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Michigan ACOs reap profits in savings program

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Michigan's 19 accountable care organizations earned back nearly \$72 million in 2017 compared with \$49.2 million in 2016

36 percent of Michigan ACOs earned money in Obamacare program, but two lost a total of \$1.8 million

Quality of care to patients improved by doctors and hospitals working together

Three of 19 accountable-care organizations operating exclusively in Michigan under Medicare's shared savings program earned \$38.1 million in 2017, more than half of the total savings in the state.

Affirmant Health Partners' Federation ACO, Beaumont Health ACO and the University of Michigan's POM ACO, three of 19 accountable-care organizations operating exclusively in Michigan under Medicare's shared savings program, earned \$38.1 million in 2017, more than half of the total for such organizations in the state.

Under incentives provided by the Affordable Care Act, or Obamacare, hospitals and doctors have been working together the past six years to reduce costs and improve quality for nearly 12 million traditional Medicare patients.

An ACO is a group of hospitals, physicians or other health care providers that agree to coordinate and manage care, reduce duplication, share savings and improve quality for a minimum of 5,000 Medicare patients in a contract with the U.S. Centers for Medicare and Medicaid Services.

Overall, Michigan's accountable care organizations earned \$71.6 million last year and saved Medicare a total of \$181.6 million. As one of the most concentrated groups in the nation, the Michigan ACOs also fared slightly better than national averages in both earning shared savings for their hospital and physician partners and in improving quality scores on their 406,000 Medicare patients, according to an analysis by *Crain's*.

But the ACOs must meet financial and quality targets set by Medicare to achieve shared savings. Nationally, 60 percent of the 472 Medicare ACOs generated a total of \$1.1 billion in savings in 2017 with Medicare sharing \$780 million with the ACOs. CMS kept \$313.7 million.

Next year, CMS has proposed to overhaul the shared savings Medicare program by mandating more ACOs take on full financial risk, which could cause some of the ACOs to drop out of the program.

ACO experts tell *Crain's* the key to savings and quality improvement is straightforward.

Increase access to physicians, coordinate care with hospitals and specialty doctors, and reduce unnecessary services outside of physician offices. Care at the right time and at the right place can lead to fewer visits to urgent care, emergency rooms and hospitalizations, they say.

Michigan ACO results

There are 26 accountable-care organizations with patients in Michigan, but only 17 operate exclusively in the state. Besides Affirmant's Federation, UM's POM and Beaumont, the other 14 ACOs are Connected Care, Genesys, UOP ACO, McLaren High Performance Network, Aledade Independent ACO, Prime Accountable Care, Northern Michigan Health Network, SEMAC, Trillium Health, GGC ACO, PMC ACO, The Accountable Care Organization, Reliance ACO and Physician Direct Accountable Care Organization.

Affirmant's Federation ACO earned \$7.6 million in shared savings with a quality score of 100 percent its first year in the Medicare program. Beaumont ACO, formerly Oakwood ACO, earned \$9.8 million on a 88.9 percent quality score. Federation saved Medicare a total of \$15 million and Beaumont saved a total of \$22.5 million.

"We are thrilled with the news of realizing shared savings with the Federation ACO," said William Mayer, M.D., Affirmant's CEO, in a statement. "It speaks to the power of collaboration among physicians and leading health systems to achieve healthier patients and communities at an affordable cost."

The Federation ACO is owned and managed by Affirmant Health Partners — a clinically integrated network of six health systems and affiliated doctors. The health systems are Bronson Healthcare, Kalamazoo; Covenant HealthCare, Saginaw; Henry Ford Health System, Detroit; Lakeland Health, St. Joseph; MidMichigan Health, Midland; and Sparrow Health System, Lansing.

The Federation ACO was one of only two ACOs in Michigan to earn shared savings while achieving a 100 percent quality score. The other was Trillium Health, which earned \$1.9 million in savings.

The Beaumont ACO has earned savings for five straight years, said Walter Lorang, its executive director and COO. In 2014, Beaumont Health was formed in a merger with four-hospital Oakwood Healthcare, three-hospital Beaumont Health system and Botsford Hospital.

"Our team-based focus on population health and collaboration has improved coordinated care among primary care physicians, specialists and hospitals to ensure that patients get the right care at the right time for better health outcomes and sustained success," Lorang said.

For 2017, the Physician Organization of Michigan ACO LLC, which is jointly owned by the University of Michigan and IHA medical groups along with eight other physician groups, saved the Medicare system \$45.5 million and achieved 93 percent in quality for about 113,854 people, the largest ACO in Michigan and fourth largest in the nation. POM ACO earned back \$20.7 million.

