Growth and Dispersion of Accountable Care Organizations: August 2013 Update

Matthew Petersen

David Muhlestein

Paul Gardner

LEAVITT PARTNERS

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The growth and proliferation of accountable care initiatives has continued unabated over the last twelve months. The broad adoption of accountable care paired with the emergence of preliminary results has provided some clarity to the overall accountable care movement. Analysis of the current accountable care landscape highlights three significant findings: 1) The number of accountable care entities is increasing. Leavitt Partners is currently tracking 488 accountable care entities through the end of July 2013, more than double the number from June 2012. 2) Medicare ACOs are growing faster than non-Medicare ACOs. Medicare ACOs now comprise more than half of all accountable care contracts nationwide. 3) There are many different models of accountable care. No single model has emerged as most successful and as accountable care expands, we continue to see variety in organization and execution.

> Medicare ACOs now comprise more than half of all accountable care contracts nationwide.

METHODS & DATA

Leavitt Partners has been actively identifying and evaluating the growth of ACOs and ACO-like organizations since 2010[1]. Accountable care continues to be an important component of healthcare reform and the past year has seen considerable growth. The numbers included in this report are accurate according to our research through the end of July 2013. Data on entities practicing accountable care has been obtained from press reports, news articles, government announcements, news releases, conferences, personal and industry interviews, and other public records.

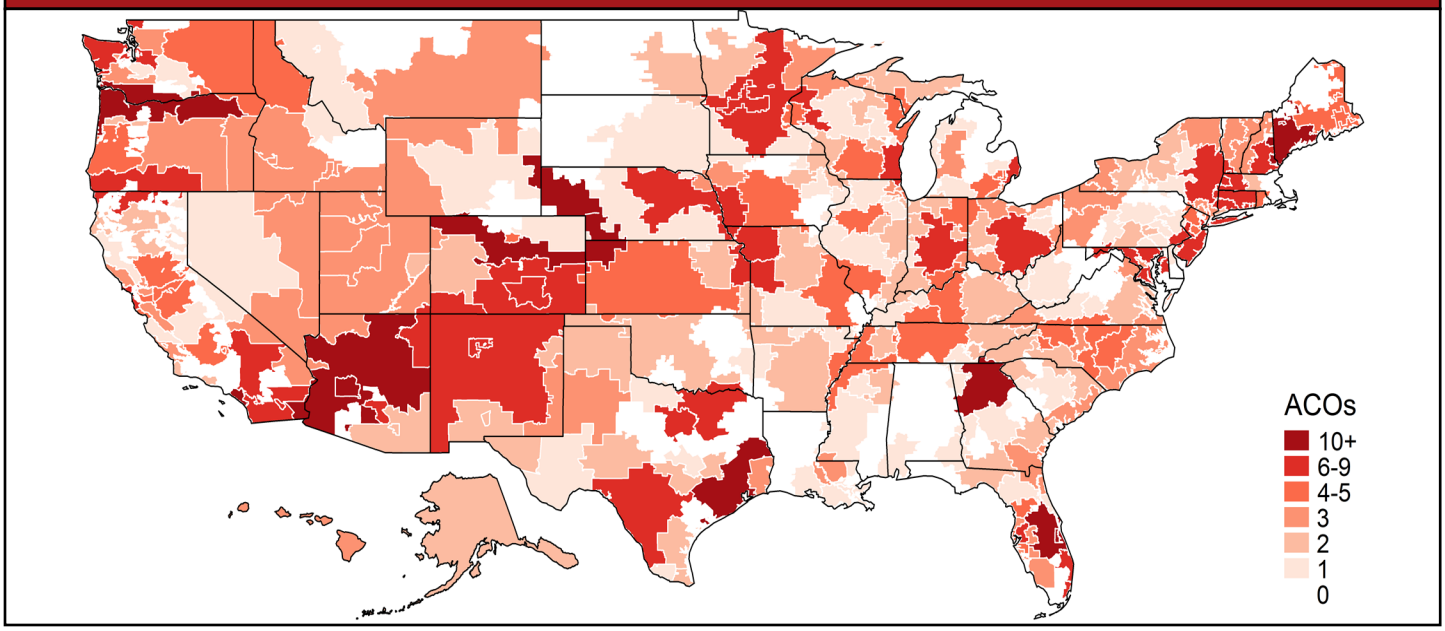
In the process of maintaining up to date data on accountable care entities we have both eliminated and added entities on our list. Entities have been removed for one of two reasons: either they were unable to successfully adopt an accountable care model or separately identified entries have coalesced and now represent a single ACO. Entities are added at first evidence that the entity has established or is preparing to establish an accountable care contract.[2]

