NEW YORK, February 15, 2013—More than half of the U.S. population now live in localities served by accountable care organizations and almost 30 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 Accountable Care Organizations (ACOs) approved to participate in Medicare’s ACO programs. The latest round of approvals in January brings the total of Medicare ACOs to 259, up from 154 this past summer. The new additions contribute to a sharply rising potential level of influence for ACOs.

• According to the Centers for Medicare and Medicaid Services (CMS), about 4 million Medicare beneficiaries, or about 11 percent of total Medicare fee-for-service beneficiaries, will now receive their healthcare from ACOs. The corresponding figures in September were 2.4 million and 6 percent.

• Most of these Medicare ACOs also serve non-Medicare patients and are moving toward serving all their patients under ACO arrangements. That transition can take as long as four to five years. That said, the current number of patients served by the newly approved Medicare ACOs (including both patients currently under an ACO arrangement and those served through traditional contracts with payers) has risen by about 12 million, bringing the total number of patients served by Medicare-approved ACOs to 29 million.

• The total number of patients in organizations with ACO arrangements with at least one payer—both Medicare and non-Medicare—is now between 37 and 43 million, up from 25 to 31 million—or roughly 14 percent of the population.

“It’s hard to know precisely how many people served by ACOs are currently cared for under true fee-for-value contracts,” says Rick Weil, a partner in Oliver Wyman’s Health & Life Sciences practice group who has worked extensively in creating ACOs. “Most ACOs
today are still mixed models, with some patients being served through ACO-style or
capitated contracts and some through more traditional fee-for-service contracts. It can
take several years to shift an entire population from one model to another. But that total
number of patients served by these mixed organizations is still important.”

“For many people receiving care from one of these mixed-model ACOs, the shift to full
participation in value-based care will be gradual and subtle as the contracts between the
ACO and their insurance company migrate to ACO-style contracts. Over time, patients
should notice that care gets more convenient, more proactive, and more effective.”

“The ingredient that’s been missing in healthcare for too long is real competition on value,”
says Niyum Gandhi, associate partner. “With the latest additions, more than half of the
population—52 percent—live in Primary Care Service Areas served by ACOs, up from 45
percent this past August. The competition between ACO-based healthcare providers and
traditional fee-for-service providers should give reform a good push forward. But even
more powerful will be the competition between ACOs, which will give them the incentive to
evolve as quickly as possible. And we estimate that at least 28 percent of the population
now live in communities with two or more ACOs, up from 17 percent. That's a remarkable
development and—for patients, ultimately--a hopeful one.”

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