Insight

Pioneer ACOs: Not Exactly a Success

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This week several news outlets published stories about the great successes of the Pioneer Accountable Care Organization (ACO) demonstration project, a managed care approach explained in depth here, and the potential positive implications for Medicare.[1] While it is understandable that many are desperate to find any sign of success deriving from the health reform law, wishful thinking doesn't actually make the Pioneer ACO program a success. The hype surrounding the $400 million savings is overblown, and the stability of the Pioneer model should be seriously questioned before more Medicare funds are committed to a relatively untested and largely unsuccessful program.

The headlines read that the ACO program has saved Medicare $400 million in just the first two years. As it turns out, $280 million of that was generated in the first program year before the quality improvement measure requirements went into effect.[2] During the first year, ACOs were considered successful providers of high quality care not if they actually provided high quality care, but merely if they reported the way in which they provided care. In the second year, they were required to demonstrate that they actually provided high-quality care, and with this requirement came a significant drop-off in savings to only $105 million.[3] This change is evidence that $105 million is probably more indicative of what average Medicare savings would be moving forward.

If the ACOs do continue to save Medicare up to $105 million a year, and savings do not continue to drop off as other Affordable Care Act (ACA) requirements for care providers come into effect, these savings are still a mere drop in the bucket of Medicare's $492 billion annual budget.[4] That means the ACOs saved Medicare 0.0002 percent.

These small numbers would be more understandable if it were not for the fact that the original 32 Pioneer ACOs were hand-picked by the Centers for Medicare and Medicaid Services (CMS) specifically for their unique organizational structures that made them the best suited organizations in the country to form Medicare ACOs. Yet by the end of the second year of the program, more than half of these poster-children for ACOs have dropped out of the program (13) or deferred financial reconciliation until the end of the demonstration period (3).[5] Of the 16 ACOs still fully participating in the program, about one-third are losing money.

The Pioneer program has had some interesting results, and the demonstration project itself certainly has value. But these ACOs were supposed to be ringers, hand-picked because of their likelihood of success, and still the results of the first two years of the demonstration are unimpressive. The Medicare Shared Savings Program (MSSP), the younger sister program to the Pioneer demonstration, began with 114 diverse ACOs, and will be a much better indicator of whether the ACO model should be expanded to a larger portion of the Medicare program (spoiler alert: MSSP so far has also been rather a failure).

Department of Health and Human Services (HHS) Secretary Sylvia Burwell's announcement[6] that the Pioneer program was successful and is therefore justification for expanding ACOs to 50 percent of the Medicare population in the next 3 years based on these results was dangerously premature. The leaders of HHS and CMS should instead make the most of the different demonstration projects and use them as tools to learn about the

way in which ACOs function. These demo projects represent an opportunity to improve the program rather than a justification to expand a relatively untested ACO program with plenty of non-generalizable results and red flags.

[1] http://www.wsj.com/articles/pioneer-model-saved-medicare-nearly-400-million-in-two-years-1430748437; http://www.newyorker.com/magazine/2015/05/11/overkill-atul-gawande