Accountable Care Organizations (ACOs) are legal frameworks that were authorized under the Affordable Care Act. There are many working definitions of ACOs, but generally an ACO is an affiliated group of health care providers held jointly accountable for achieving a set of outcomes and cost performance measures. If successful, an ACO can be rewarded financially for achieving quality and efficiency. ACOs are taking on different forms, but many are on the cutting edge of delivering population health management and are accountable for the full care of the patient.

There are many national analyses of ACOs, but Vitalyst Health Foundation set out to gain a more qualitative understanding of how Arizona’s ACOs are organized and how well they are working. The October 2016 report summarizes the national data and provides a lens into the Arizona landscape.

From a national perspective we know that:

- There were more than 800 ACOs in existence in the U.S., and more are forming all the time. They primarily started as Medicare ACO’s, but now there are all kinds of different configurations, including many different types in Arizona.
- Since 2012, more than $1.29 billion in total Medicare savings has been generated by the Medicare ACOs.
- It’s clear that just doing payment reform isn’t enough to meet quality indicators. Dramatic changes in care coordination and the way care is delivered is necessary to achieve positive results.
- The data shows that bigger is not always better – some of the smaller physician-led ACOs have achieved excellent results compared to some of the larger health systems.
- ACO quality measures scores are generally going up, although there is still a lot of variability in quality and savings. It’s clear there is still a need to share best practices to help all ACOs achieve better performance.
- In general, the longer ACOs are in operation, the better they perform – so experience matters.

To delve into the Arizona models, Vitalyst Health Foundation contracted with Dr. Palmer Evans to interview ACO leaders throughout the state. Dr. Evans formerly was the Chief Medical Officer for Tucson Medical Center, and was deeply involved in the creation of the Arizona Connected Care ACO in Tucson. As he interviewed other ACO executives, their discussions included the ACO’s history, the governance model employed, the types of quality measurements utilized, the role and model of care coordination, technology, and health plan relations.

The objective was to summarize the qualitative experiences of Arizona’s ACOs in delivering on the promise of changing health care delivery for the better. The resulting report offers key observations from ACOs and other health care leaders on what is working and not working in ACO implementation. It also proposes recommendations for further strengthening ACOs in general, and payment/delivery reform in particular.
What are some of the report’s insights?

- Arizona has a wide variety of ACO organizational structures, but the majority of Arizona’s ACOs are still hospital-owned and governed by physicians. National studies indicate that the most successful ACOs to date are physician-owned or led. Arizona’s ACOs appear to have strong physician leadership, even when a hospital is the backbone of the organization.

- National studies indicate that ACOs can achieve maximum effectiveness in controlling costs and improving care when they work closely with payers to achieve utilization, efficiency and quality goals. Yet it appears that the relationships between health plans and the existing Medicare ACOs in Arizona are relatively weak.

- All of the ACOs are making progress on their quality measures, but success in monitoring and reporting quality is directly related to how well ACOs are able to execute on their integrated technology needs. That continues to be a major challenge for many of these organizations.

- One of the critical factors for ACOs to succeed is a sufficient number of primary care providers to care for the patients and coordinate care. Some federal requirements specify that primary care physicians can only join one ACO, whereas specialists can join multiple ACOs in a market. Since Arizona has a significant shortage of primary care professionals, this has proven to be a challenge for state ACOs to contend with.

- Good care coordination – and providing care transitions from acute settings to other settings – is key to the overall success of ACOs. Arizona has some great success stories, although there is opportunity to improve integration of the technology platforms for delivering effective care coordination and population management.

Summary

For many years, Arizona was a nationally recognized leader in health innovation. Even though it was the last state to join the federal Medicaid program, it was one of the first states to implement Medicaid managed care, and led the rest of the country in implementing home and community-based care within Medicaid. In addition, Arizona was early in adopting ACO strategies and there are a wide variety of models in the state that are working. As new efforts to drive value-based health care evolve, Arizona has the chance to once again be a national leader. The key will not only be to encourage experimentation, but collaboration, and build on partnerships as these efforts evolve to include the social determinants of health and broader population health.

Find the full report at vitalysthealth.org/publications