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Originally Published: November 1, 2017 3:25 PM **Modified: 5 days ago**

Michigan accountable-care organizations score well for 2016

By [Jay Greene](#)

- Michigan's 19 accountable care organizations earned back \$49.2 million
 - 56 percent of Michigan ACOs earned money, but three lost a total of \$2.5 million
 - Quality of care to patients improved by doctors and hospitals working together
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Most of Michigan's 19 accountable care organizations fared better in 2016 than national averages in both earning shared savings for their hospital and physician partners and in improving quality scores on their Medicare patients, according to an analysis by *Crain's Detroit*.

Under incentives provided by the Affordable Care Act, hospitals and doctors have been working together in various ways the past five years to reduce costs and improve quality for 9 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.

Nationally, 31 percent of the 432 ACOs earned shared savings back for their organizations and 25 percent more saved Medicare money but did not qualify for earned savings back to their organizations. Some 44 percent lost money.

But in Michigan, nine of 16 total shared savings ACOs earned money, for a 56 percent rate, higher than national average of 31 percent. Those nine ACOs earned back \$49.2 million. But the other seven ACOs in Michigan didn't save Medicare money, and three of those ACOs lost a total of \$2.5 million, CMS said.

Besides the 16 shared saving ACOs in Michigan, three other ACOs operate in the state under the Medicare Pioneer and Next Generation ACO programs. Those other three ACOs earned back \$18.9 million. (Click [here](#) to

read a blog and view results for all **432 shared savings** ACOs, 44 Next Generation ACOs and eight Pioneer ACOs in 2016.)

Medicare pays ACOs based on level of care they provide to patients, and ACOs with high quality scores that also happen to save Medicare money share in the savings. ACOs that produce poorer outcomes and higher costs may lose money.

How Michigan ACOs fared in 2016

Reliance ACO in Farmington Hills received the second-highest earned saving check in Michigan from Medicare at \$7.3 million for 2016 and one of the top quality scores at 96.87 percent, according to CMS. Total Medicare savings was \$15.4 million.

Gene Farber, COO of Reliance ACO, said Reliance has saved Medicare more than \$30 million in the three years the ACO has been in the program.

"The doctors are happy when we get money back. They have done a really good job in improving the quality metrics," Farber said. Reliance works closely with doctors to set up procedures to ensure patients receive timely care and are not placed in situations where they must be quickly admitted to a hospital or ER, he said.

"The doctors don't just treat Medicare patients that way. You set a standard for care for everybody," he said.

Farber said information technology helps physicians and their office staffs track patients. "We worked with hospitals to be notified when one of our patients is admitted," he said.

Reliance has 350 primary care doctors and admits patients to most hospitals in Southeast Michigan in Wayne, Oakland, Macomb, St. Clair and Monroe counties.

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.

In 2016, Physician Direct ACO of Sylvan Lake saved Medicare a total of \$6.2 million and generated earned payment of \$2.7 million, Medicare data shows. Its quality score was 90.26 percent.

"Physician Direct ACO is very pleased with our results of raising the quality of care provided to 7,880 Medicare beneficiaries nearly 4 percent," Rodger Prong, its executive director, said in a statement to *Crain's*. "The physicians we work with are very engaged, and committed to providing the best care for their patients. Our leadership is outstanding in helping to determine the direction of the ACO and how to better serve our community of beneficiaries."

Physician Direct ACO is part of Oakland Physician Network Services, a 425-member physician organization

Another long-running ACO, Oakwood ACO, generated total Medicare savings of \$14 million last year and earned savings of \$6.6 million based on a quality score of 95.89 percent on 13,603 Medicare beneficiaries, said CMS.

Working closely with its physicians and hospitals, Ryan Catignani, vice president of managed care with Beaumont Health, said Oakwood ACO was able to generate savings by reducing inpatient admissions by 3 percent and by cutting nursing home spending by 30 percent over its benchmark numbers. In addition, hospital

readmissions were down 10 percent, emergency visits down 7 percent and emergency visits leading to hospitalizations were down 9 percent, he said.

Now that Oakwood ACO is in the fourth year of the Medicare shared savings program, Walter Lorang, interim executive director for the Oakwood ACO, said it is more difficult to achieve savings targets.

"The way the program is set up, it makes it more difficult because you are comparing you to yourself," Lorang said. "We started a new benchmark last year, but it is more difficult" to hit the savings numbers.

Moreover, Ryan said new patients are being assigned to ACOs each year. "Growth is a good thing, but there are strings because you have new people and don't know where they have been managed before," he said.

One of the criticisms of ACOs is each organization has a limited ability to control a single patient's costs because patients are free to go outside an ACO network for care. Out-of-network costs are not as tightly managed because communication between providers isn't the same.

