



Association Between Medicare Accountable Care Organization Implementation and Spending Among Clinically Vulnerable Beneficiaries

Synopsis

Enrollment in Medicare accountable care organizations (ACOs) is associated with reductions in health spending as well as fewer emergency department visits and hospitalizations. This is particularly true for beneficiaries with multiple medical conditions. Following implementation of Medicare ACOs, total spending overall decreased by \$136, or 1.3 percent, annually per beneficiary, and by \$456, or 2 percent, for those beneficiaries with multiple conditions.

The Issue

Accountable care organizations have the potential to deliver better-coordinated care and lower overall health costs. Today there are more than 700 ACO contracts in place, covering 23 million Americans. A Commonwealth Fund-supported study looked at the effect of ACOs on health care spending and use on a subgroup of Medicare beneficiaries who were “clinically vulnerable”—they had at least three chronic or acute conditions, such as diabetes, heart disease, and cancer.

Key Findings

- Before implementation of the ACOs, average annual spending for the clinically vulnerable subgroup of beneficiaries was 114 percent greater than spending for the overall group of beneficiaries (\$22,235 vs. \$10,378 per beneficiary).
- After ACO implementation, total spending decreased by \$136, or 1.3 percent, annually per beneficiary and by \$456, or 2 percent, in the clinically vulnerable subgroup.
- Acute-care spending decreased overall by \$46, or 1.4 percent, annually per beneficiary and decreased by \$192, or 2.3 percent, for the clinically vulnerable cohort.
- Skilled-nursing-facility spending decreased by \$40, or 5 percent, overall and by \$120, or 5 percent, for the clinically vulnerable subgroup.
- In the overall Medicare group, hospitalizations and emergency department visits decreased, respectively, by 5.1 events and 12.2 events annually per 1,000 beneficiaries. In the clinically vulnerable subgroup, they decreased by 11.6 and 16.5 events annually per 1,000 beneficiaries.

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Medicare ACO programs are associated with modest savings on average across all beneficiaries, with savings concentrated in clinically vulnerable beneficiaries and use of institutional settings.

The Big Picture

These results suggest that the ACO model produces modest early benefits in terms of reduced spending and reduced emergency department and hospital use, particularly for patients with multiple clinical conditions. Further research is needed to determine the longer-term effects of ACOs, write the authors, “as it is likely that while some relatively simple changes may have shown rapid results, more structural changes will take time to produce improvements in health care outcomes.”

About the Study

The researchers used five years of Medicare data (2009–2013) to compare changes in spending and use of services for beneficiaries cared for by physicians in ACOs and those cared for by non-ACO physicians. The study included Medicare beneficiaries, and a subpopulation of clinically vulnerable Medicare beneficiaries who had at least three “hierarchical condition categories,” as defined by the Centers for Medicare and Medicaid Services. These included congestive heart failure, arrhythmias, chronic obstructive pulmonary disease, renal failure, vascular disease, diabetes, and cancer, among others.

The Bottom Line

Medicare accountable care organizations are associated with modest reductions in spending, hospitalizations, and emergency department visits. The greatest benefits are for beneficiaries with multiple medical conditions.

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