RESULTS

Dispersion of ACOs

With a total of 488 healthcare entities practicing accountable care nationwide, it's no surprise that patient populations in all 50 states, the District of Columbia and Puerto Rico are now covered by an ACO. By correlating provider location with Hospital Referral Regions as defined by the Dartmouth-Hitchcock Institute[3], we have created a map showing accountable care activity across the nation. Figure 1, *ACOs by Hospital Referral Region*, illustrates that accountable care activity generally correlates with population density. ACO hot spots are found in the country's most populous states: Texas, Florida, California and across the Northeast. Adjusting for population, Southern Maine has the largest number of ACOs per capita. While activity in the South, Great Plains and Midwest regions remain low, growth has been consistent in these areas as well.

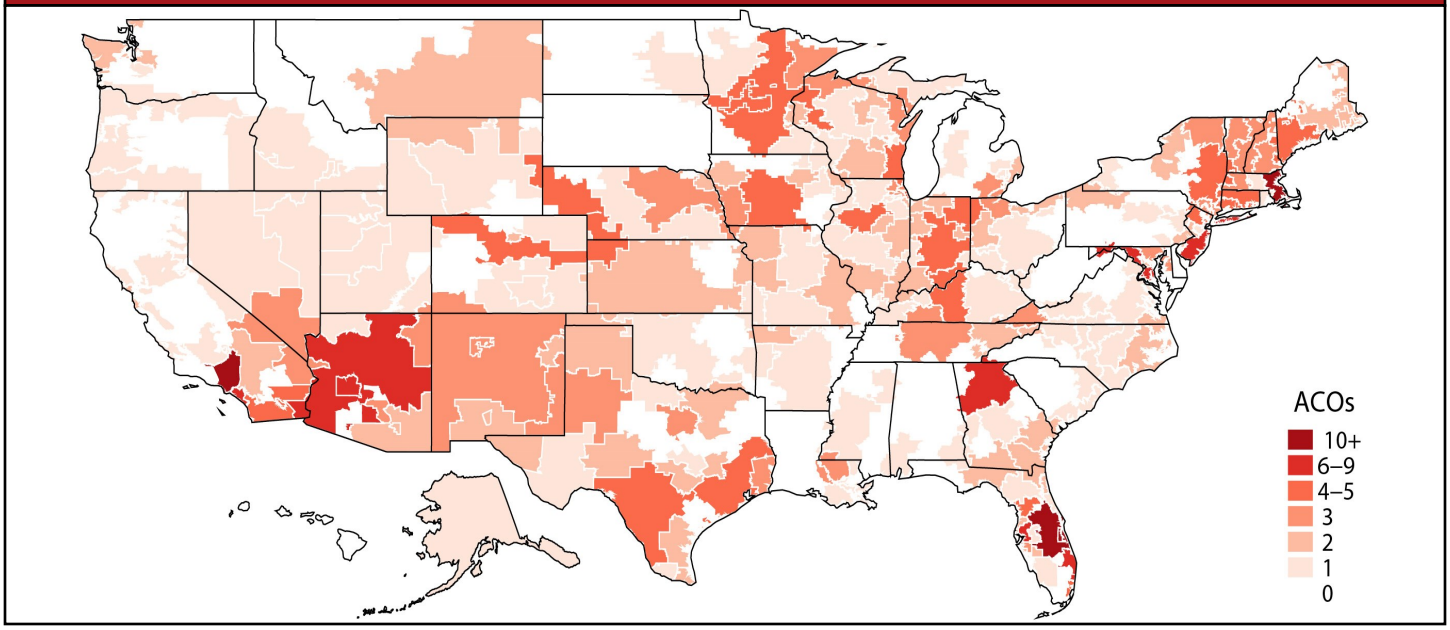
Figure 1. ACOs by Hospital Referral Region



