AMERICAN NURSES ASSOCIATION

Accountable Care Organizations (ACOs) - 101

What is an ACO?

The Affordable Care Act (the health reform law of 2010) creates a new entity called an Accountable Care Organization (ACO). Under the law, an ACO refers to a group of providers and suppliers of services (e.g., hospitals, physicians, and others involved in patient care) that will work together to coordinate care for the patients they serve who are beneficiaries with Medicare.

The goal of an ACO is to deliver seamless, high quality care for Medicare beneficiaries, instead of the fragmented care that has so often been part of fee-for-service health care. The ACO is intended to be a patient-centered organization in which patients and providers are true partners in care decisions. The Affordable Care Act specifies that an ACO may include the following types of groups of providers and suppliers of Medicare-covered services:

- ACO professionals (defined as physicians, nurse practitioners, clinical nurse specialists and physician assistants) in group practice arrangements,
- Networks of individual practices of ACO professionals,
- Partnerships or joint venture arrangements between hospitals and ACO professionals
- Hospitals employing ACO professionals
- All other Medicare providers and suppliers, as determined by the Secretary

Shared Savings for Quality Care

Under the law, an ACO operates under a Shared Savings Program in which it can share, with Medicare, cost savings that result from better coordinated, and less fragmented or duplicative care. To make sure that quality of patient care is improved, however, an ACO will be able to share in those savings only when quality standards are met in five key areas:

- Patient/caregiver experience of care
- Care coordination
- Patient safety
- Preventive health
- At-risk population/frail elderly health.

How Can Providers Participate?

To participate in the Shared Savings Program, providers must form or join an Accountable Care Organization (ACO) and apply to the Centers for Medicare and Medicaid Services (CMS). An existing ACO will *not* be automatically accepted into the Shared Savings

Program. To be eligible, the ACO must serve at least 5,000 Medicare patients and agree to participate in the program for three years.

How Will Shared Savings Work?

Under the proposed regulation, Medicare will continue to pay individual providers and suppliers for specific items and services on a fee-for-service basis under the Original Medicare payment systems. CMS will develop a "benchmark" for each ACO against which ACO performance is measured to assess whether it qualifies to receive shared savings or whether it should be held accountable for expenditures exceeding the benchmark. The benchmark allows for comparison with what the total Medicare fee-for-service Parts A and B expenditures for ACO beneficiaries would otherwise have been in the absence of the ACO This comparison is how "savings" are determined. Savings are then distributed within the ACO based on whatever contractual arrangements the ACO participants have agreed to among themselves.

There is risk inherent in the proposed ACO structure; ACOs can suffer losses, as well. CMS is proposing to implement two different risk models from which an ACO can choose.

- One allows an ACO to share in any savings during years one and two of the three year agreement; only in the third year is the ACO held accountable for both savings and losses.
- The second risk model requires the ACO to share both savings and losses for all three years, but the incentive is that it can keep a larger percentage of the savings for itself.

The first risk model may provide smaller organizations or those with less well-developed infrastructure a chance to gain experience with population management before transitioning to a full risk-based model. The latter model provides more experienced organizations, those better equipped to handle risk-sharing at the outset, a chance to reap a greater share of savings; however, these ACOs run a parallel risk of repaying Medicare a portion of any losses for the entire three years.

For more general background information on ACOs, please refer to CMS publications found at the following links:

WHAT PROVIDERS NEED TO KNOW: ACCOUNTABLE CARE ORGANIZATIONS FACT SHEET- April 2011

MEDICARE SHARED SAVINGS PROGRAM: A NEW PROPOSAL TO FOSTER BETTER, PATIENT-CENTERED CARE FACT SHEET - March 31, 2011

IMPROVING QUALITY OF CARE FOR MEDICARE PATIENTS: ACCOUNTABLE CARE ORGANIZATIONS FACT SHEET- March 31, 2011

SUMMARY OF PROPOSED RULE PROVISIONS FOR ACCOUNTABLE CARE ORGANIZATIONS UNDER THE MEDICARE SHARED SAVINGS PROGRAM FACT SHEET - April 2011