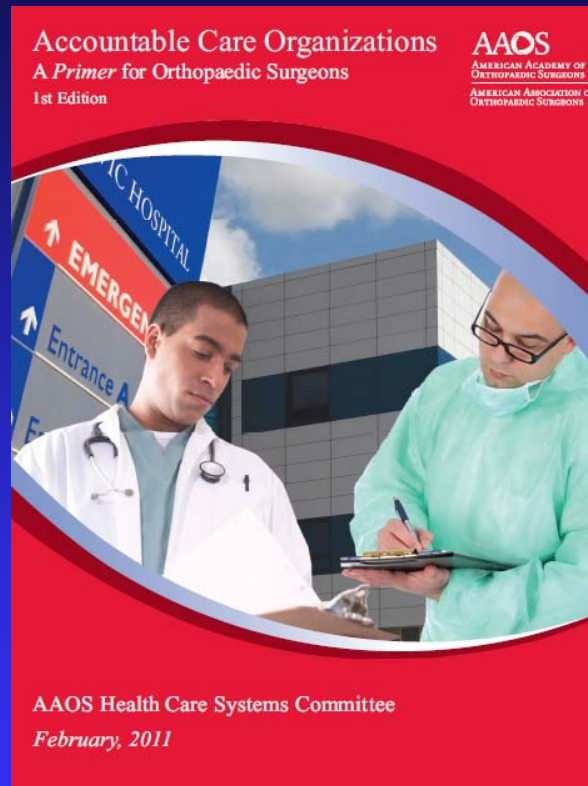


# Accountable Care Organizations Overview of Proposed Rule



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Chair, AAOS Health Care Systems Committee

# Disclosures/Conflicts of Interest

## ■ Research Support

- ◆ AHRQ, NIH

## ■ Consulting Income

- ◆ United Health Care, BCBSA, Integrated Healthcare Association, Pacific Business Group on Health, CMS (MedCAC), Ingenix

## ■ Governance/Leadership Roles

- ◆ AAOS (HCSC)
- ◆ AAHKS (Education, Health Policy, EBPC)
- ◆ American Joint Replacement Registry (Board of Directors)
- ◆ COA (Executive Committee)
- ◆ OREF (Board of Trustees)
- ◆ AHRQ (Effective Health Care Stakeholder Group)
- ◆ UCSF Medical Center (HTAP)

# Accountable Care Organizations

- **Section 3022 of the ACA: Medicare Shared Savings Program**
- **March 31, 2011: CMS Proposed Rule for ACOs.**
- **Rationale:**
  - ◆ **U.S. Healthcare System highly fragmented**
  - ◆ **Coordination of care could improve quality/ reduce costs**
  - ◆ **Regulatory, legal barriers**
    - ◆ **Stark, anti-kickback, CMP, Tax Code**
  - ◆ **Lack of incentive for alignment**
- **Voluntary**



# ACOs: Definition, Goal

- **“Group of providers (e.g., hospitals, physicians, others) that will work together to coordinate care for Medicare FFS beneficiaries”**
- **Program Goals**
  - ◆ **Promote accountability**
  - ◆ **Coordinate services among providers**
  - ◆ **Encourage investment in infrastructure and care processes for high quality, efficient care delivery**

# Requirements for Participation

- 5,000 Medicare FFS beneficiaries
  - ◆ PMD's, Specialists, Hospital
- Measure and report performance
- Receive and distribute payments for shared savings to participating providers
- Define processes to promote EBM and patient engagement, and coordinate care
- Meet patient-centeredness criteria specified by HHS

# Eligible Participants

- **ACO professionals (MD, PA, NP, CNS) in group practices**
- **Networks of individual practices of ACO professionals**
- **Partnerships or joint venture arrangements between hospitals and ACO professionals**
- **Hospitals employing ACO professionals**
- **Critical Access Hospitals**

