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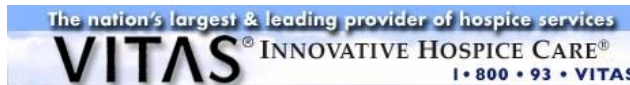
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The ACO Evolution

By Jeffrey B. Kramer, CPA



For those working in healthcare long enough, it has become obvious that the industry moves from one fad to the next. There was the full risk capitation fad, there were MSO's (medical service organization), IPA's (independent practice associations), PHO's (physician hospital organizations) and medical practices rolled up into publicly traded companies. The latest trend in healthcare is the evolution of the ACO or Accountable Care Organization.

The ACO term was invented in late 2006 during a discussion at a public meeting of the Medicare Payment Advisory Commission (Medpac). By 2009, the term had become somewhat fashionable and was mentioned in drafts of health care reform bills. The ACO movement then vaulted to prominence when ACO provisions were included in the Patient Protection and Affordable Care Act signed into law during March 2010. The ACO provisions appear in section 3022 under the title "Shared Savings Program". The Shared Savings Program authorizes the Centers for Medicare and Medicaid Services (CMS) to create an ACO program by no later than January 1, 2012.

When talk first emerged about Accountable Care Organizations, the discussion focused more on the medical home concept and less on finance. Under the medical home concept, patients would receive coordinated comprehensive medical care. Medical care would be a partnership between individual patients, their personal providers, and when appropriate, the patient's family. The medical home would allow patients to have better access to health care, increase their satisfaction with care and improve health.

All seemed good when the talk focused on enhanced patient care and the medical home concept.

The ACO concept seemed to arouse enthusiasm as many in the industry were curious about this new idea since it promised to provide more coordinated care to patients. As the concept evolves and regulations emerge, reality is setting in. The proposed regulations published by CMS are voluminous and extremely detailed (127 pages as published in the Federal Register).

Among the provisions, section 3022 of the Affordable Care Act requires CMS to establish the Medicare Shared Savings Program (Shared Savings Program), intended to encourage the development of Accountable Care Organizations (ACOs) in Medicare. The Medicare Shared Saving Program is meant to be a program "that promotes accountability for a patient population and coordinates items and services under Medicare parts A and B, and encourages investment in infrastructure and redesigned care processes for high quality and efficient service delivery." ACO's are geared towards providing (1) better care for individuals; (2) better health for populations; and (3) lower growth in expenditures. The three part aim of the ACO is to promote accountability for a patient population, coordinate items and services under Medicare Parts A and B, and encourage investment in infrastructure and redesigned care processes for high quality and efficient service delivery. Section 1899(a)(1) of the Act requires the Secretary to establish this program no later than January 1, 2012. Section 1899 (a)(1)(A) of the Act further provides that, "groups of providers of services and suppliers meeting criteria specified by the Secretary may work together to manage and coordinate care for Medicare fee-for-service beneficiaries through an ACO". Section 1899(a)(1)(B) of the Act also provides that ACOs that meet quality performance standards established by the Secretary are eligible to receive payments for "shared savings".

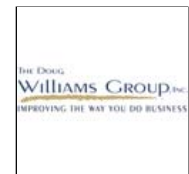
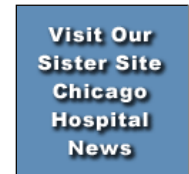
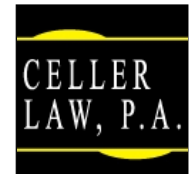
In essence the ACO program has high aspirations, but as with most "innovations" in healthcare, the delivery model boils down to the implementation of complicated financial calculations where "shared savings" resulting from "better coordination of care" will be allocated among the ACO participants. As described in the Federal Register "an ACO will manage resources carefully and respectfully, and will ensure continual waste reduction."

As of now, the comment period of the proposed rules came to a close on June 6, 2011. CMS will now evaluate the comments received to create the ACO program by the January 1, 2012 due date. Stay tuned as the ACO continues to evolve.

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