

## Accountable Care Organizations (ACOs)

### **Summary:**

The Patient Protection and Affordable Care Act (ACA) authorizes the use of Accountable Care Organizations (ACOs) to improve the safety and quality of care and reduce health care costs in Medicare. The ACO program – a voluntary program – began on January 1, 2012. This is not a demonstration project or pilot, it creates a new entity, an ACO that can directly contract with Medicare.

An ACO, as defined by the Centers for Medicare and Medicaid Services (CMS), 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 under original Medicare (that is, those who are not in a Medicare Advantage private plan). The goal of an ACO is to deliver seamless, high quality care for Medicare beneficiaries, while improving quality and lowering costs. The ACO would be a patient-centered organization where the patient and providers are true partners in care decisions. Patient and provider participation in an ACO is purely voluntary.

The Medicare Shared Savings Program will reward ACOs that lower growth in Medicare health care costs while meeting performance standards on quality of care and putting patients first by allowing the ACO to share in accrued savings.

To share in savings, ACOs must meet quality standards in five key areas:

- Patient/caregiver care experiences
- Care coordination
- Patient safety
- Preventive health
- At-risk population/frail elderly health

On October 20, 2011, CMS released the Final Rule defining an Accountable Care Organization (ACO) and specifying details of the Medicare ACO Shared Savings Program as mandated by the ACA.

The CMS Innovation Center released, at the same time as the final rule on ACO Shared Savings Program, a demonstration initiative for selected participants of the Shared Savings Programs to receive advanced payments that will be recouped from the shared savings earned. The program is designed to improve access to capital specifically to smaller ACO entities that are physician-owned and/or in rural locations.

Selected participants will receive:

- An upfront, fixed payment of \$250,000 in the first month of the Shared Savings Program.
- An upfront, variable payment in the first month of the Shared Savings Program of \$36 for each preliminary, prospectively assigned beneficiary.
- A monthly payment of \$8 for each preliminary, prospectively assigned beneficiary.

CMS will not pursue recoupment of any advanced payments not repaid from shared earnings, if the ACO completes the full three-year contract term and decides not to accept a second three-year contract.

Starting in 2012, new ACO Shared Savings applications will be accepted annually. The application period for organizations that wish to participate in the Shared Savings Program beginning January 2013 is from August 1 through September 6, 2012 (although interested organizations must have submitted their “Notice of Intent” to apply by June 29, 2012). Visit the [Shared Savings Program website](#) for more information on the Shared Savings Program application.

ACOs that are interested in applying for the [Advance Payment ACO Model](#) must first apply to the Shared Savings Program. Then applications for the Advance Payment ACO Model should be submitted between August 1 and September 19, 2012. Detailed instructions for how to apply to the Advance Payment ACO Model program can be found at: <http://www.innovations.cms.gov/initiatives/ACO/Advance-Payment/Application-Info.html>.

*Although the ACO provisions under the ACA are intended for Medicare, state Medicaid programs can enter into an ACO-type contract with a commercial insurer. Several states, Colorado, Maryland, Massachusetts, Minnesota, New Jersey, Oregon, Vermont and Washington State are pilot testing or encouraging the establishment of ACO's.*

**ACTION:** Chapters should make an effort to become aware of whether your state Medicaid plan has entered into an ACO-type contract or is contemplating entering into such a contract. Chapters should also make an effort to become aware of collaborations being formed within their state among physicians and other healthcare professionals to form ACOs.

**Resources:**

- [ACPOne ACO webpage](#)
- [SHPN webinar presentation on ACOs](#)
- [November 21 ACO update sent to the CLN](#)