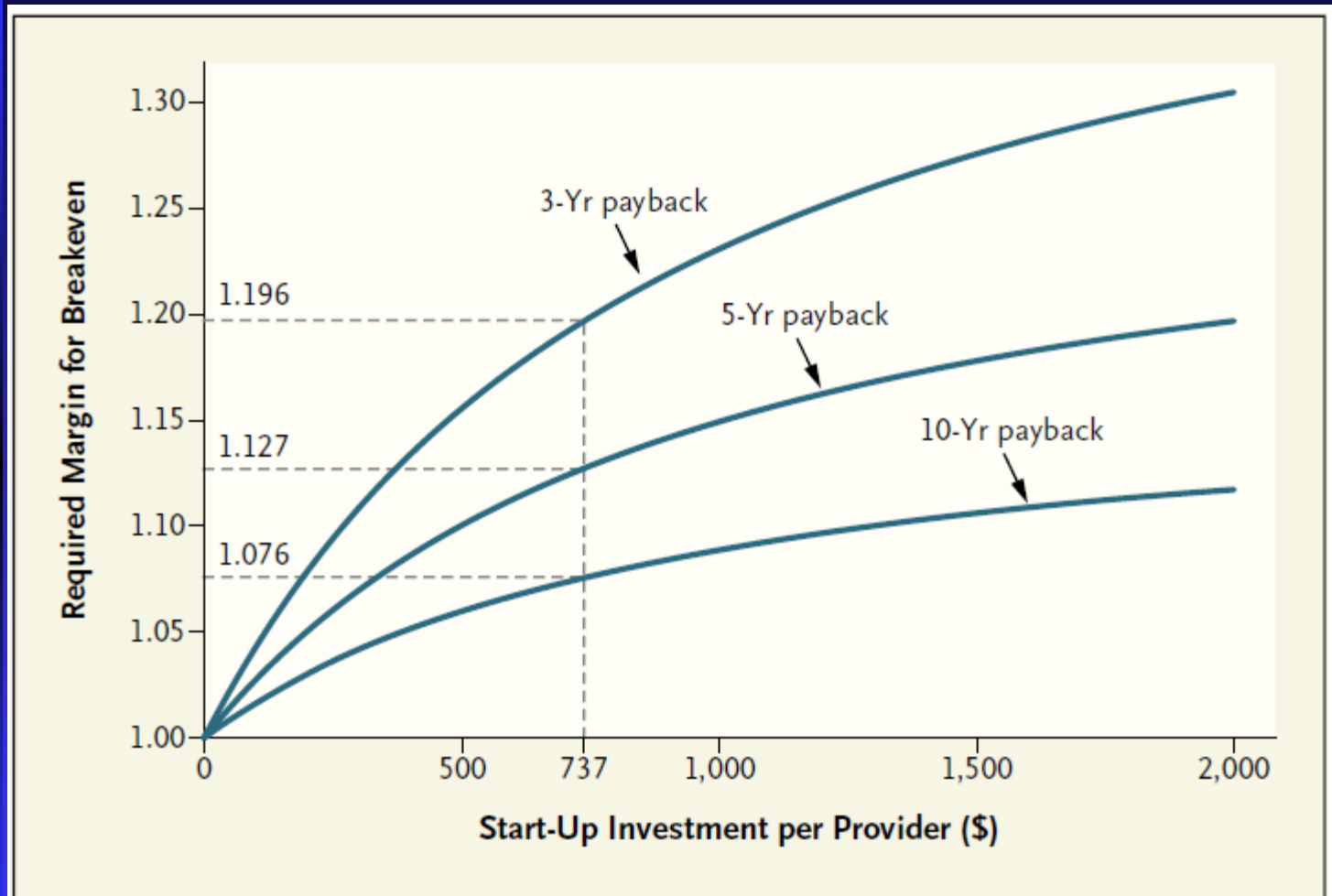
# PGP Demonstration: Results

Summary Results of the Physician Group Practice Demonstration, Performance Years 1–4.\*

