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In The Literature

Highlights from Commonwealth Fund-Supported Studies in Professional Journals

ACOs Holding Commercial Contracts Are Larger and More Efficient Than Noncommercial ACOs

Synopsis

Online survey data show that accountable care organizations (ACOs) with commercial contracts outperform ACOs with public-payer contracts on selected measures of quality and process efficiency. These differences in performance are linked to variation in organizational structure, provider compensation, quality improvement activities, and management systems. The public sector can and should play a lead role in supporting and guiding the future growth of ACOs to ensure that desired quality and efficiency gains are realized.

October 4, 2016

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Journal *Health Affairs*, Oct. 2016

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The Issue

The past four years have seen rapid growth in the number of ACOs, as various groups rush to promote or adapt to this new, risk-based payment model. Today, more than 800 ACOs cover an estimated 28 million Americans, a figure that some expect to quadruple over the next five years. While larger, more mature commercial ACOs tend to score higher on quality measures and have more processes in place to improve efficiency than their noncommercial counterparts do, few ACOs of any variety report having rigorous quality monitoring processes or substantial financial incentives tied to quality. To ensure the rapid embrace of this promising model leads to desired improvements in health care quality and efficiency, ACO leaders and policymakers will need to focus on critical success factors such as organizational structure, health IT, physician engagement and incentives, and quality improvement.

Key Findings

- *Structural characteristics and outcomes:* Commercial ACOs are much more likely than noncommercial ACOs to include one or more hospitals (41% vs 19%) and to be jointly led by physicians and hospitals (60% vs 47%). Commercial ACOs also had lower expenses per Medicare enrollee ($10,000 vs. $12,000) and slightly higher overall quality-of-care scores.

> "The substantially lower benchmark spending and higher efficiency index of commercial ACOs suggests that they may be considerably 'leaner' organizations…compared to ACOs without commercial contracts."

- *Provider compensation:* Commercial ACOs tended to be more active in tying physician compensation to quality incentives, although overall only half of ACOs reported even monitoring financial performance at the physician level. Commercial ACOs were also more likely to tie specialists' compensation to quality metrics.

- *Quality activities:* So far, ACO uptake of quality improvement activities has been modest. For instance, even among commercial ACOs only about 60 percent provide clinical-level performance feedback or use patient satisfaction data for quality improvement. Only around 30 percent reported well-established chronic care programs.
- *Information management systems:* Despite being critical to effective health care delivery system reform, ACOs face major health IT challenges. Just over 30 percent of commercial ACOs use a single electronic health record (EHR) system; among noncommercial ACOs, not even 20 percent use a single EHR system. Few ACOs reported being able to effectively integrate patient information between providers.

The Big Picture

Both noncommercial and commercial ACOs need to make major investments in critical infrastructure if they are to support delivery system reform, the study's authors say. In particular, this would entail coordinating quality improvement activities and related financial incentives for physicians. At the same time, the researchers note that the immature state of most ACOs' information technology platforms may substantially complicate such efforts.

About the Study

Using three years of data from the online National Survey of Accountable Care Organizations, researchers with Commonwealth Fund support compared commercial and noncommercial (Medicare or Medicaid) ACOs in a broad range of areas including organizational structure, outcomes, provider compensation, and efficiency. The authors also looked at publicly available quality scores to compare the two cohorts on various quality measures, including patient experience, care coordination, preventive care and at-risk measures. Data used in the analyses were from 2012 to 2015.

The Bottom Line

ACOs are early in their evolution and many organizations currently lack essential building blocks to bring about desired improvements in quality and efficiency. Care should be taken to ensure that public policies support organizations in overcoming these barriers.

D. Peiris, M. C. Phipps-Taylor, C. A. Stachowski et al., "ACOs Holding Commercial Contracts Are Larger and More Efficient Than Noncommercial ACOs," *Health Affairs*, Oct. 2016 35(10):1849–56.

This summary was prepared by Brian Schilling.