"We are proud of the hard work POM ACO providers have done to help 'bend the cost curve' while maximizing quality of care for Michigan Medicare beneficiaries. Our unique collaborative approach enables providers to work together to improve patient care while maintaining regional autonomy to adapt best practices to fit their local area," said Timothy Peterson, M.D., POM's executive, in a statement. "We are glad to be able to share in savings with CMS and reward our providers for their efforts to improve the quality of care, the cost of care and the patient experience of care. We look forward to continuing this work with providers across Michigan."

Sharing the savings with the University of Michigan, POM ACO has 6,000 physician members who belong to 12 different physician organizations in 22 Michigan counties.

"As a member of POM ACO from the beginning, we have been fortunate to have the opportunity to partner with some of the highest quality systems and practices across Michigan," said Kim Speese, executive director of the Wexford PHO and Crawford PHO, in a statement. "As a provider organization in Northern Michigan, we sometimes face different challenges than others who practice medicine in more urban areas. However, having the opportunity to share learnings across the ACO has allowed us to think about some of our issues from a different perspective and implement solutions."

Speese, who also is executive director of population health with Munson Healthcare, said sharing best practices has been one of the keys to success. "Having data for this population of

patients has also given us insights into practice patterns and areas of opportunity that can be translated across the entire population of patients that we care for," she said.

Reliance ACO saved Medicare \$3.5 million in 2017, but because CMS changed the benchmark formula and rebased its target numbers, the ACO did not share savings with Medicare, said Gene Farber, COO of Reliance. However, it reduced its average spend to \$11,300 per patient last year from \$12,700 in 2014.

"It's difficult to continue reducing costs indefinitely," Farber said in a statement to *Crain's*. He said Reliance has saved Medicare more than \$32 million in the four years the ACO has been in the program. Reliance has 350 primary care doctors and admits patients to most hospitals in Southeast Michigan in Wayne, Oakland, Macomb, St. Clair and Monroe counties.

"CMS switched from a national inflation rate to partially a regional rate. Because we have numerous ACOs in Southeast Michigan, all of us working together keeps down the rate," Farber said. "If we were measured against the national rate, we would have achieved shared savings."

Other ACOs

Besides the 19 shared savings ACO models, there are two other ACO models operating three ACOs in Southeast Michigan. Financial and quality results for 2017 were not made available by CMS.

In 2016, Michigan Pioneer saved Medicare \$12 million and received \$7.4 million in payments with a 88.95 percent quality score as a Pioneer model ACO. As Next Generation ACOs, Trinity Health ACO saved Medicare \$8.3 million and received \$6.5 million in payments. The Henry Ford Physician ACO saved Medicare a total of \$5 million and received \$3.9 million in payments.

Here are the remaining ACOs based in Michigan:

- U.S. Medical Management ACO (includes Texas), Troy – Total Medicare savings, \$46 million; earned savings, \$20.7 million; quality score, 92 percent
- Genesys PHO LLC, Flint – Total Medicare savings, \$6.9 million; earned savings, \$2.8 million; quality score, 85 percent
- Prime Accountable Care LLC, Southfield – Total Medicare savings, \$13.1 million; earned savings, \$5.6 million; quality score, 86 percent
- Northern Michigan Health Network, Traverse City – Total Medicare savings, \$5.4 million; earned savings, \$2.5 million; quality score, 96 percent
- Connected Care LLC, Port Huron – Total Medicare savings, \$1.3 million; no earned savings; quality score, 77 percent

- Greater Genesee County (GGC) ACO, Flint – Total Medicare savings, \$1.8 million; no earned savings; quality score 89 percent
- The Accountable Care Organization Ltd., Farmington Hills – Total Medicare savings, \$5.9 million; no earned savings; quality score, 82 percent
- Southeast Michigan Accountable Care, Dearborn – Total Medicare savings, \$5.3 million; no earned savings; quality score, 32 percent
- Professional Medical Corp. ACO, East Lansing, – Total Medicare savings, \$253,000; no earned savings, quality score, 32 percent
- Alledade ACO – Total Medicare losses, \$85,000; quality score, 100 percent
- McLaren ACO – Total Medicare savings, \$7.4 million; no earned savings; quality score, 100 percent
- UOP ACO – Total Medicare savings, \$1.5 million; quality score, 100 percent
- Physician Direct ACO – Total Medicare losses, \$1.7 million; quality score of 82 percent

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