

RESEARCH

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ACO UPDATE: A SLOWER PACE OF GROWTH

ALMOST 70 PERCENT OF AMERICANS NOW HAVE ACCESS TO AN ACCOUNTABLE CARE ORGANIZATION. THE NEXT STEP: PROGRAM REFORMS THAT ALLOW THE BEST ACOS TO INVEST IN EXPANDING

AUTHOR

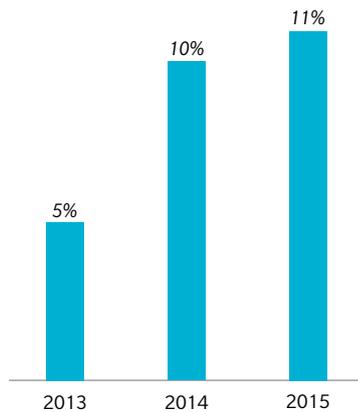
Niyum Ghandi,
Partner

Despite well-publicized departures from Medicare's Pioneer ACO Program and ongoing dissatisfaction with CMS's reimbursement policies, the number of accountable care organizations (ACOs) continued to rise in the past year, though at a slower pace than over the preceding year. Almost 70 percent of the U.S. population now live in localities served by accountable care organizations, and 44 percent live in areas served by two or more. The figures come from a new analysis by the consulting firm Oliver Wyman, based on the Department of Health and Human Services' announcement of the latest class of ACOs approved to participate in Medicare's ACO programs. The latest round of approvals in January brings the total of Medicare ACOs to 426, up from 368 in 2014 and 134 in 2013. Oliver Wyman has identified an additional 159 additional ACOs, bringing the estimated total to 585, up from 522 in 2014, and 258 in 2013.

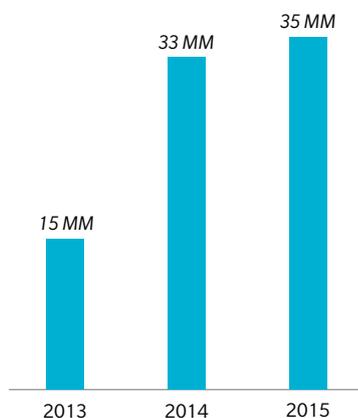
Some highlights of the research:

ACOs in CMS programs: We count as a CMS ACO any healthcare provider participating in the Pioneer ACO program, the Medicare Shared Savings

Percent of Medicare beneficiaries covered by ACOs



Number of non-Medicare patients cared for by ACOs in CMS programs



program, or the PGP Transition program. Numbers are taken from reporting by the Centers for Medicare and Medicaid Services (CMS).

About 5.6 million Medicare beneficiaries, or about 11 percent of total Medicare beneficiaries, will now receive their healthcare from ACOs.

*The corresponding figures in 2014 were 5.3 million beneficiaries and 10 percent of total beneficiaries. The **number of ACOs rose by about 16 percent, while the number of patients served rose by only 6 percent**, indicating an influx of smaller ACOs into the program – something that many observers had predicted.*

Non-Medicare patients in ACOs in CMS programs: Most ACOs in CMS programs also serve non-Medicare patients. ACOs will typically start entering ACO contracts with commercial and Medicare Advantage payers soon after they join a CMS program or apply for Medicare Shared Savings soon after signing their first commercial contracts. Numbers are estimates based on typical panel sizes and payer mixes of primary care practices.

*ACOs in CMS programs currently serve an estimated **35 million non-Medicare patients**, up from 33 million in 2014 and 15 million in 2013, or about 6 percent.*

ACOs not participating in CMS programs: Non-CMS ACOs are difficult to count, because there is neither an official list nor an official definition. For our research, we defined a non-CMS ACO as any provider organization with at least one shared-savings or shared-risk arrangement with at least one commercial payer but not with CMS. Our census of these organizations drew on press releases, news accounts, and other forms of direct research, and though thorough it must be regarded as imperfect.

