



KEY PROVIDER ISSUES IN HEALTH CARE REFORM

September 2010 **ACCOUNTABLE CARE ORGANIZATIONS**

Health care reform established a Medicare shared savings program that seeks to reduce costs and increase quality of care by allowing “accountable care organizations (ACOs)” to enter into a three year contract under Medicare to provide coordinated care to fee-for-service beneficiaries. The law outlines general eligibility, shared savings, and quality performance requirements within the timeframe of “no later than 2012.” Regulations are expected to be released within the next six months to further detail and clarify the scope of this program.

Eligibility

ACO participation in the program requires a management and legal structure that includes clinical and administrative services to receive and distribute shared savings. ACOs must have at least 5,000 beneficiaries assigned and demonstrate sufficient patient-centeredness, as determined by the Secretary. Beneficiaries will be retrospectively assigned to ACOs. The following entities are eligible to participate.

- Physician and practitioners in group practice arrangements;
- Networks of individual practices of physicians and practitioners;
- Partnerships between hospitals, physicians, and practitioners;
- Hospitals employing physicians and practitioners;
- Other entities deemed eligible by the Secretary.

Entities that participate in other shared savings programs, demonstration programs or the independence at home medical practice pilot program are excluded from participating in the Medicare ACO program.

Shared Savings

ACOs that meet quality performance standards and achieve at least two percent savings will be eligible to share some of those additional savings. Savings will be estimated by comparing the risk-adjusted, per-capita fee-for-service spending on Medicare Part A and B services for the beneficiaries assigned to an ACO to a benchmark spending level. The benchmark will be based on a three-year rolling average of fee-for-service Medicare Part A and B spending.

Quality Performance Standards

Eligibility for shared savings payments will be based on an ACO's ability to meet or exceed quality performance standards. These standards will address clinical process and outcomes, patient experience, and utilization of services.

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