Accountable Care Organization FAQ's

Q: What is an "accountable care organization"?

A: An Accountable Care Organization (or ACO)is an organization of health care providers that agrees to be accountable for the quality, cost and overall care of Medicare beneficiaries who are enrolled in the traditional fee-for-service program.

Q: What organizations may become an ACO?

A: The following organization can qualify to become an ACO:
1) Physicians and other professionals in group practices
2) Physicians and other professionals in networks of practices
3) Partnerships or joint venture arrangements between hospitals and physicians/professionals
4) Hospitals employing physicians/professionals

Q: What are the types of requirements that such an organization will have to meet to participate?

A: The statute specifies the following:

1) Have a formal legal structure to receive and distribute shared savings
2) Have a sufficient number of primary care professionals for the number of assigned beneficiaries (to be 5,000 at a minimum)
3) Agree to participate in the program for not less than a 3-year period
4) Have sufficient information regarding participating ACO health care professionals as the Secretary determines necessary to support beneficiary assignment and for the determination of payments for shared savings.
5) Have a leadership and management structure that includes clinical and administrative systems
6) Have defined processes to (a) promote evidenced-based medicine, (b) report the necessary data to evaluate quality and cost measures (this could incorporate requirements of other programs, such as the Physician Quality Reporting Initiative (PQRI), Electronic Prescribing (eRx), and Electronic Health Records (EHR), and (c) coordinate care
7) Demonstrate it meets patient-centeredness criteria, as determined by the Secretary.

Additional details will be included in a Notice of Proposed Rulemaking that CMS expects to publish this fall.

Q: How would such an organization qualify for shared savings?

A: For each 12-month period, participating ACOs that meet specified quality performance standards will be eligible to receive a share (a percentage, and any limits to be determined by the Secretary) of any savings if the actual per capita expenditures of their assigned Medicare beneficiaries are a sufficient percentage below their specified benchmark amount. The benchmark for each ACO will be based on the most recent available three years of per-beneficiary expenditures for Parts A and B services for Medicare fee-for-service beneficiaries assigned to the ACO. The benchmark for each ACO will be adjusted for beneficiary characteristics and other factors determined appropriate by the Secretary, and updated by the projected absolute amount of growth in national per capita expenditures for Part A and B.

Q: What are the quality performance standards?

A: While the specifics will be determined by the HHS Secretary and will be promulgated with the program's regulations, they will include measures in such categories as clinical processes and outcomes of care, patient experience, and utilization (amounts and rates) of services.

Q: Will beneficiaries that receive services from a health care professional or provider that is a part of an ACO be required to receive all his/her services from the ACO?

A: No. Medicare beneficiaries will continue to be able to choose their health care professionals and other providers.

Q: How will an ACO affect physician payment?

A: One key element of an ACO is the establishment of a payment methodology that will assist in driving behavior that improves quality, efficiency, effectiveness, and timeliness of care. In that model, Medicare could pay ACOs with a "gain sharing" type mechanism.

In the gain sharing framework, the fee-for-service (FFS) payment structure remains, but a portion of patient cost savings is passed through to the physician. For example, ACOs would participate in a "shared savings program" ("SSP"). Under SSP, the ACO and payer would establish a benchmark for the total expected annual spending for ACO enrollees. Participating physicians would be paid FFS, but if the ACO reduced costs while meeting established performance measures, the physicians, providers and payer would be rewarded with the savings. In other words, a bonus would be paid if the financial targets were met.

Q: Will participating ACOs be subject to payment penalties if their savings targets are not achieved?

A: No. An ACO will share in savings if program criteria are met but will not incur a payment penalty if savings targets are not achieved.

Q: Where can I find more information on ACO's?

A: For more information on ACO's, you can click here to go to CMS's report on Implementing Medicare Cost Savings. American Medical Association members can also read an article on how practices can profit from ACO's by clicking here. The National Institutes of Health have also provided an article on ACO's that you can access by clicking here.

Sources: http://cms.hhs.gov
http://www.ihstrategies.com