Accountable Care Organizations

What are Accountable Care Organizations?
Proposed in 2006, Accountable Care Organizations (ACOs) are integrated networks of local providers across the care continuum, including hospitals, physicians and affiliated providers that are paid based on their ability to provide quality care and restrain costs. ACOs share in the savings they generate as a network by coordinating care, reducing overuse or misuse of care, eliminating wasteful duplication of services, and providing wellness programs and patient support. ACOs shift the emphasis from payment for utilization to payment for health outcomes. The core of the ACO concept is that the parts work as a coordinated entity in the shared goals of improving both the quality and efficiency of care. ACOs can be fully integrated health systems, such as the Cleveland and Mayo Clinics, or geographically diverse networks of providers connected through contractual relationships, such as Geisinger Health System in Pennsylvania. The Geisinger system is paid a risk-based flat rate or bundled payment for a growing number of conditions. The rate covers whatever is needed for each patient’s episode of care including pre-operative evaluations and work up, hospital and professional fees, routine discharge care and management of any complications arising within 90 days of surgery. Because of Geisinger’s ability to lower health benefit costs for their employees, one Pennsylvania community’s Board of Education was able to give teachers a $7,000 raise.

What are the goals of ACOs? What problem are they meant to solve?
Too often health care decisions that benefit one provider or payer, financially disadvantage another, encouraging decisions based on narrow economic interests rather than savings to the entire system or the needs of patients. Providers have no incentive to reduce duplicate tests and procedures or to coordinate care. ACOs are designed to align incentives across the care continuum to improve the quality and efficiency of care by sharing savings and bonuses with all providers.

How are they different from managed care plans? Hasn’t this been tried before?
ACOs differ from managed care plans in several ways. Most treatment decisions in the traditional health care system are driven by providers, especially physicians. In ACOs, accountability and savings rest with the providers rather than an insurer. The providers who run the ACO also benefit from their investments in quality. Unlike national or statewide managed care plans, ACOs allow for flexible structures in different regions, respecting the unique assets and challenges of local health care markets.
While past efforts to align incentives across health care stakeholders have not been successful, there is optimism that ACOs may be more successful. The health care market has evolved significantly since the managed care reforms of the 1990’s; providers are more willing to enter into contractual alliances with other providers and institutions. Much has also been learned about how to measure and reward the quality of health care delivered. Payers are investing in effective use of information technology that will facilitate care coordination and efficiency.iv

What are the challenges?
Nationally results for ACOs are mixed, for both improving quality and controlling costs.v There are several open questions that will affect the success of ACOs, especially in Connecticut. Connecticut physicians are more likely to practice in small groups than physicians in other states; small practices may be more difficult to integrate into ACOs. There are concerns that ACOs will be seen by providers and consumers as just a new kind of HMO and capitated care, which met with significant resistance in the 1990s leading to managed care reform legislation. It is critical that ACO payment structures include robust monitoring and carefully crafted incentives to counter any financial incentives to deny necessary care to patients. And while most ACO payment structures adjust for the greater needs of more complex patients, risk adjustment methodologies are still developing. Consolidating providers into large networks raises anti-trust concerns. While ACOs should reduce costs by improving efficiency, increasing market power in negotiations with providers may outweigh those savings. Monitoring of new risk arrangements and enhanced quality monitoring places larger administrative burdens on providers and government regulators.

Does Connecticut have any ACOs?
Connecticut has at least 16 ACOsvi currently covering between 4 and 6% of the state’s population.vii The CT State Medical Society is considering forming an ACO as well.viii Current ACOs in CT:

- ProHealth Physicians
- Middlesex Hospital
- MPS ACO Physicians
- Franklin Medical Group
- Day Kimball Healthcare
- Danbury Hospital
- Northeast Medical Group/PriMed
- Griffin Hospital
- Hartford Healthcare ACO
- St. Francis Partners ACO
- New Haven Community Medical Group
- Greenwich IPA
- St. Vincent’s Health Partners
- Soundview Medical
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