Accountable Care Organizations: A Summary of the Challenges and Possible Solutions in the U.S. Health Care Marketplace

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Background

The United States is in the middle of one of the largest crisis facing the delivery of healthcare and the associated costs it has ever seen. The cost of care in this country nearly doubles every other industrialized nation in the world, yet we rank 11 of 11 by the most current OECD data. Over the past few decades, there have been multiple changes to the delivery of health care in the U.S. but none has been able to make a significant change to the course this country is on. Recently, policy changes have created a new endeavor to help curtail costs, increase quality, and provide timely access to healthcare. Specifically the creation of Accountable Care Organizations as a healthcare delivery vehicle will hopefully revolutionize healthcare in this country.

Exhibit ES-1. Overall Ranking

COUNTRY RANKINGS

Top 2*

Middle

Bottom 2*

	AUS	CAN	FRA	GER	NETH	NZ	NOR	SWE	SWIZ	UK	US
OVERALL RANKING (2013)	4	10	9	5	5	7	7	3	2	1	11
Quality Care	2	9	8	7	5	4	11	10	3	1	5
Effective Care	4	7	9	6	5	2	11	10	8	1	3
Safe Care	3	10	2	6	7	9	11	5	4	1	7
Coordinated Care	4	8	9	10	5	2	7	11	3	1	6
Patient-Centered Care	5	8	10	7	3	6	11	9	2	1	4
Access	8	9	11	2	4	7	6	4	2	1	9
Cost-Related Problem	9	5	10	4	8	6	3	1	7	1	11
Timeliness of Care	6	11	10	4	2	7	8	9	1	3	5
Efficiency	4	10	8	9	7	3	4	2	6	1	11
Equity	5	9	7	4	8	10	6	1	2	2	11
Healthy Lives	4	8	1	7	5	9	6	2	3	10	11
Health Expenditures/Capita, 2011**	$3,800	$4,522	$4,118	$4,495	$5,099	$3,182	$5,669	$3,925	$5,643	$3,405	$8,508

NOTES: * Includes ties. ** Expenditures shown in $US PPP (purchasing power parity); Australian $ data are from 2010.

Source: Calculated by The Commonwealth Fund based on 2011 International Health Policy Survey of Sicker Adults; 2012 International Health Policy Survey of Primary Care Physicians; 2013 International Health Policy Survey; Commonwealth Fund National Scorecard 2011; World Health Organization; and Organization for Economic Cooperation and Development, OECD Health Data, 2013 (Paris: OECD, Nov. 2013).

Current State

Fee for Service:

FFS describes a model where a bill is generated based on services or tests that were rendered. It is a system much like every other industry in this country. Unfortunately, because of third party payers and government price setting, the costs of services rarely reflect the true cost of delivery.

Future State

Accountable Care Organizations:

ACOs are the new trend in health care. They focus on the healthcare triple aim: better care, better quality, and better costs. Lehigh Valley Health Network's new CMS approved ACO is no different. It is a model that is proactive when it comes to the health of a community, delivering the right care at the right time in an effort to keep community members away from more costly testing and treatment.

Discussion/ Challenges

Primary Care, minor acute care, and chronic disease management are at the heart of an efficient ACO. Bolstering these fields is the only way to avoid more costly inpatient treatment. Unfortunately the technology and staffing needed to effectively serve patients in these domains is cost prohibitive to the traditional private office. Large networks are able to distribute these costs but typically have their highest revenue shares tied to emergency and inpatient treatment. The main impetus behind ACOs is to reduce costs. "Shared savings" attempts to finically incentivize large hospital networks to proactively treat patients and report quality outcomes, thus avoiding costly treatment later in the disease coarse. How quality is defined long term and how many shared savings dollars will be distributed back to networks is still debatable and challenges the financial solvency of these institutions.