| Physician Group Practice                                 | Percentage of Quality Goals Attained |        |        |        | Shared Savings Payments (\$) |           |            |            |
|--|--------------------------------------|--------|--------|--------|------------------------------|-----------|------------|------------|
|  | Year 1                               | Year 2 | Year 3 | Year 4 | Year 1                       | Year 2    | Year 3     | Year 4     |
| Billings Clinic, Billings, MT                            | 90.91                                | 97.78  | 98.11  | 92.45  | 0                            | 0         | 0          | 0          |
| Dartmouth–Hitchcock Clinic, Lebanon, NH                  | 95.45                                | 97.78  | 92.45  | 94.34  | 0                            | 6,689,879 | 3,570,173  | 328,798    |
| Everett Clinic, Everett, WA                              | 86.36                                | 95.56  | 94.34  | 94.34  | 0                            | 129,268   | 0          | 0          |
| Forsyth Medical Group, Winston-Salem, NC                 | 100.00                               | 100.00 | 96.23  | 96.23  | 0                            | 0         | 0          | 0          |
| Geisinger Clinic, Danville, PA                           | 72.73                                | 100.00 | 100.00 | 100.00 | 0                            | 0         | 1,950,649  | 1,788,196  |
| Marshfield Clinic, Marshfield, WI                        | 81.82                                | 100.00 | 98.11  | 100.00 | 4,565,327                    | 5,781,573 | 13,816,922 | 16,154,242 |
| Middlesex Health System, Middletown, CT                  | 86.36                                | 95.56  | 92.45  | 94.34  | 0                            | 0         | 0          | 0          |
| Park Nicollet Clinic, St. Louis Park, MN                 | 95.45                                | 97.78  | 100.00 | 100.00 | 0                            | 0         | 0          | 0          |
| St. John’s Clinic, Springfield, MO                       | 100.00                               | 100.00 | 96.23  | 98.11  | 0                            | 0         | 3,143,044  | 8,185,757  |
| University of Michigan Faculty Group Practice, Ann Arbor | 95.45                                | 100.00 | 94.34  | 96.23  | 2,758,370                    | 1,239,294 | 2,798,006  | 5,222,852  |

\* Because the CMS applied different weights to each of the quality measures, the agency calculated the quality goals attained as percentages, rather than absolute numbers of measures. Data are from RTI International.

# PGP Demonstration: Results



Required Operating Margin Needed for an ACO to Recover the Start-Up Investment.



# Legal, Regulatory Concerns

- Waiver of application of fraud and abuse laws (Stark, Anti-Kickback, CMP)
- FTC/DOJ
  - ◆ Potential for anti-competitive effects
  - ◆ Potential pro-competitive benefits
  - ◆ Expedited review process (90 days)
  - ◆ “Rule of Reason”
  - ◆ 3 Categories: Safety Zone, Mandatory Review, Discretionary Review

# Assignment of Beneficiaries

- “Plurality of primary care services” by ACO  
PMD
  - ◆ Based on billing under common Tax ID
- PMD’s must be exclusive to one ACO
  - ◆ Not hospitals, specialists
- Retrospective assignment based on benchmark period
- Beneficiaries can opt out

# Performance Measurement

- **Patient/Caregiver Experience (CAHPS)**
- **Care Coordination**
- **Patient Safety**
- **Preventative Health**
- **At-Risk Population/Frail Elderly**
  
- **50% of PMD's must meet "Meaningful EHR Use"**

# Provider Payments, Shared Savings

- **FFS Payments under Medicare Part A, B**
- **Eligible for Shared Savings *if*:**
  - ◆ **Meet contract requirements**
  - ◆ **Achieve quality/performance standards**
  - ◆ **Achieve savings above MSR**
    - ◆ **Benchmark based on historical Part A/B expenditures for ACO**
  - ◆ **“Savings/loss rate”**

# Shared Savings Model: Two Tracks

- Track One (“One-sided risk”):
  - ◆ Share savings only yrs 1-2, savings/losses yr 3
  - ◆ Sliding scale from 2% to 3.9% based on # of beneficiaries
  - ◆ Share savings only above 2% of benchmark
- Track Two (“Two-sided risk model”)
  - ◆ Share savings/losses for all 3 years
  - ◆ Flat MSR of 2%
  - ◆ Share first dollar savings

# AAOS Response/Involvement

- Define participation for specialists
- Appropriate use of
  - ◆ Referrals
  - ◆ Diagnostic/therapeutic interventions
- Performance measurement
- Shared savings formulas



# Summary: ACOs

- **Improve coordination of fragmented care**
- **Voluntary, limited application**
- **“attempts to upset or dislocate no one”**
- **Questions remain**
  - ◆ **Sustainability**
  - ◆ **Relationship to other reforms (e.g., Bundled Payments)**
  - ◆ **Impact on care delivery, payment for non-Medicare patients**
- **Opportunity for orthopaedic surgeons**

Accountable Care Organizations  
*A Primer for Orthopaedic Surgeons*  
1st Edition

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ORTHOPAEDIC SURGEONS



AAOS Health Care Systems Committee  
*February, 2011*

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***Thank  
You!!!***

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