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Market and demographic factors in forming ACOs: Study find first empirical evidence of external market forces at play

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Accountable care organizations are rapidly being formed with the implementation of the Affordable Care Act, and they are being established in areas where it may be easier to meet quality and cost targets, researchers at The Dartmouth Institute for Health Policy & Clinical Practice said in a study published in the journal *Health Services Research*.

An accountable care organization is a group of providers collectively held responsible for the overall cost and quality of care for a defined patient. ACOs and other value-based payment reforms are intended to address long-standing problems confronting U.S. health care: uneven quality, unsustainable costs, and care that is fragmented.

Dartmouth researchers looked at the scope of ACO implementation because little is know about what is driving the locations where they are being established. They found that more than half the U.S. population lives in areas where ACOs have been formed, although not all are being treated by physicians that are part of an ACO.

The study confirms concerns that the current ACO model may face barriers to implementation in many regions because formation appears to be driven by demographics and market forces.

The study identified 227 ACOs located in 27 percent of local areas,

where the majority of the U.S. population lives. These areas have certain characteristics, such as higher performance on quality, higher Medicare per capita spending, fewer primary care physician groups, greater managed care penetration, lower poverty rates, and urban location.

"This is the first study to look at the formation of accountable care organizations in a systematic way and to report where ACOs might be more or less likely to form based on the characteristics of the health system and population of patients," said Valerie Lewis, principal investigator. "It is important to know if health care reforms are reaching the U.S. patient population evenly or if their formation may increase disparities in health and health care."

These findings provide the first empirical evidence regarding what external market factors may facilitate or inhibit ACO formation, which is uneven. ACOs are less likely to have formed in high-poverty regions and rural areas. And, they are more likely to have formed in high-cost areas and areas that are high performing on quality measures.

Organizations in high-spending regions may have greater confidence that they can reduce per capita costs than organizations in low-spending regions, the researchers said.

Physicians in regions with fewer billing groups possibly find it easier to form an ACO because these larger groups have enough patients to meet the minimum threshold of patients needed to form an ACO. Additionally, size may make it easier to negotiate contracts with major payers.

The researchers believe that organizations in rural areas or areas of high poverty may be under-resourced and have less capacity to make the capital investments necessary to implement an ACO contract.

The Dartmouth researchers say that as more data becomes available on the ACO payment model, further studies can be done to determine how many people are currently getting care through them, what the capabilities are of the ACOs, and whether they are successful at achieving the aims of reduced costs and high-quality care.

Provided by Dartmouth-Hitchcock Medical Center