Dispersion of Medicare ACOs

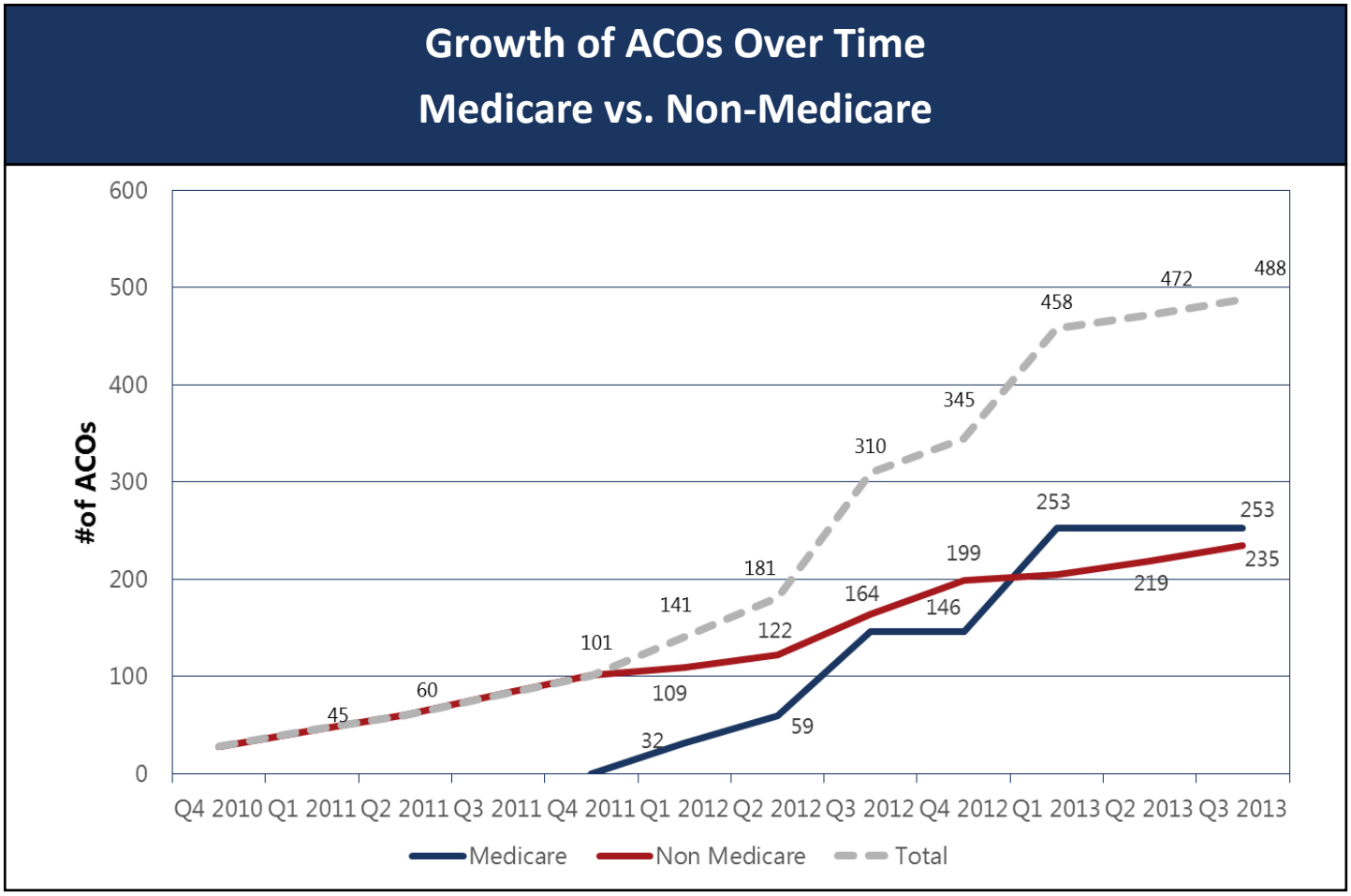
More than half of the entities are engaged in an accountable care contract with CMS through the Medicare Shared Savings Program or the Pioneer ACO Model. Figure 2, *Medicare ACOs by Hospital Referral Region*, shows the dispersion of Medicare ACOs. These ACOs are more concentrated than non-Medicare ACOs and their concentrations lie in a few key areas such as Florida, Boston and Southern California following the pattern of general accountable care growth. Some HRRs such as Boston and Orlando have as many as fifteen Medicare ACOs.

