Accountable Care Organizations now serve up to 17% of Americans

New research by Oliver Wyman suggests that U.S. healthcare is at a tipping point

NEW YORK, April 23, 2014—More than two-thirds of the U.S. population now live in localities served by accountable care organizations and more than 40 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 368, up from 259 a year ago, and the total number of ACOs to 522, up from 320.

- According to the Centers for Medicare and Medicaid Services (CMS), about 5.3 million Medicare beneficiaries, or about 10 percent of all Medicare beneficiaries, will now receive their healthcare from ACOs.

- Most of these Medicare ACOs also serve non-Medicare patients and are moving toward serving all their patients under ACO arrangements. Medicare ACOs currently serve 33 million non-Medicare patients, up from 25 million in July 2013.

- There are currently more than 150 non-Medicare ACOs, compared to approximately 130 in July 2013. The total number of patients in organizations with ACO arrangements with at least one payer—both Medicare and non-Medicare—is now between 46 and 52 million or roughly 15 to 18 percent of the population. The corresponding figures in July 2013 were 37 to 43 million and 12 to 14 percent of the population.

“The rapid growth of ACOs is very encouraging,” says Niyum Gandhi, a partner in Oliver Wyman’s Health & Life Sciences practice and one of the firm’s experts on ACOs. “But no one should be deceived: The process of shifting American healthcare to a new, sustainable model is nowhere near the finish line. On the other hand, these numbers mean we have a critical mass lined up at the starting gate.”

Gandhi points out that ACOs were designed to create a new kind of competition in healthcare, with providers taking responsibility for the patient’s total health and competing on the basis of cost and quality. The idea is that competition will drive them to adopt more effective, cost-efficient ways to deliver healthcare. Those new delivery models already exist, and they work.
“But when will we see the kind of competition that leads to real change? That’s the real question,” notes Gandhi. “But now that two-thirds of Americans have access to an ACO and almost half have access to two or more, here’s a prediction: Once the fire is lit, it’s going to spread quickly.”

Additional data from this study is available here.

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