

## New Proposals for Accountable Care Organizations

On November 17, 2009, the Centers for Medicare & Medicaid Services (CMS) released a report stating that the rate of dollars lost through unnecessary and improper Medicare payments has more than doubled from 3.6 percent in 2008 to 7.8 percent (\$24.1 billion) in 2009.<sup>1</sup> Policymakers, stakeholders, and other proponents of reform have proposed an alternative to current fee-for-service models used for Medicare reimbursement through the implementation of *Accountable Care Organizations* (ACOs), within which physicians and hospitals would be reimbursed based on their ability to meet quality-of-care indicators and minimize overall costs instead of the current *fee-for-service* basis for reimbursement.<sup>2</sup> ACOs would also be awarded for meeting patient satisfaction and national quality standards (e.g., making sure diabetics get regular foot exams).<sup>3</sup> Conversely, if the providers in a given ACO fail to meet certain quality and cost savings targets, those providers would receive a lower reimbursement rate for Medicare payments.<sup>4</sup>

On December 3, 2009, a group of freshmen Democratic senators issued a press release outlining their proposal to create ACOs on a national scale, aimed at strengthening cost-containment measures, through an amendment to the pending health care legislation.<sup>5</sup> These senators argue that, under the current bill, funding is too limited for ACOs, which the Congressional Budget Office estimates have the potential to save U.S. taxpayers \$4.9 billion over the next ten years.<sup>6</sup> However, the immediate implementation of ACOs is not universally supported. Dr. Robert Berenson, a fellow at the Urban Institute in Washington, D.C., believes that while ACOs may be an idea worth experimenting with, they are not yet a

viable option due to hurdles such as a lack of: (1) collegiality between physicians; and, (2) desire on the part of physicians to participate.<sup>7</sup>

- <sup>1</sup> "Medicare Fee-For-Service Payment Error Rate More Than Doubles, White House Says" by Gregg Blesch, Modern Healthcare, November 17, 2009, <http://www.modernhealthcare.com/article/20091117/FREE/311179968> (Accessed December 10, 2009)
- <sup>2</sup> "ACOs: A Quick Primer" by Phil Galewitz, Kaiser Health News, July 17, 2009, <http://www.kaiserhealthnews.org/Stories/2009/July/17/ACO.aspx> (Accessed December 10, 2009)
- <sup>3</sup> "ACOs: A Quick Primer" by Phil Galewitz, Kaiser Health News, July 17, 2009, <http://www.kaiserhealthnews.org/Stories/2009/July/17/ACO.aspx> (Accessed December 10, 2009)
- <sup>4</sup> "ACOs: A Quick Primer" by Phil Galewitz, Kaiser Health News, July 17, 2009, <http://www.kaiserhealthnews.org/Stories/2009/July/17/ACO.aspx> (Accessed December 10, 2009)
- <sup>5</sup> "Freshmen Democrats Prepare Amendment on Cost Containment" by David M. Herszenhorn, The New York Times, December 3, 2009, <http://prescriptions.blogs.nytimes.com/2009/12/03/freshmen-democrats-ready-amendment-on-cost-containment/> (Accessed December 10, 2009)
- <sup>6</sup> "Preliminary Analysis of the Chairman's Mark for the America's Healthy Future Act of 2009" by Douglas Elmendorf, Congressional Budget Office, October 7, 2009, [http://www.cbo.gov/ftpdocs/106xx/doc10642/10-7-Baucus\\_letter.pdf](http://www.cbo.gov/ftpdocs/106xx/doc10642/10-7-Baucus_letter.pdf) (Accessed December 10, 2009); "Freshmen Democrats Prepare Amendment on Cost Containment" by David M. Herszenhorn, The New York Times, December 3, 2009, <http://prescriptions.blogs.nytimes.com/2009/12/03/freshmen-democrats-ready-amendment-on-cost-containment/> (Accessed December 10, 2009)
- <sup>7</sup> "Accountable Care Organizations: A New Idea for Managing Medicare" by Jane Cys, American Medical News, August 31, 2009, <http://www.ama-assn.org/amednews/2009/08/31/gvsa0831.htm> (Accessed December 22, 2009).



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Mr. Cimasi is the author of numerous additional chapters in anthologies; books, and legal treatises; published articles in peer reviewed and industry trade journals; research papers and case studies; and, is often quoted by healthcare industry press. In 2006, Mr. Cimasi was honored with the prestigious *“Shannon Pratt Award in Business Valuation”* conferred by the Institute of Business Appraisers. Mr. Cimasi serves on the Editorial Board of the Business Appraisals Practice of the Institute of Business Appraisers, of which he is a member of the College of Fellows.



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