Accountable Care Organizations

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What Is an ACO?

An ACO is an organization of health care providers who

(1) provide coordinated care across multiple health care settings and

(2) agree to be held accountable for achieving measured quality improvements and reductions in the rate of spending growth.

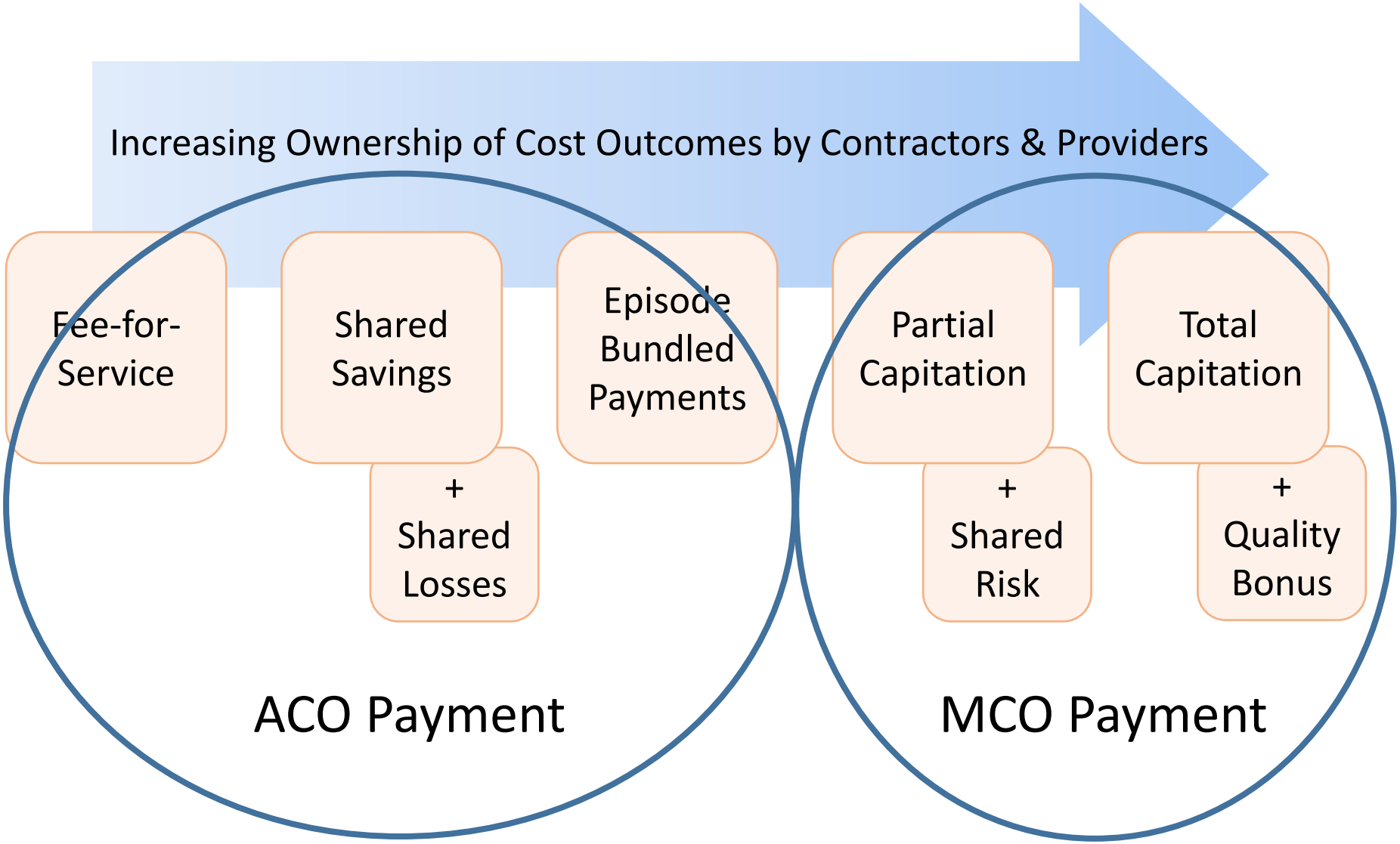
To promote accountability, the organization's payment is tied to achieving health care quality goals and outcomes that result in cost savings.