Figure 2. Medicare ACOs by Hospital Referral Region



Growth of Medicare & Non-Medicare ACOs

Currently there are 253 accountable care organizations contracting with CMS to provide care to Medicare beneficiaries across the country. These organizations account for 52% of all ACOs. Figure 3, *Growth of ACOs Medicare vs. Non-Medicare*, shows the growth of Medicare and non-Medicare ACOs over time. Since the inception of the accountable care concept, non-Medicare ACOs (including those with commercial contracts) have been dominant. The number of non-Medicare accountable care arrangements has grown steadily as larger hospital system-sponsored ACOs have formed. Medicare ACOs have lagged behind slightly, and growth has been seen in surges. These surges correlate with the release of Medicare Shared Savings Program cohorts that are approved en masse rather than on a rolling basis. With the last cohort, Medicare ACOs have surpassed non-Medicare ACOs. Although current growth is flat, CMS is already considering applications for the next cohort of Medicare ACOs which will commence on January 1, 2014[4]. As of the time of this publication Leavitt Partners is also aware of many commercial ACO contracts in development. This may shortly make non-Medicare ACOs a majority once again. Currently, 55 ACOs have both Medicare and non-Medicare arrangements.



VARIED MODELS OF ACCOUNTABLE CARE

Different accountable care entities have different priorities, strategies and incentives. These differences are both reflected in and driven by their composition. The following is a brief review of four different types of accountable care entities: 1) those formed by smaller physician groups; 2) those formed by large hospitals; 3) those which integrate hospitals and physician groups; and 4) those formed by states for Medicaid populations. While there are many different ways to classify accountable care entities, these four are relatively broad and easy to identify. In each case we provide a high-level analysis of the model followed by an example of an entity fitting that model.

1. Small physician group ACO – Primary Partners LLC

Small physician group-led accountable care entities have fewer physicians and are responsible for fewer lives than larger hospital-based systems. This may be more conducive to personal patient engagement and coordination of care. Due to their size, physicians generally serve as administrators in these groups allowing for an integration of clinical and administrative needs. While ACO-specific technology would be beneficial, smaller groups often lack the resources and incentive to make such a large investment.

Primary Partners is an accountable care organization composed of 55 physicians in central Florida.[5] This group contracts with CMS in a shared savings arrangement to serve 7,500 lives. This group is the sole provider entity in this accountable care arrangement. Currently Primary Partners is using AMC Telehealth to monitor and track patient data. This is not a comprehensive technology nor is it ACO specific, but it does promote patient engagement and better reporting.

2. Hospital-led ACO – Abington Health

Hospitals engaged in accountable care contracts generally offer more complex and comprehensive services than smaller ACOs. They cover many lives and have an increased need for health information technology like EMRs and reporting tools. Fortunately, the resources of these larger entities allow for purchase of such solutions. These ACO contracts tend to follow the general practice and governance of the parent health system while incorporating accountable care guidelines.

