Medical Xpress

Accountable care model savings on the upswing

September 12 2016

After a debut year marked by early promise but net losses, the Medicare Shared Savings Program went on to generate net savings in its second year of existence, according to research from Harvard Medical School.

Results of the analysis are published ahead of print on Sept. 9 in *JAMA*.

"The savings are modest, but they are growing," said study author J. Michael McWilliams, the HMS Warren Alpert Foundation Associate Professor of Health Care Policy at HMS. "It takes time for health care providers to change models of care delivery in response to new incentives."

The federal program, established in 2012 as part of the Affordable Care Act, commonly known as Obamacare, sets global budgets for participating organizations and provides bonus payments to those that stay within budget while also improving the quality of patient care. To date, the program includes 460 participating organizations and covers one in four Medicare beneficiaries.

In 2013, the first full year of the program, bonus payments to high-performing organizations exceeded the reductions in fee-for-service spending. As a result, Medicare suffered a net loss of $73.5 million, according to the analysis.

But analysis of performance during 2014—the second year of the program—revealed more promising results. Specifically, reductions in fee-for-service spending grew from 1.5 percent in 2013 to 2.6 percent in 2014 among the 114 organizations that entered the program in mid-2012.

Spending reductions achieved by the 106 organizations that joined the program on Jan. 1, 2013, were smaller, but did show a notable 1 percent growth between 2013 and 2014.

In 2014, the overall net change in spending across all organizations—including 115 more joining the program in 2014—amounted to a $628 million reduction in fee-for-service spending. This reduction exceeded bonus payments of $341 million, constituting a net savings of $287 million to Medicare from the program.

The savings were generated primarily by independent physician groups without financial ties to hospitals, the analysis reveals. That finding, McWilliams said, challenges the common assumption that success for new payment systems is predicated on the formation of large integrated delivery systems.

Provided by Harvard Medical School