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Michigan health groups reap increasing profits for Medicare, doctors, hospital systems

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- Michigan's 20 accountable care organizations earned back nearly \$97.5 million last year, compared with \$72 million in 2017
- 65 percent of Michigan ACOs earned money in Obamacare program
- Quality of care to patients improved by doctors and hospitals working together



Michigan-based accountable care organizations continue to cut costs for traditional Medicare program while reaping financial benefits for hospital and physician participants.

In 2018, three of the top 10 ACOs in the nation for total earned shares are Michigan organizations: No. 5, Beaumont ACO, Southfield, \$19.9 million; No. 8, Physician Organization of Michigan ACO, Ann Arbor, \$18.1 million; and No. 9, Affirmant Health Partners' Federation ACO, Portage, \$17.4 million.

"These accelerated results are not only a reflection of our ability to reduce unnecessary care, but also of our ability to deliver quality care to our patients," William Mayer, M.D., president and CEO of Affirmant, said in a statement. "Our success 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 over 5,000 physicians across Michigan's Lower Peninsula. Partners include Bronson Healthcare, Covenant HealthCare, Henry Ford Allegiance Health, Sparrow Health System and Spectrum Health Lakeland.

Over the two years in the program, Federation ACO has saved Medicare \$51 million, earned \$25 million in shared savings and received quality scores over 97 percent.

Overall, Medicare saved \$1.7 billion from 548 active ACOs nationally in 2018, returning a record \$965 million to the participating health care organizations and producing a gain of \$734 million for CMS. In 2017, CMS saved \$314 million from the program.

Some 66 percent of ACOs achieved savings in the Medicare Shared Savings Program, which was authorized by the Affordable Care Act of 2010.

Medicare ACOs are groups of doctors, hospitals and other health care providers, who come together voluntarily to provide coordinated high-quality care to Medicare patients. The goal of coordinated care is to ensure that patients, especially the chronically ill, get the right care at the right time, while avoiding unnecessary duplication of services and preventing medical errors.

ACOs share in savings by meeting a quality performance standard and saving at a rate equal to or greater than a minimum benchmark. Total earned shared savings are adjusted for quality performance.

Another high performing ACO is Physician Organization of Michigan Accountable Care Organization, taking care of 77,000 Medicare beneficiaries and sponsored by the University of Michigan Health System. In 2018, POM ACO saved Medicare \$43.1 million and retained \$18.1 million in earnings.

"We are proud to report savings yet again in 2018, which continues our strong track record of saving CMS over \$146 million of taxpayer's dollars during the life of our ACO and sharing in those savings the last two years," said David Serlin, M.D., POM ACO's medical director.

Last year, Serlin said POM providers focused on the transition between hospitals and nursing homes or other skilled-nursing facilities and in the number of days spent in both types of facilities to improve quality and lower costs.

Michigan's 20 accountable care organizations earned back nearly \$97.5 million last year compared with \$72 million in 2017. In addition, 65 percent of Michigan ACOs earned money in the Obamacare program, compared with 36 percent in 2017.

MICHIGAN'S TOP ACCOUNTABLE CARE ORGANIZATIONS

Accountable care organizations for total shared savings in 2018, ranked by earned savings:

Beaumont ACO, Southfield: Total savings \$45.1 million; earned \$19.9 million; quality score, 89.8%
 Physician Organization of Michigan ACO, Ann Arbor: Total savings \$43.1 million; earned \$18.1 million; quality 85.6%
 Federation ACO, Portage: Total savings \$36.6 million; earned \$17.4 million; quality score 97.2%.
 U.S. Medical Management ACO (many states), Troy: Total savings \$35.2 million; earned \$12.6 million; quality score 73.2%.
 McLaren High Performance Network ACO: Total Medicare savings, \$13.8 million; earned \$6.4 million; quality score 94.5%
 Genesys PHO LLC, Flint: Total savings \$12.2 million; earned \$5.4 million; quality score 89.5%.
 Southern Michigan Rural ACO: Total savings \$9.9 million; earned \$4.4 million; quality score 90%
 United Physicians ACO, Bingham Farms: Total savings \$7.9 million; earned \$3.9 million; quality score 100%
 Greater Genesee County (GGC) ACO, Flint: Total savings \$6.4 million; earned \$3 million; quality score 95.4%
 Greater Michigan Rural ACO: Total savings \$4.5 million; earned \$2 million; quality score 92%

