

NEW RULES COULD JUMP-START SHARED SAVINGS PROGRAM FOR HEALTHCARE DELIVERY

**by
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One significant piece of healthcare reform that is not well understood but has the potential to make a huge impact on the way healthcare is delivered in West Virginia is the creation of Accountable Care Organizations, or ACOs. An ACO is basically a network of doctors and hospitals that share responsibility for providing care to patients. The network is offered financial incentives for providing good quality care to Medicare patients while keeping costs down.

Healthcare providers in West Virginia have some big decisions to make when it comes to forming ACOs. The American Hospital Association released a study saying the financial investment needed to create an ACO would be six to fourteen times higher than federal officials envisioned. Nearly 90 percent of the American Medical Group Association, an organization of nearly four hundred physician groups and health systems, said they were not interested since the rules are overly burdensome compared to the financial incentives and the risk involved. On the other hand, those that are already involved in integrated delivery systems or are ahead of the curve in developing ACOs, such as the Mayo Health System, remain committed to developing an ACO and the ACO program.

The stakes are clearly high. To overcome some of this reticence and jump start the program, the Centers for Medicare and Medicaid Services (“CMS”) is rolling out three new initiatives designed to encourage participation and early entrance into the ACO Shared Savings Program. They were announced this week with the ink barely dry on the original ACO proposal.

The new initiatives are: (1) a Pioneer ACO Model; (2) an Advanced Payment Model; and (3) State demonstration projects to integrate care for dual eligible individuals.

The Pioneer ACO model enables integrated delivery systems that are experienced in coordination of care across multiple care settings to more quickly and more profitably enter the shared savings arena. ACOs that have achieved a specified level of savings over the first two years of the three year program are eligible to move a substantial portion of their payments to a population-based model. This model offers generally higher levels of both savings and risk for Pioneer ACOs.

The second new initiative – and the one most likely to encourage participation in West Virginia -- is an advanced payment initiative for potential ACOs that are discouraged by the initial capital investment required. Given the state of the economy and the reluctance of many provider groups to invest significant capital into the shared savings program, CMS has proposed advanced payment of a portion of future shared savings, to be used for building care coordination capabilities. Advance payments would be recouped through the ACO’s earned shared savings in future years under the three-year agreement between the ACO and CMS.

The third initiative will develop pilot programs in fifteen States to address special issues with beneficiaries eligible for both Medicare and Medicaid. While West Virginia has not been selected for the pilot program, it has a significant population of dual eligible beneficiaries, and should carefully follow this initiative.

CMS also announced an accelerated development learning program for executive leadership teams from existing or emerging ACO entities, to minimize the hurdles facing new entrants. This program is to facilitate learning about essential ACO functions and different

models to encourage innovation and to build sufficient ACO capacity needed to achieve better care, better health, and lower costs.

Many providers have applauded CMS for addressing some of their concerns and providing additional options and incentives to develop ACOs. Political observers have speculated that the intent of the new initiatives is to expedite the launch of a few ACOs in the hopes that early entrants will serve as models to encourage others. Given the significant risks involved in developing a successful ACO, many potential participants are still sitting on the sidelines to see which particular programs are successful in meeting the many challenges.

These rule changes are recognition of the significant hurdles in successfully developing new ACOs, but also underscore the importance of the ACO program as a keystone in implementing health care reform. Some commentators believe it's a clear indication that the federal government firmly intends to go forward with ACOs on an accelerated basis to generate needed momentum, both from a political and a program standpoint.

In West Virginia, providers need to understand the risks and rewards of ACOs, and the potential benefits of the new advanced payment initiative, before jumping in to this brave new world. Those that figure it out first could find themselves with a significant competitive advantage.

A summary of the new ACO rules can be found at: <http://www.frostbrowntodd.com/resources-1311.html>.

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