

# ACOs & Cost Savings



## **How Do ACOs Save Money?**

Care coordination is the cornerstone of ACO success. ACOs work to provide the right care at the right time, prevent hospital admissions and readmissions, focus on proper care transitions, and increasing medication compliance. ACOs invest [on average \\$1.6 million](#) per year in health IT, analytics, and care managers.

## **How Much Money Have ACOs Saved?**

- ACOs saved Medicare \$3.53 billion between 2013-2017, according to an [independent analysis](#) by Dobson | Davanzo . After accounting for bonuses paid to ACOs for hitting spending and quality targets, the Medicare Shared Savings Program (MSSP) netted \$755 million from 2013-2017. The MSSP generated gross savings of \$1.7 billion in 2018 alone, [according to CMS data](#). Learn more about this growing body of evidence with the NAACOS [resource](#).

## **How Long Do ACOs Need Before Taking on Risk?**

- It took the average ACO that earned savings in 2017 three years to initially generate savings. Of the 142 MSSP ACOs that earned shared savings in 2017 and had prior experience, [36 percent](#) showed losses in their first two years of the program. Medicare data continue to show ACOs who have been in the program longer are more likely to hit spending targets. Specifically, of the ACOs that started in 2012, twice as many generated savings compared to ACOs that started in 2015. This shows ACOs are making investments which yield positive results over time.

## **How is quality guaranteed?**

- If quality standards aren't met, the ACO is denied shared savings regardless of how much they lowered costs. This requirement promises that ACOs aren't simply denying care in order to lower spending. Even for ACOs that meet those quality standards, shared savings rates are adjusted for quality, incentivizing higher quality care.

## **Don't take our word for it:**

- “[W]e estimate that, by 2016, Medicare spending growth for beneficiaries in our MSSP treatment group was 1 percentage point to 2 percentage points lower than it would have been without the MSSP,” – **Medicare Payment Advisory Commission**, June 2019 [Report](#).
- “ACOs can provide a path away from fee-for-service medicine and represent one of the first and most widespread efforts to make value-based care a reality,” – **Seema Verma, CMS Administrator**, [Aug. 9, 2018](#).
- “I'm pleasantly surprised [by the results] since I regard ACOs as primarily transitory models to get physicians who aren't used to working in a shared savings kind of program to understand what they're doing,” – **Gail Wilensky, former CMS Administrator**, [Sept. 11, 2018](#).
- “ACOs show promise in reducing spending and improving quality,” – **HHS Office of Inspector General** August 2017 [Report](#).