and private insurers. At the federal level, the ACO model is being evaluated through two Medicare pilots, the Medicare Shared Savings Program and the Medicare Pioneer ACO Program.

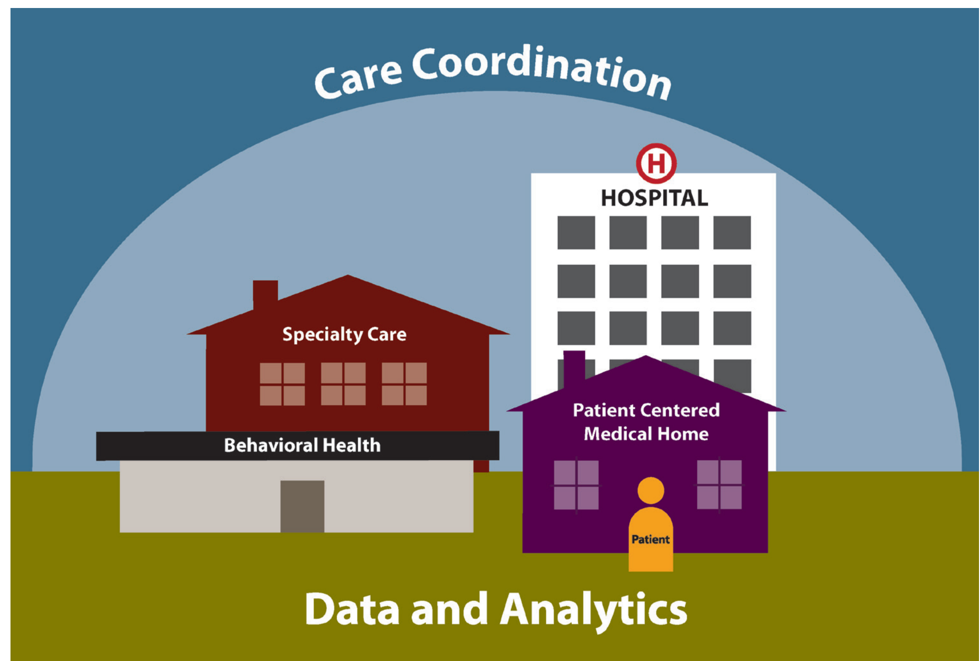

Figure 1: How Accountable Care works

The Medicare Shared Savings Program

Health care organizations will receive bonuses based on cost savings through improved care coordination and better use of health care services. Providers are still reimbursed on a fee-for-service basis. However, if they are able to provide quality care at a lower cost than the spending target, they will receive up to fifty percent of the savings for up to three years. There are no federal pilots in Colorado.

The "Pioneers"

The Centers of Medicare & Medicaid Services Innovation Center has selected 32 organizations to participate in the Medicare Pioneer ACO program. ACOs in the program are eligible for a larger portion of the savings, but they are liable for covering losses if they don't meet the benchmarks. Colorado's Pioneer ACO is Denver-based Physician Health Partners, founded in 1996. It is scheduled to begin in April 2012 and will provide health services for as many as 28,000 people.

Providing quality care is key to success in the Medicare ACOs. Provider organizations must report on 33 measures on the quality of patient experience, care coordination and patient safety, preventive health, and clinical measures for at risk patients. Shared savings will be based on how well the ACO performs on the quality measures.

AN EXAMPLE OF SHARED SAVINGS

- **A Medicare beneficiary costs $1,000 a month**
- **Cost is trimmed to $900 a month through coordination and efficiency**
- **The savings threshold is two percent – or $20 a month**
- **Bottom line: The provider network earns $40 – or 50 percent of the shared savings.**

COLORADO MEDICAID AND ACCOUNTABLE CARE COLLABORATIVES

Developed by the Department of Health Care Policy and Financing (HCPF) in 2009, the ACC is a Colorado-grown initiative based on ACO principles. But unlike the federal ACOs that focus on those covered by Medicare, the ACC serves clients of the federal-state Medicaid program.

Seven Regional Care Collaborative Organizations cover Colorado. They function as independent ACOs, providing care coordination services and support for health providers in their region. A data and analytics firm will analyze their patient populations to help identify opportunities for better care and less waste.

Primary care medical providers (PCMPs) with resources and experience may provide care coordination with little assistance from the RCCO. Smaller PCMPs, especially in rural areas, may require more assistance from the RCCO.

The goal is to enroll 123,000 people by May 2012. RCCOs and PCMPs may earn a portion of the cost savings for patients with lower hospitalizations and lower emergency department use in FY 2012-13.