*We currently count **159 ACOs not participating in CMS programs**, virtually unchanged from 154 in 2014 and up from 124 in 2013.*

*We estimate that these ACOs serve **between 9 million and 15 million patients**, roughly the same as last year and up from 8 million to 14 million in 2013.*

All ACOs: This category includes both CMS participants and non-participants.

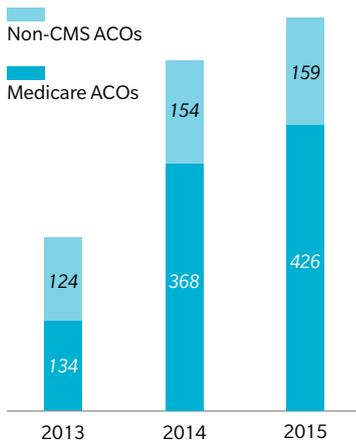
*We currently count **585 ACOs in the United States**, up 12 percent from 522 in 2014, and 127 percent from 258 in 2013.*

*The total number of patients served by these organizations is now **between 49 and 56 million or roughly 15 to 17 percent of the population**.*

***Sixty-nine percent of the U.S. population** currently live in a primary care service area (PCSA) served by at least one ACO. This compares to 67 percent in 2014 and 52 percent in 2013. Roughly 44 percent live in a PCSA served by two or more ACOs.*

“ACOs have reached an important point in their evolution,” says Niyum Gandhi, a partner in Oliver Wyman’s Health & Life Sciences practices, and one of the firm’s experts on ACOs. “There are enough of them that they will be able to capture market share very quickly once they start demonstrating superior value.

Number of ACOs



The very best ACOs are delivering care at 20 to 40 percent below the typical cost of care with excellent quality and patient satisfaction. But most have not progressed that far.

“Part of the reason is that CMS’s rules actually make it difficult for some of the best players in the field to earn shared savings payments. Without them, these organizations cannot afford to invest as they’d like to – and as the rest of us should hope that they would. The changes to the rules that CMS proposed this past winter – and especially the Next Generation ACO model – may give the best ACOs the push they need to start competing more aggressively.”

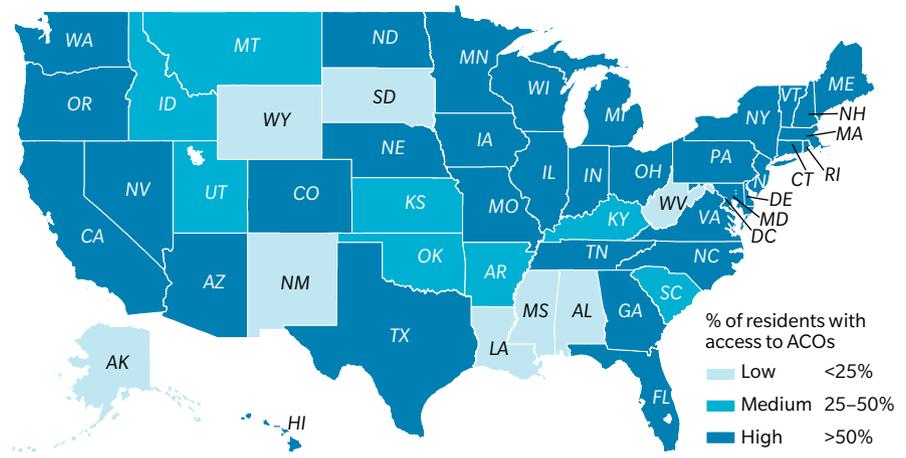
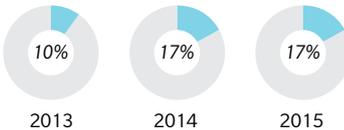
Access to ACOs varies widely by geography, but in more than half of states, a majority of the population could receive care from an ACO

Percent total population covered

LOWER BOUND



UPPER BOUND



Updated as of April 2015

Sources: News releases, company websites, Dartmouth Atlas PCSAs, Claritas, Oliver Wyman analysis. ACOs defined as providers participating in Pioneer ACO, Medicare Shared Savings, a Medicaid ACO, PGP Transition, or in a shared savings/risk arrangement with a commercial payer

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