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MEDICARE MOVES STRONGLY TO VALUE BASED PAYMENT...A TIPPING POINT?

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Over the last several years, doctors and other health-care professionals have worked to transform accountable care organizations (ACOs) from an academic idea into a meaningful presence in the health-care marketplace. Last week, the federal government threw its considerable weight squarely behind that effort, for the first time setting clear goals for ramping up the use of ACOs and other alternative payment models in Medicare.

In an **editorial** for the *New England Journal of Medicine*, federal Health and Human Services Secretary Sylvia Mathews Burwell announced that by the end of 2016 her agency plans to have 30% of all Medicare payments “tied to quality through alternative payment models,” including ACOs, patient-centered medical homes, and bundled payments. Additionally, HHS plans to have 50% of Medicare payments made under alternative payment models by the end of 2018. Further, even among the payments that remain under the fee-for-service model, the vast majority will be linked to quality and value in some way—85% by 2016 and 90% by 2018.

Right now, only about 20% of Medicare payments are made through alternative payment models, meaning that HHS’s new goals entail a 50% increase in the quantity of Medicare dollars going to alternative payment models by the end of next year and a 150% increase by the end of 2018. In 2014, Medicare made \$362 billion in fee-for-service payments—a huge number, much of which will increasingly be directed towards ACOs.

Many details of the plan have yet to be ironed out. Will the administration focus on ACOs or on other alternative payment models like bundled payments? How will it measure quality? To what extent will private payers, Medicaid and other health-industry players join in Medicare’s push towards accountable care? Nonetheless, this announcement is the strongest signal yet that the federal government has bought into the idea of paying for value, not volume, and that it is willing to invest substantially in the emerging accountable care model.

If you have questions about ACOs or other alternate payment models or questions about the information in this article, please contact **Bo Bobbitt**. Mr. Bobbitt has many years’ of experience helping physicians to form integrated delivery systems and has spoken and written nationally to physicians on the strategies and practicalities of forming or joining ACOs.

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