Source: "Cracking the Code on Health Care Costs," State Health Care Cost Containment Commission, Miller Center, University of Virginia, January 2014

MCO and ACO Differences

Managed Care Organization	Accountable Care Organization
Insurer governs (providers may, too)	Providers govern (insurer role possible)
Substantial risk capital required	Little/No risk capital needed
Broad territory, many provider systems	Service area local to provider system
Beneficiary enrolls formally	Beneficiary attributed by care usage
Patient must use MCO's providers	Patient free to use non-ACO providers
MCO accepts full risk via capitation	ACO shares in savings … and losses (?)
Quality may factor into payment	Quality is key factor in reward/penalty

Ways To Transfer Health Cost Risk



How Medicare Works With ACOs

STRUCTURE & FUNCTION

- Governing body 75% participating providers, at least 1 beneficiary
- Providers make meaningful commitment to ACO's mission, promise to comply with ACO and MSSP rules
- Quality program that promotes:
  - Evidence based medicine
  - Beneficiary engagement
  - Internal reporting on quality and costs
  - Individualized care planning, coordination
- Use of data to:
  - Evaluate participant performance
  - Assess and improve quality of care
  - Conduct population based health improvement

MSSP = Medicare Shared Savings Program

How Medicare Works With ACOs

FINANCIAL TERMS

- ACO benchmark based on Medicare cost history of attributed beneficiaries
  - Baseline for benchmark reset after 3 years
- Providers continue FFS payment at standard Medicare rates
- **1-sided model - ACO shares savings**
  - Savings must exceed 2%-3.9% of benchmark, depending on number of beneficiaries
  - ACO must hit 70% of quality measures
  - Savings award = 50%
- **2-sided model - ACO shares gains/losses**
  - Savings award (after 2% of benchmark + quality goals) = 60%
  - Loss share 40-60% depending on quality
  - ACO must have repayment mechanism:
    - reinsurance
    - escrow funds
    - line of credit
    - surety bond
    - other

1-sided model not available option after a period of time

MSSP = Medicare Shared Savings Program

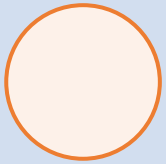
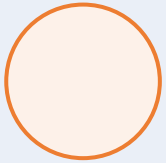
Medicare ACOs: 33 Quality Measures

Domain	Examples	Total	Minimum
Patient/Caregiver Experience	• Patient rating of provider • Timely appointments, information • Access to specialists	7	5
Preventive Health	• Influenza immunization • BMI screening and follow-up • Screening for clinical depression	8	6
At-Risk Population	• Diabetes: Hemoglobin A1c control • Hypertension control • Coronary artery disease: lipid control	12	9
Care Coordination/ Patient Safety/ EHR	• Hospital readmissions • % of PCPs who qualify for EHR incentive payments	6	5

If minimum performance standard is not met in each domain, the ACO is ineligible to share in savings

BMI = Body Mass Index EHR = Electronic Health Record

Medicaid Models' Effectiveness Varies

Goal	PCCM/FFS with Care Coordination	ACO/FFS with Gain/Loss Sharing	Risk-Based Managed Care
State's Medicaid Budget More Predictable			
Beneficiaries More Assured of Access & Care Coordination			
Opportunity for Whole-Person Integrated Care			
Contractor At Risk for Per Capita Medical Costs			
Responsibility for Care Quality & Outcomes Localized			

PCCM = Primary Care Case Management FFS = Fee for Service

States Starting to Use ACOs in Medicaid

15 regional Coordinated Care Organizations (CCOs)