Northern Michigan Health Network, Traverse City: Total savings \$3.8 million; earned \$1.8 million; quality score, 97%
Prime Accountable Care LLC, Southfield: Total savings \$3.1 million; earned \$1.4 million; quality score 92.3 %
Trillium Health LLC: Total savings \$2.6 million; earned \$1.3 million; 97.3%
The Accountable Care Organization Ltd., Farmington Hills: No savings; quality score, 85.4%.
Physician Direct ACO: No savings; quality score 86.8%
UOP ACO: No savings; quality score 98.7%
Alledade ACO: No savings; quality score 97.4%
Reliance ACO LLC: No savings; quality score 85.6%
Connected Care LLC, Port Huron: — No savings; quality score, 77 percent.
Professional Medical Corp. ACO, East Lansing: No savings; quality score 88.3%
Prime Healthcare ACO II LLC: Medicare losses -\$9.5 million; quality score 91.2%

Source: Centers for Medicare and Medicaid Services

Overall, Michigan's ACOs saved Medicare a total of \$214.9 million, up from \$181.6 million the year prior.

Trinity Health Integrated Care, which is based in Livonia, earned \$18.7 million in Medicare savings during its first year. However, Trinity operated its ACO in New York, Pennsylvania, Indiana and Idaho and is not counted as one of Michigan's 20 ACO.

How Beaumont became the No. 1 ACO in Michigan

Beaumont ACO has earned savings for six straight years with 2018 becoming one of its best years, said Walter Lorang, its executive director and COO. The ACO, which includes now includes all eight Beaumont hospitals and 1,700 physicians, generated \$45.1 million in total savings, earning \$19.9 million in 2018.

"We continue to focus on ways to help patients manage their health," Lorang said. "Our collaboration with physicians has helped us improve communication and information sharing among primary care physicians, specialists and hospitals."

Ryan Catignani, vice president of managed care and accountable care services, said Beaumont Health's close partnership with physicians in the ACO has "allowed us to improve efficiency, reduce costs and improve care."

In 2014, Beaumont Health was formed in a merger with four-hospital Oakwood Healthcare, three-hospital Beaumont Health system and Botsford Hospital. Beaumont ACO originally was formed as the Oakwood ACO.

In 2018, the Beaumont ACO for the first time incorporated all three of Beaumont's three legacy hospitals and doctors, increasing covered lives from 13,412 to more than 23,900.

"We had the third highest savings rate nationally" at 15 percent, Lorang said. Beaumont's six-year average is 10.8 percent. The national ACO average is about 2 percent. The savings rate

is the number of dollars an ACO saved Medicare divided into its historic benchmark Medicare spend. Beaumont's historic Medicare spending for its ACO population is \$300 million.

"We are not a flash in the pan. We have had consistent success over time," said Lorang, noting that Beaumont has saved Medicare a total of \$133 million since 2012, retaining \$60 million at an average quality rating of 92 percent.

Catignani said Medicare's shared savings program fits in well with Beaumont's transition from fee-for-service payments to fee-for-value.

Lorang said Beaumont has three basic approaches to reducing costs for its traditional Medicare ACO patients. First, it uses the patient-centered medical home model to coordinate care at the primary care physician level and with specialists and hospitals; second, it uses several care management programs to reduce costs for the sickest patients; three, it uses technologies like electronic medical record systems to track care and avoid duplication and waste.

Care management programs include advanced illness management, where six nurses focus on the top 1 percent sickest patients to make home visits, drive patients to doctor appointments; transition of care, when a patient has been discharged from a hospital and nurses follow up to ensure they follow instructions; skilled nursing care followup, where nurses make sure patients receive best care in post-acute care settings.

"We want to create a disease management program to focus on high-cost patients," said Lorang, adding that every year ACOs need to find more ways to reduce costs because Medicare measures savings based on each ACOs previous year.

Michigan ACOs

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 404,507 Medicare patients, according to an analysis by Crain's.

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

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.

Inline Play

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