Issue Brief

Accountable Care Organizations – Health Care Reform Law (111-148)

Background: One of the ways Congress tackled the challenge of reducing spending in health care was to authorize the use of Accountable Care Organizations (ACOs) under both Medicaid and Medicare programs. ACOs are permitted to share in savings achieved in the delivery of quality health care.

The ACO must accept accountability for the quality, cost, and overall care of beneficiaries assigned to it. The ACO must also agree to the following stipulations:

1) The ACO enters into an agreement with the Secretary to participate in the program for not less than a three-year period.
2) It must establish a formal legal structure that would allow the organization to receive and distribute payments for shared savings to participating providers of services and suppliers.
3) The organization is required to include enough primary-care ACO professionals for the number of beneficiaries assigned to it.
4) The ACO must demonstrate to the Secretary that it meets patient-centeredness criteria specified by the Secretary, such as the use of patient and caregiver assessments or the use of individualized care plans.

With regard to Medicare, the Secretary will estimate a savings benchmark for each agreement period for each ACO, using the most recent available 3 years of per-beneficiary expenditures for parts A and B services for Medicare fee-for-service beneficiaries assigned to it. Such benchmarks shall be adjusted for beneficiary characteristics and such other factors as the Secretary determines appropriate, and shall be updated by the projected absolute amount of growth in national per capita expenditures for parts A and B services under the original Medicare fee-for-service program, as estimated by the Secretary.

ACNM Position/Policy: ACNM believes pay rates for health care services should be reasonable and equitable, and mechanisms to control costs in the health care system should not encourage providers to withhold, restrict, or deny essential patient/client services.

Summary of Provision(s): Section 2706 of the Patient Protection and Affordable Care Act (PPACA) (P.L. 111-148) establishes a pediatric ACO demonstration project, which begins in 2012 and concludes in 2016. This project will support participating states in granting pediatric health care providers that meet specified requirements to be

recognized as Accountable Care Organizations, for purposes of receiving incentive payments.

Section 3022 of the PPACA (P.L. 111-148) authorizes the use of ACOs, not later than January 1, 2012, that promote accountability for a patient population and coordinate items and services under parts A and B, and that encourage investment in infrastructure and redesigned care processes for high quality and efficient service delivery. Eligible ACOs include the following groups:

1) ACO professionals in group practice arrangements
2) Networks of individual practices of ACO professionals
3) partnerships or joint venture arrangements between hospitals and ACO professionals
4) Hospitals employing ACO professionals
5) Such other groups of providers of services and suppliers as the Secretary determines appropriate

Timeline for Implementation: No later than January 1, 2012

Agency Responsible for Implementation/Enforcement: The Center for Medicare and Medicaid Services will have primary responsibility within the U.S. Department of Health and Human Services.

Impact on Nurse-Midwives: The impact on nurse-midwives could be significant if allowed to participate. Although not expressly eligible to participate in ACOs under the statute, the Secretary has the discretion to expand the list of eligible provider groups of services and suppliers. ACNM believes nurse-midwives in private practice should be enabled to participate in ACOs, given that nurse-midwives interventions are known to lower overall patient care costs.

Related Issues in Health Care Reform: Bundling, Medical Home