The ABCs of accountable care
By Dr. Paul Ramsey

Accountable Care Organizations: Questions and Answers

What is “accountable care” and what is an Accountable Care Organization (ACO)?

“Accountable care” refers to collaborations among healthcare providers and health payers in which financial incentives are established to manage the care of a specific patient population(s). The goals of “accountable care” are maximizing healthcare quality, maintaining population health, and creating efficiencies that reduce the growth of healthcare costs.

An ACO is a network of healthcare professionals, hospitals, clinics and other facilities that assumes responsibility for the healthcare of populations of patients. An ACO strives to ensure high-quality, efficient healthcare at the lowest possible cost for the populations it serves. ACOs that save money while achieving quality targets may receive a portion of the savings.

ACOs were initially created under the Affordable Care Act (ACA) in 2010 by the Centers for Medicare & Medicaid Services (CMS) as a strategy to control costs and maximize quality for Medicare patients. In many states, ACOs are being created that are separate from the federal incentive program to serve particular populations. Over the next few years, businesses and other organizations may develop and sponsor ACOs in the Puget Sound area.

Under ACOs, do new payment structures replace fee-for-service payment structures?

In most cases, ACOs do not eliminate fee-for-service payment structures. Rather, ACO payment structures create savings incentives by keeping patients healthy and costs down. One reimbursement approach included in the ACA to support quality and control costs involves bundling payments. Under a system of bundled payment, or episode-based payment, reimbursement for multiple providers is bundled into a single, comprehensive payment that covers all services; an example is assuming financial risk for providing hip replacement surgery.

While physicians will usually refer patients to hospitals and specialists in an ACO in which they participate, patients may choose health professionals outside the network, but may pay
What characterizes a successful ACO?

To ensure high-quality, safe and efficient healthcare at the lowest possible cost, certain organizational competencies and characteristics are highly desirable for ACOs, including:

1. A network of health professionals, hospitals, clinics and other healthcare facilities of sufficient size and geographic distribution to meet the needs of the population(s) being served.

2. An information technology platform that supports coordination of evidence-based healthcare and sophisticated clinical, operational and financial decision-making.

3. Standardization of care protocols based on evidence-based research.

4. Financial ability to enter into risk arrangements and the capability to manage financial risk proactively.

5. Governance arrangements to align hospital and physician interests, including development of new incentive plans.

6. Management systems to coordinate care across the continuum of healthcare settings, from preventive, primary and secondary care to advanced and specialized (tertiary and quaternary) care.

7. A "medical home" model that supports patients with chronic conditions on a routine and individualized basis to ensure high-quality, efficient and cost-effective care.

What defines a successful ACO?

For ACOs sponsored by businesses or other organizations, incentive plans are needed that promote alignment around health system-wide goals. Traditional incentive plans that reward increased service volume must be changed substantially to incorporate metrics that assess patient satisfaction, quality of care, and employee and physician satisfaction as well as appropriate financial goals. Incentive plans that support the ACO organization must reward behaviors that lead to achievement of the ACO’s stated goals.

What incentives are needed in an ACO?

Incentives are defined by the sponsor, relevant organization or employer and participating healthcare organizations. In the case of Medicare ACOs, CMS defines and regulates incentives. Medicare ACOs that meet spending benchmarks receive bonus payments based on the percent of Medicare Part A hospital savings and Part B physician savings in the community served by the ACO.
A successful ACO must have clearly defined goals and associated objectives that ensure achievement of the sponsoring organization's healthcare goals. The ACO's goals and objectives must be defined initially and communicated effectively and often as the ACO is developed and implemented. Efficient use of well-designed metrics is essential for success. Supporting high-quality healthcare is critical, and the successful ACO must measure quality in relationship to cost. In general, the successful ACO must be solidly based in the needs of the populations served.

We are fortunate to have a strong tradition of high-quality and cost-effective healthcare in the Pacific Northwest that forms the necessary foundation for ACOs. Based on our strong tradition, we should be among the nation's leaders in the development of successful ACOs over the next few years. This work will substantially change how healthcare is organized and delivered. As we make these changes, it is important to remember that the mission of health professionals and organizations should not change. Our mission is to improve the health of the public. Successful ACOs will support this mission by improving the quality of healthcare in the most cost-effective manner to maximize the health of those we serve.