



Medicare Slowdown at Risk: The Imperative of Fixing ACOs

In September 2014, the Campaign to Fix the Debt, The Dartmouth Institute, and Dartmouth-Hitchcock Health convened *“The Dartmouth Summit on Medicare Reform: Strategies to Create a Sustainable Health System.”* The summit brought together a wide array of health care stakeholders, top policy experts, and lawmakers to discuss ways to reform the largest health care program in the federal budget and to surmount barriers to moving away from fee-for-service payment.

Moving away from FFS to more integrated payment models holds the potential to make providers more accountable for their patients’ well-being and slow health care spending growth. For such efforts to succeed, however, significant changes are needed to both improve the financial model for Accountable Care Organizations (ACOs) and increase patient engagement.

Our new white paper identifies how these objectives can be achieved, thereby accelerating the development of a better, more affordable health care system for its beneficiaries, taxpayers, and the Medicare Trust Fund.¹

While data are still scarce, to the extent that such reforms increase the tools available to ACOs to steer care to more efficient providers and encourage patients to be more engaged in their care decisions, they have the potential to achieve very significant savings. Increasing patient engagement through the restriction of supplemental Medicare coverage will also generate approximately \$100 billion of savings for the federal budget over the coming ten years.

1. Improve Financial Model for Accountable Care Organizations (ACOs)

- A. *Reformat ACO Benchmarks.* Transition to prospective, regionally-set benchmarks so that providers know their financial target up front and are not penalized for beating that target.
- B. *Pursue Alternatives to Induce and Maintain Participation from Low-Cost Providers.* Introduce graduated savings distributions, so that ACOs keep more early savings but less as savings per beneficiary increase, with higher rewards for historically-efficient ACOs.
- C. *Offer Incentives to Take on Two-Sided Risk.*
 - i. Increased opportunities for shared savings;
 - ii. Regulatory relief; and

¹ This document is not intended to be a summary of the conference and neither the conference sponsors nor attendees endorse all of the ideas included. The proposals outlined represent a wide range of views expressed at the conference as well as additional work undertaken by the sponsors.



iii. Tools to improve patient engagement, including greater communication and other incentives outlined below;

D. *Incentivize Multi-Payer Alignment.* Increase shared savings opportunities for provider groups with significant non-Medicare patient revenues aligned in value-based arrangements, and offer temporary financial incentives to insurers and purchasers to enter into such arrangements.

2. Improve Patient Engagement

- A. *Improve the Existing Attribution Model.* Shift to prospective attribution with limited financial reconciliation, and use more data on patient care patterns to determine an ACO's patient population.
- B. *Attestation.* Allow ACOs taking two-sided risk to offer lower in-network cost-sharing and shared savings with beneficiaries who acknowledge, or attest, their participation in that ACO.
- C. *Restrict 1st-Dollar Supplemental Coverage.* Remove barriers to patient engagement and discourage over-utilization of care by restricting supplemental insurance (including employer-based plans) from covering first-dollar beneficiary costs in Medicare.

Medicare reform is a national priority: if Medicare cost growth is not curtailed, it will continue to contribute to acceleration of national debt and ongoing deficits. With proper modifications, the widespread implementation of ACOs can help address this national priority and preserve this national resource for generations to come.