ACO Bonuses: Hard to Earn, but Some Physicians Do It

Robert Lowes | |September 14, 2015

Dozens of independent primary care physicians in Houston, Texas, will receive Medicare bonuses this fall as a reward for delivering high-quality care — think of medication reconciliation after a hospital discharge — while reducing healthcare costs.

These physicians belong to an accountable care organization (ACO) that participates in Medicare's Shared Savings Program for such groups, created by the Affordable Care Act. If an ACO can keep Medicare spending under a target for a given number of beneficiaries, it gets a cut of the savings in addition to regular fee-for-service revenue. In 2014, the Houston ACO and its 75 physicians were entitled to $4.8 million of what it saved.

Shared savings, however, represent a big "if." In 2014, only 92, or roughly 28%, of 333 ACOs in this program managed to earn the extra money, according to a report released last month by the Centers for Medicare & Medicaid Services (CMS). Likewise, of an additional 20 more advanced "Pioneer" ACOs in 2014, only 11 were able to cash in.

The Houston ACO, appropriately dubbed Physicians ACO, stands out from the pack, and not only because it succeeded in the shared savings program. Unlike some ACOs anchored by a hospital or health system, Physicians ACO consists entirely of physicians who also happen to belong to an independent practice association long versed in the ways of managed care. Although many of their colleagues have opted for the security of hospital employment, these physicians appear to be making it on their own in the dizzying world of pay-for-performance.

"We are a beacon of hope for doctors who want to stay independent," said Larry Wedekind, chief executive officer of the Houston independent practice association, called IntegraNet Health, as well as the ACO.

While exuding optimism, Wedekind acknowledges that achieving ACO success is not easy. CMS, he told *Medscape Medical News*, could tweak its experiment in pay for performance to make it easier for physicians and other providers to land in the winner's circle.

To Share in Savings, ACOs Must Toe Quality Line

The 92 successful ACOs in the shared savings program in 2014 came below their individual spending targets by $806 million. They are entitled to $341 million of that amount, leaving Medicare with a net savings of $465 million. These figures represent an improvement over 2013, when 58 of 220 shared savings ACOs reduced projected spending by $705 million and earned roughly $315 million of it.

CMS notes that these ACOs are more likely to succeed the longer they have participated in the program. Of ACOs that launched in 2012, 37% received shared savings in 2014 compared with 27% that got started in 2013, and 19% in 2014.

Another 89 ACOs beat their spending benchmarks in 2014 but did not qualify for shared savings because they fell short of a minimum savings threshold.

Pioneer ACOs, early adopters of coordinated care that take on more financial risk, also bent the cost curve downward. Of the 20 Pioneer ACOs participating in 2014, 15 brought Medicare spending under their benchmarks. However, only 11 of these surpassed the minimum savings threshold. They received shared savings payments totaling $82 million. In contrast, five Pioneer ACOs overshot their spending targets, three of them so much that they ended up owing CMS $9 million. As a group, the 20 ACOs saved $120 million, which was $24 million more than in 2013

Although the government incentivizes physicians and hospitals in ACOs to lower Medicare costs, it does not want them doing that by withholding care or otherwise cutting clinical corners. Instead, shared savings ACOs in 2014 had to meet a quality performance standard before they could earn a bonus. CMS graded shared savings ACOs on 33 nationally recognized quality measures in four areas: the patient/caregiver experience, care coordination and patient safety, preventive care, and at-risk patients with chronic conditions such as diabetes and hypertension. Individual measures included:

- timely care, appointments, and information;
- medication reconciliation;
- screening for the risk for falls;
- colorectal cancer screening;
- control of hypertension;
- influenza immunization; and
- beta-blocker therapy for left ventricular systolic dysfunction.

Given that the word "quality" is inextricably linked to the word "improvement," CMS wants higher and higher scores, and it got them in 2014. Shared savings ACOs that participated in both 2013 and 2014 improved on 27 of the 33 quality measures. Likewise, Pioneer ACOs upped their scores on 28 of the measures.

It is easy to see how performing well on quality metrics translates into lower costs. Take medication reconciliation, for example, said Larry Wedekind from Physicians ACO. When patients are discharged from the hospital, they need to see their primary care physician immediately to compare what their inpatient physicians prescribed against their existing medication list. "We don't want the patient on duplicated meds, like two blood thinners," said Wedekind. Such care coordination lessens the chance of an unnecessary, and expensive, revolving door readmission.

"We promote the medical home to keep people out of the hospital," he said.

"We've Had a Positive Experience"

Winning at the ACO game has not been easy. The percentage of groups in the shared savings program that earned a bonus in 2014 remained essentially unchanged from 2013, which is not exactly a sign of improvement. The number of Pioneer ACOs has dwindled from a debut class of 32 in 2012 to 19 in 2015.

One flaw in the program that makes success elusive is the lack of an up-front per member per month fee from Medicare for care coordination and network management services, Wedekind told *Medscape Medical News*. "Private insurers are paying that," he said. "It's standard for the industry."

As it is, members of Physicians ACO must pay the salaries of the care coordinators, who range from medical assistants to nurse practitioners, on their staff and hope they will eventually earn a bonus to recoup that cost — and not every physician in an ACO can handle this investment. Wedekind said CMS initially addressed this problem with its Advance Payment Model for ACOs, and noted that his group participated in this model, but said the program ran out of cash. A CMS spokesperson told *Medscape Medical News* that the agency cut its last advance payment check in the summer of 2014.

Physicians ACO has been able to succeed without the up-front money. However, the $4.8 million it earned in shared savings is not the gravy it might appear to be. Of that amount, $1.7 million will pay off ACO debt, according to Wedekind. Of the remainder, 20% goes toward ACO operational costs, another 20% is set aside as reserves, and

60% is distributed to individual physicians as bonuses. The bonuses will vary, depending on a physician's quality scores and the number of ACO beneficiaries in his or her practice. Wedekind said he expects that most of the ACO's 75 physicians probably will receive a bonus check, and of these, "most will recoup their costs and make a little bit of money."

"We've had a positive experience," he said.

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