



July 12, 2015

To WSJ Letters Editor, Timothy Lemmer:

Re: The Coming Shock in Health-Care Cost Increases Commentary, July 7,

The authors argue that ACOs have failed to deliver adequate savings and the Administration should pursue a more aggressive bundled payment strategy to contain costs. The facts do not support the former and the authors fail to mention the risks and unintended consequences of the latter strategy.

ACOs are the fastest growing program in Medicare's 50-year history. Currently, 400+ ACOs care for 7.8 million beneficiaries and in three years have achieved half the scale of Medicare Advantage (after 22 years). To consider first year savings of over \$700 million (based on HHS data) only as "achieving minimal savings", is misleading and unfair to the tens of thousands of physicians and other providers working hard to improve the care of their patients.

With respect to the authors support for bundled payment, the financial evidence of success is less quantified than ACOs; there are no quality results reported; bundled payment encourages increased hospital admissions for less severe cases; the model is open to enormous cherry-picking and abuse; and it offers no incentive to care for the whole-person's problems, just the disease in the bundle resulting from a hospital admission. Further the costs whether below or above target are netted out of the ACOs financial calculations so there is no incentive to help coordinate patients' care. These disease carve-outs are counter to population health and merely create vertical silos of care with a cost containment goal with no one left to manage the whole patient. Further, a significant share of the bundling episodes are being managed by new venture capital entities or consulting companies that reinsure for the risk and nominally share the savings with providers. This new level of financial intermediation essentially adds greater distance between the payer, provider and patient.

Should our goal be short-term disease-specific savings or coordinated efficient delivery of person-focused healthcare?

A handwritten signature in black ink, appearing to read "Clif Gaus", is positioned above the typed name.

Clif Gaus
President and CEO
National Association of ACOs