Over the next year, Ryan said Beaumont Health is working on a plan to expand Oakwood ACO to other Beaumont legacy hospitals and the former Botsford Hospital. In 2014, Beaumont Health was formed in a merger with four-hospital Oakwood Healthcare, three-hospital Beaumont Health system and Botsford Hospital.

"We would be remiss not to recognize the merger and expected eventually the other pieces (of the system would be added)," Ryan said. "The rebranding of the ACO is in the works."

Ryan said he expected Oakwood ACO would expand with the other four Beaumont hospitals sometime next year.

For 2016, the Physician Organization of Michigan ACO LLC saved the Medicare system \$8 million in predicted costs and achieved 94.1 percent in quality for about 95,000 people in traditional Medicare. POM ACO, which did not earn savings back, includes the University of Michigan Health System and IHA medical group.

"POM ACO is one of very few ACOs to achieve both savings and high quality for four years running," Timothy Peterson, M.D., POM ACO executive director, said in a statement. "Given that we are also one of the largest and most established ACOs, we are especially proud of all that our member providers and their colleagues have achieved on behalf of Michiganders who rely on Medicare."

While the savings achieved by POM ACO in 2016 were just shy of the amount needed to share part of the savings with member physician groups, Peterson notes that members have already invested in improvements in 2017 that will continue to move the needle on care quality and cost. POM also reduced unnecessary emergency department visits and preventable hospitalizations.

"Our involvement in the ACO program has led us to develop a care team approach in many of our clinics," POM ACO executive medical director Martha Walsh, M.D., IHA's chief quality and population health officer, said in a statement.

"This includes ancillary staff that all help to improve the experience for our patients including care managers, behavioral health social workers, and pharmacists," Walsh said. "This improves patient access to these services improving both the quality of care and decreasing the total cost of care for our patients."

Other ACO models: Pioneer and Next Generation

In 2012, Medicare began the Pioneer ACO model with 32 ACOs. When the model program concluded in December 2016, only eight ACOs were participating, including Detroit Medical Center's Michigan Pioneer ACO.

Michigan Pioneer saved Medicare \$12 million and received \$7.4 million in payments with a 88.95 percent quality score. Michigan Pioneer's quality score was lower than the other seven but it received the second-highest payment. Banner Health in Phoenix received \$10 million with a 92 percent quality score, CMS said.

In 2016, Medicare announced a new ACO model, Next Generation. There are 44 participants nationally. Two reporting ACOs are in Michigan, the Trinity Health ACO and the Henry Ford Physician ACO. The DMC ACO that transitioned from Pioneer to Next Gen on Jan. 1, 2017 and will continue to operate as a Next Gen ACO in 2018. All 44 reporting Next Gen ACOs received a 100 percent quality score.

Trinity Health ACO has 52,000 Medicare beneficiaries enrolled. It saved Medicare \$8.3 million and received \$6.5 million in payments. The Henry Ford Physician ACO, with 20,330 beneficiaries, saved Medicare a total of \$5 million and received \$3.9 million in payments.

Other ACOs in Michigan

Greater Genesee County (GGC) ACO, Flint — Total Medicare savings, \$8.45 million; earned savings, \$4.1 million; quality score, 97.89 percent.

The Accountable Care Organization Ltd., Farmington Hills — Total Medicare savings, \$21.8 million; earned savings, \$10.5 million; quality score, 98.59 percent.

Southeast Michigan Accountable Care, Dearborn — Total Medicare savings, \$101.9 million, earned savings, \$3.9 million, quality score, 79 percent.

Professional Medical Corp. ACO, East Lansing, — Total Medicare savings, \$9.4 million; earned savings, \$4.3 million; quality score, 93.55 percent.

Genesys PHO L.L.C., Flint, — Total Medicare savings, \$9.7 million; earned savings, \$4.5 million; quality score, 95.74 percent.

Trinity Health Michigan (St. Mary Mercy Hospital), Livonia — Total Medicare savings, \$114.2 million; earned savings, \$5.4 million; quality score, 95.94 percent.

Prime Accountable Care LLC, Southfield — Total Medicare savings, \$2.3 million; no earned savings and no quality score yet.

Southern Michigan Rural ACO, multiple offices — No Medicare savings, earned savings and no quality score yet.

Accountable Healthcare Alliance P.C., East Lansing — No savings; quality score 94.09 percent

Northern Michigan Health Network, Traverse City — Lost Medicare \$383,000; quality score, 98.51 percent

Connected Care LLC, Port Huron — Lost Medicare \$1.8 million; quality score, 90.13 percent.

Greater Michigan Rural ACO, multiple addresses — Lost Medicare \$280,000; no quality score yet.

U.S. Medical Management ACO, Troy - Saved Medicare \$44.5 million; quality score of 97.25 percent.

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