

Accountable care organizations have potential to curb costs and improve health care

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If implemented successfully, accountable care organizations (ACOs) have the ability to achieve better care, better population health, and lower costs, according to a new report released today by the Commonwealth Fund Commission on a High Performance Health System. Implementing ACOs effectively will be vital to their success and, to that end, the Commission report also includes 10 recommendations for effective implementation, focusing on the design, payment and functioning of ACOs. An accompanying Commonwealth Fund perspective contains an analysis of how the proposed rules for the new Medicare Shared Savings Program for ACOs issued recently by the Centers for Medicare and Medicaid Services (CMS) align with these recommendations.

The [Affordable Care Act](#) establishes ACOs as a new category of provider within the Medicare program, creating the potential of paying for care in new ways that reward clinicians for improved patient care while reducing health care costs on a broad scale. Interest in establishing ACOs is also responsive to the public's call for better coordinated health care-in a recent Commonwealth Fund survey nine of 10 people reported that it was important to them to have one place or physician responsible for their primary care, and coordinating care with other providers.

The Commission report, *High Performance Accountable Care: Building on Success and Learning From Experience*, presents the rationale for ACOs, based on research demonstrating that better organized care systems provide higher quality, lower cost care, and describes several models that might be considered in developing ACOs, including primary care medical home fees, bundled acute case rates and global fees. These models, and variants of them, could be used to move toward a more organized and effective

[health system](#).

"A number of health care providers and systems across the country are already developing accountable, coordinated care models, and implementing new payment models that reward better care. We have seen the potential they have to improve quality and lower costs," said Commonwealth Fund President Karen Davis. "The Affordable Care Act provides the opportunity to replicate what we know is working in accountable care, and to give patients what they want and need-well-coordinated, high-quality, affordable health care."

Commission Recommendations

The Commission's recommendations focus on core strategies to ensure successful implementation and spread of ACOs that are accountable for care, outcome, and costs:

- **Strong Primary Care Foundation:** ACOs should build on the concept of the patient-centered medical home, to ensure access to a regular source of care, and coordination across providers and settings.
- **Accountability for Quality of Care, Patient Care Experiences, Outcomes, and Total Costs:** ACOs should be required to report on and be held accountable for quality, patient care experiences, outcomes, and total costs, with any savings distributed based on their performance.
- **Informed and Engaged Patients:** ACOs should notify patients that their providers are part of an organization that is being held accountable for high performance and

engage them and families as partners to ensure the best care and outcomes.

- **Commitment to Serving the Community:** CMS should make an explicit commitment to serving their community, including low-income and uninsured patients, an integral part of qualifying as an ACO.
- **Criteria for Entry and Continued Participation that Emphasize Accountability and Performance:** CMS should establish minimum entry criteria for ACOs that include availability of primary care, access to needed services, and the ability to provide meaningful evidence of quality and cost performance. Continued participation should be contingent on accountability and performance, rather than structural characteristics.
- **Multi-Payer Alignment to Provide Appropriate and Consistent Incentives:** CMS should work with providers and payers to develop multi-payer arrangements to simplify administrative processes and align incentives for high performance.
- **Payment that Reinforces and Rewards High Performance:** Calculation of savings should be set to appropriately reward ACOs that achieve savings and high performance and made in a timely manner to encourage positive outcomes, with upfront support available to organizations that show promise of success but face certain circumstances that require such support.
- **Innovative Payment Methods and Organizational Models:** CMS should be prepared to apply different payment approaches as appropriate for different organizational models operating in different areas and circumstances, contingent on achieving performance benchmarks.
- **Balanced Physician Compensation Incentives:** ACO compensation of clinicians should include incentives to provide evidence-based care and ensure that

appropriate care is not withheld.

- **Timely Monitoring, Data Feedback, and Technical Support for Improvement:** CMS and other payers should provide baseline data to ACOs, track their performance, disseminate information on alternative payment and delivery models, and provide technical assistance to support and spread effective approaches, with a maximum of transparency and a minimum of administrative complexity.

An accompanying perspective piece from Commonwealth Fund researchers Mark A. Zezza and Stuart Guterman reviews the rules CMS recently released for ACOs and uses the Commission's framework to identify issues for CMS to consider in finalizing the rules. Zezza and Guterman recommend that CMS:

- Investigate ways to get shared savings as quickly as possible to ACOs that perform well on quality and cost.
- Work with ACOs to assure they have the most timely data available and facilitate access to the technical support ACOs may need to be successful.
- Focus on high standards for performance in setting criteria for ACOs' continued participation in [Medicare](#).
- Work aggressively toward aligning multiple payers to create consistent and effective incentives to increase quality and control costs and reduce administrative burdens.

"The rules set forth by CMS are a needed first step towards implementing ACOs in a way that will encourage accountable care, improve health care quality, and reduce [health care costs](#)," said Stuart Guterman, Commonwealth Fund Vice President for Payment and System Reform. "But, in order to achieve the level of success we need, the rules and the implementation process need to enable both CMS and health care providers to operate differently than has been the case in the past."

Provided by Commonwealth Fund

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