- One CCO budget for physical and behavioral caree
  - Global budget per enrollee; grows at fixed rate
- CCOs accountable for population health outcomes

4 ACOs covering 4 counties with 70% of state's Medicaid population

- ACOs paid full-risk capitations
- UT says key differences from traditional managed care are:
  - ACO payments eliminate incentive to provide excess care
  - Contracts maintained only if ACO meets quality & access criteria

Accountable Care Collaborative (ACC)

- 7 regional care collaborative organizations (RCCOs)
- FFS payment plus PCCM per capita fee to PCPs; no set budget target
- Goals for inpatient hospital readmissions, ER usage, high cost imaging
- Goals correlated with cost savings; RCCOs get bonus if goals met

Sources:
1. S.L. Kocot, "Early Experiences with Accountable Care in Medicaid," Population Health Management, Vol. 16 Supplement, 2013
2. "Utah Medicaid Payment and Service Delivery Reform," 1115 Waiver Request, July 1, 2011

States Starting to Use ACOs in Medicaid

9 Health Care Delivery System sites in Twin Cities; 150,000 enrollees

- Total cost of care calculated from claim history - for services influenced by primary care coordination
- Savings shared 50-50 if quality targets reached
- Loss sharing starts in year 2

Collaboration of Medicaid plus 2 commercial insurers

- Providers designated as principal for specific episodes of care
  - ADHD, upper respiratory infections, congestive heart failure, hip & knee replacements, perinatal care
- Claims paid on regular fee schedule; average cost per episode tallied
- Shared gain/loss opportunity if quality goals satisfied

5 Care Coordination Entities (CCEs) run in parallel with full-risk MCOs

- CCEs choose from 3 incentive payment models:
  - PMPM care coordination fee
  - 50% budget savings share if quality targets achieved
  - Other innovative payment models as agreed upon

Source:
S.L. Kocot, "Early Experiences with Accountable Care in Medicaid," Population Health Management, Vol. 16 Supplement, 2013

Medicare ACOs in North Carolina

ACO Name	HQ Location	Eff. Date	Other Payers Using ACO
Accountable Care Coalition of Caldwell County	Lenoir	4/2012	
Accountable Care Coalition of Eastern NC	New Bern	4/2012	
Bayview Physicians Group	Norfolk, VA	1/2014	
Carolinas Health System ACO	Charlotte	1/2014	Aetna
Caromont	Gastonia	1/2014	Cigna
Central Virginia Accountable Care Collaborative	Lynchburg, VA	1/2014	Aetna
Coastal Carolina Quality Care	New Bern	4/2012	
Cornerstone Health Care	High Point	7/2012	BCBSNC, Cigna, United
Duke Connected Care	Durham	1/2014	
Physicians Healthcare Collaborative	Wilmington	1/2013	BCBSNC
Triad Healthcare Network	Greensboro	7/2012	Humana, United
WakeMed Key Community Care	Raleigh	1/2014	BCBSNC, Cigna
Provider-Owned Medicare Advantage Plan:			
First Carolina Care Insurance Co.	Pinehurst	1/2013	Employers

Sources: Centers for Medicare & Medicaid Services; ACOs' and insurers' websites and press releases

Other ACOs Emerging in NC

ACO Name	HQ Location	Payers Using ACO
Accountable Care Alliance	Wilmington	BCBSNC
Boice Willis Clinic	Rocky Mount	Cigna
Cape Fear Valley Health System	Fayetteville	BCBSNC
Carolina Advanced Health	Durham	BCBSNC
Children's Health Accountable Care Collaborative	Chapel Hill	CMS (Pediatric)
Novant Health	Winston-Salem	Cigna
Pinehurst Accountable Care Network	Pinehurst	
UNC Health	Chapel Hill	
Wake Forest Baptist Medical Center	Winston-Salem	
WNC IPA	Asheville	

Sources: North Carolina Medical Society; ACOs' and insurers' websites and press releases