Why ACOs Need a New Playbook

written by Theresa Hush | April 15, 2021

A lot has happened in health care since 2012, when final rules permitted provider-organized ACOs to be the driving force of Value-Based Care under the 2010 Affordable Care Act (ACA). As we pass the ACA's eleventh anniversary, a dwindling number of Medicare Shared Savings Program (MSSP) ACOs are entering a new phase marked by higher expectations and more difficult economics.

To succeed in this challenging environment, ACOs will need different tools going forward than first contemplated, because

of competition, both from providers under new value-based payment models and from Medicare Advantage plans. They also face more skepticism. Although rule changes now require ACOs to adopt downside risk, too many decision makers still distrust savings calculations for ACOs. The Medicare Payment Assessment Commission (MedPAC) that once promoted ACOs became more uncertain of savings potential from the MSSP formulas. In short, both MSSP and Next Generation model ACOs will confront challenges as to whether the models can do what they—and the stakeholders in Value-Based Care—had hoped.

Upcoming Roji Series of Articles: The New ACO Playbook

In "The New ACO Playbook," Roji does a deep dive into how ACOs can move forward from the present and ensure their future as Value-Based Care models with demonstrable savings and better outcomes. We will focus, in particular, on MSSPs and how they can navigate the Value-Based Care territory to succeed. We explore these questions:

- Will ACO savings be competitive with other payment models like capitation?
- Is coordination of care enough to generate long term savings?
- How should ACOs grow?
- How can ACOs help patients overcome barriers to improved outcomes?
- What can ACOs do to improve equity and access among its patients?
- How can ACOs help participating and specialty clinicians improve outcomes and cost performance?

What infrastructure is essential for ACOs, and what spending is cost-effective?
How can ACO-primary care relationships be more collaboratively engaged?
What does demonstrating quality success mean in the future?
How can ACOs create data sufficiency to meet the demands of performance improvement?
What does the successful future ACO look like in a competitive Value-Based Care environment?

The Competitive Environment for ACOs: The Past Does Not Predict Future Results

As financial analysts frequently tell us, past financial success does not predict future results. And most of us believe that holds true (about others). But the tremendous effort required to conceive and continue our own organizations makes us fighters and can obscure our vision of the future.

Even before the COVID-19 pandemic exposed health care's frailties, the Value-Based Care landscape was shaken up. CMS broadcasted risk payment models long before the agency actually released Primary Care First (PCF) and Direct Contracting (DC) payment models. Subsequently during lockdown, practices with capitation under Medicare Advantage or commercial health contracts realized the financial advantage when patients could not come in for services. Just like that, the benefit of capitated payments as a predictable revenue source became clear. In all, 827 sites are participating in PCF. Significantly, the list of sites spans the spectrum of nationally known large organizations, as well as local groups—a clear signal about what providers are choosing to do.

Simultaneously, private equity practices began moving into primary care, payer-linked companies like Optum purchased independent practices, and physician MSOs re-emerged. Their collective goal is to be the vehicles for successful Value-Based Care arrangements in both the public and commercial arena, primarily via capitation.

These investments aren’t side adventures; they vest practices in organizations and commit infrastructure, data, and support to their operations. They do what ACOs planned to do, but separately and under their own banner. Perhaps equally important, in a market-oriented culture they are visible champions of their own brand, which means that their visibility can also help growth.

Limited Resources Will Constrict Future Value-Based Models

The addition of value-based payment models and expansion of interest should not alarm ACOs. But the involvement of more players should signify to ACOs that some deep changes may be needed in order to compete successfully.

Why should these models be competitive? Over time, CMS and other payers will not invest resources in models that they don’t believe are effective—or whose current success is static. Those models will simply lapse.

The first sign of this could be on the horizon. CMS, which has extended the termination date of Next Generation ACO models for a year, will determine whether this model of ACOs will be permanent. Will Next Generation ACO savings—previously questioned by CMS—and higher risk structures be continued, or

will CMS decide that 37 participants are not enough to support and that Direct Contracting is indeed the next natural step?

While MSSPs have time to address how they should meet the market now developing and still be successful, now is the time to garner their resources. As we explore the questions facing ACOs, we will be asking you to participate in short surveys to provide feedback on merits or experience with the concepts. Stay tuned!

Founded in 2002, Roji Health Intelligence guides health care systems, providers and patients on the path to better health through Solutions that help providers improve their value and succeed in Risk.

Image: Emilio Garcia