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Medicare's delivery system reform initiatives achieve significant savings and quality improvements - off to a strong start

Today, the Centers for Medicare & Medicaid Services (CMS) released findings on a number of its initiatives to reform the health care delivery system. These include interim financial results for select Medicare Accountable Care Organization (ACO) initiatives, an in-depth savings analysis for Pioneer ACOs, results from the Physician Group Practice demonstration, and expanded participation in the Bundled Payments for Care Improvement Initiative. Savings from both the Medicare ACOs and Pioneer ACOs exceed \$380 million.

"These innovative programs are showing encouraging initial results, while providing valuable lessons as we strive to improve our nation's health care delivery system," HHS Secretary Kathleen Sebelius said. "Today's findings demonstrate that organizations of various sizes and structures across the country are working with their physicians and engaging with patients to better coordinate and deliver high quality care while reducing expenditure growth."

While ACOs are designed to achieve savings over several years, not always on an annual basis, the interim financial results released today for the Medicare Shared Savings Program ACOs show that, in their first 12 months, nearly half (54 out of 114) of the ACOs that started program operations in 2012 already had lower expenditures than projected. Of the 54 ACOs that exceeded their benchmarks in the first 12 months, 29 generated shared savings totaling more than \$126 million – a strong start this early in the program. In addition, these ACOs generated a total of \$128 million in net savings for the Medicare Trust Funds. ACOs share with Medicare any savings generated from lowering the growth in health care costs while meeting standards for high quality care. Final performance year-one results will be released later this year.

While evaluation of the program's overall impact is ongoing, the interim results are currently within the range originally projected for the program's first year. A great majority of the program's overall net impact was projected to phase-in over the program's ensuing performance years. Moreover, through regular webinars; tools for sharing information and best practices; opportunities for ACOs to connect with one another; and other activities, ACOs are being provided the infrastructure and resources to learn from one another and to then diffuse what's working and what is not.

"Our experience has shown that ACOs can increase quality while lowering costs. As a result of the programs we've initiated, our patients have experienced better access to their primary care physician, higher quality measures, and fewer trips to the hospital," said Dr. Kenneth W. Wilkins, president of Coastal Carolina Health Care. "We look forward to making continued progress and seeing future results, and we are grateful to CMS whose advance funding made these initiatives possible."

"We are delighted to be participating in the Shared Savings Program because of its goal to reduce costs while simultaneously increasing the quality of care and services we provide to our patients and community," said Dr. John B. Chessare, president and chief executive officer of the Greater Baltimore Medical Center (GBMC) HealthCare system. "The Shared Savings Program is a tangible reminder of the historic transformation taking place in our health care system and we are pleased to be a part of it."

An independent preliminary evaluation of the Pioneer ACO Model - the ACO model designed for more experienced organizations prepared to take on greater financial risk –also released today shows Pioneer ACOs generated gross savings of \$147 million in their first year while continuing to deliver high quality care. Results showed that of the 23 Pioneer ACOs, nine had significantly lower spending growth relative to Medicare fee for service while exceeding quality reporting requirements. These savings far exceed findings from a previous analysis conducted by CMS, which used a different methodology.

"We are still early on in the program, but are encouraged by these results and are on track to meet our goals for participation in the Pioneer Accountable Care Organization Model", said Dr. Barbara Walters, executive medical director for accountable care, with the Dartmouth-Hitchcock ACO. "Our strategies of using patient outreach and

education and regular follow up for targeted chronic disease programs are allowing us to anticipate patient needs before their health problems become worse. Involvement in the Pioneer Model is helping us provide better treatment for our patients across a wide-range of health challenges.”

CMS also released results today for the Physician Group Practice Demonstration initiatives, which offered incentive payments for delivering high-quality, coordinated health care that generates Medicare savings. The Physician Group Practice Demonstration evaluation report confirmed overall savings over the 5 year experience with 7 out of 10 physician group practices earning shared savings payments for improving the quality and cost efficiency totaling \$108 million over the course of the Demonstration. The participating organizations consistently demonstrated high quality of care on a broad range of chronic disease and preventive care measures.

The above models represent just a few initiatives CMS is testing to improve the quality of care delivery, while lowering costs. Today, CMS announced that 232 acute care hospitals, skilled nursing homes, physician group practices, long-term care hospitals, and home health agencies have entered into agreements to participate in the Bundled Payments for Care Improvement initiative. Bundling payment for services that patients receive across a single episode of care, such as heart bypass surgery or a hip replacement, is one way to encourage doctors, hospitals and other health care providers to work together to better coordinate care for patients, both when they are in the hospital and after they are discharged.

This is the largest and most ambitious test ever of a bundled payment model in Medicare or any other payer in the U.S. Through this initiative, made possible by the Affordable Care Act, CMS will test how bundled payments for clinical episodes can result in more coordinated care for beneficiaries and lower costs for Medicare.

To learn more about the ways HHS is working to reform the health care delivery system visit: <http://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-Sheets/2014-Fact-sheets-items/2014-01-30-03.html>.

To learn more about the Bundled Payments for Care Improvement initiative, including program participants, visit: <http://innovation.cms.gov/initiatives/bundled-payments>.

To learn more about the Medicare Shared Savings Program visit: <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/sharedsavingsprogram/index.html?redirect=/sharedsavingsprogram/>.

To learn more about Pioneer ACOs visit: <http://innovation.cms.gov/initiatives/Pioneer-ACO-Model/index.html>.

To learn more about the Physician Group Practice Demonstration visit: <http://www.cms.gov/Medicare/Demonstration-Projects/DemoProjectsEvalRpts/Medicare-Demonstrations-Items/CMS1198992.html>.

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