Abington Health operates two hospitals and several outpatient facilities in Eastern Pennsylvania.[6] The system practices accountable care through a contract with Independence Blue Cross and covers 30,000 lives. Technology is an integral part of this large ACO. Through a partnership with Lumeris, Abington Health utilizes ACO-specific solutions for operations and care delivery and receives custom consulting services.

3. Hospital-Physician group ACO – OSF Healthcare System

Some accountable care organizations combine one or more hospital systems with physician groups. Like hospital-led ACOs, these entities can be large, including hundreds of physicians and covering tens of thousands of patients. They rely heavily on health information technology like EHR to integrate care at multiple locations including hospitals and physician offices. The governance of these accountable care organizations generally includes representation from each provider entity.

OSF Healthcare System in Peoria, IL is an integrated delivery network in which OSF Healthcare provides care through its eight hospitals as well as the OSF Medical Group.[7] This ACO is participating in the pioneer program and includes 700+ physicians. OSF Healthcare System uses Epic EHR for clinical records and SAP for business processes. This allows for clinical and financial integration among several locations and practitioners.

4. Medicaid ACO – Colorado Community Health Alliance

More and more, states are looking to accountable care models to manage their Medicaid, CHIP and other state-managed health care populations. States like Colorado, Oregon and Utah are already engaged in active Medicaid ACO programs, and many others are engaged in demonstrations, pilots or have passed ACO legislation. Although the goals of Medicaid ACOs are similar to Medicare and many commercial ACOs, the Medicaid ACOs more often resemble managed care at the onset. It remains to be seen how these Medicaid ACOs will fare.

Unlike accountable care entities formed by specific hospitals or physician groups, Medicaid-specific ACOs like those formed in the state of Colorado (known as Regional Care Collaborative Organizations or RCCOs) are often made up of multiple providers as well as community resources. Colorado Community Health Alliance includes 260 physicians from Centura Health System, Physicians Health Partners and Primary Physician Partners and serves beneficiaries in Boulder, Colorado and surrounding counties.[8] At present, providers in the Colorado Community Health Alliance will continue to be reimbursed through a traditional fee-for-service system with an added Per Member Per Month payment for care coordination. As the program continues and enrollment goes up, RCOOs will be eligible for shared savings.

CONTINUING STUDY

The accountable care landscape is dynamic and understanding the future of accountable care requires an understanding of ACO activity. The current trajectory shows that providers and payers are recognizing the need to shift toward accountable care arrangements, or at the very least to shift away from fee-for-service care. Now that ACOs have been active for 1—3 years, we are beginning to see results. While we continue to track the growth and expansion of ACOs, we are also engaged in learning what ACOs are doing and how successful they are at meeting the goals of accountable care.

REFERENCES

1. Muhlestein, D., Croshaw, A., Merrill, T. & Peña, C. *Growth and Dispersion of Accountable Care Organizations: June 2012 Update*. (Leavitt Partners, 2012). at <http://leavittpartners.com/wp-content/uploads/2012/06/Growth-and-Dispersion-of-ACOs-June-2012-Update1.pdf>
2. Muhlestein, D. B., Croshaw, A., Merrill, T., Peña, C. & James, B. *The Accountable Care Paradigm: More than Just Managed Care 2.0*. (Leavitt Partners, 2013). at <http://leavittpartners.com/wp-content/plugins/email-before-download/download.php?dl=25d1d38c347acea298326d7c8e7dc3bd>
3. Dartmouth Institute for Health Policy and Clinical Practice. Dartmouth Atlas of Health Care. at <http://www.dartmouthatlas.org/>
4. Shared Savings Program Application. (2013). at <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/sharedsavingsprogram/Application.html>
5. Primary Partners to Participate as a Medicare Shared Savings Program Accountable Care Organization. *PRWeb* at <http://www.prweb.com/releases/2012/4/prweb9389811.htm>
6. Abington Memorial Hospital. at <http://www.amh.org/>
7. OSF HealthCare. at <http://www.osfhealthcare.org/>
8. Colorado Community Health Alliance. at <http://cchacares.com/>