

Will Medicare ACOs Move Market Share?

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One hundred and six new ACOs were announced in January, bringing the total to over 250. About 4 million Medicare beneficiaries—8 percent of the total Medicare population—are now getting their care within a Medicare ACO. That means ACOs are overseeing about \$40 billion of annual Medicare spending.

Four million lives is an impressive number for a program that didn't exist a little over a year ago. However, that figure actually understates the impact that ACOs could have on the competitive dynamics in a local market.

Because some markets have no ACOs, others have considerably more than 8 percent of their Medicare beneficiaries in an ACO. In fact, some now have the majority of their Medicare population in a Medicare ACO or Medicare Advantage plan. A market can tip overnight from a fee-for-service focus to a population-health focus.

Medicare has never been a favorite payer of hospitals. "We lose money on every admission," is a common refrain. Sponsoring an ACO, reducing your admissions, and getting just a fraction of the savings is not a great deal for hospitals given their high fixed costs. (See an analysis at: "Three Steps to Analyze Your Organization's ACO Opportunity.")



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However, if marketwide utilization goes down, while a hospital gets more of the remaining admissions that can be a relative win. Success depends on market share. So the question is whether ACOs will drive positive shifts in physician alignment and market share that matter.

It's too early to know how much ACOs will move market share, but we should all keep an eye on two things:

- Can hospital-sponsored ACOs attract primary care physicians and/or retain more admissions (e.g., hip replacements) that may otherwise have gone to competing hospitals?
- Will physician-only ACOS – which account for about half of the 250 ACOs out there – use their patient relationships to guide patients to “friendly” hospitals that help them manage quality and costs?

How can you become that “friendly” hospital? Potential approaches include:

- Supporting quality measurement and performance on the 33 quality measures that matter to ACOs
- Linking physician and hospital electronic records
- Calling the primary care physician when a patient appears in the emergency department
- Smoothing care transitions

The best approaches may vary, but don't be afraid to reach out. Most physician-led ACOs are open to the discussion. ●

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