

PHYSICIAN CONSOLIDATION AND THE SPREAD OF ACCOUNTABLE CARE ORGANIZATIONS

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Accountable Care Organizations (ACOs) are groups of physicians and hospitals that jointly contract to care for a patient population. ACOs assume different levels of financial risk in caring for a population and can receive financial rewards for achieving certain cost and quality goals. Since the launch of the Medicare Shared Savings Program (MSSP) in 2012 – the country's largest ACO program – ACOs have grown rapidly. In 2018, 561 MSSP ACOs covered 10.5 million patients.

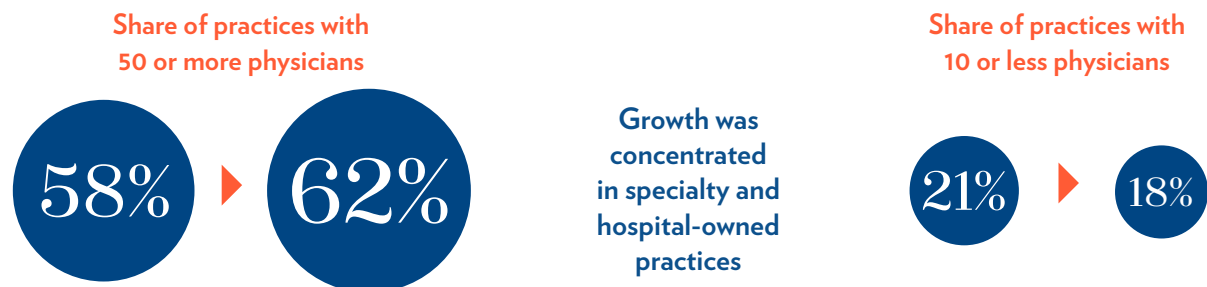
ACO contracts incentivize coordination of care across providers. This coordination might be easier to do in large, multi-specialty group practices than it would be in smaller practices. As a result, ACO contracts may lead to greater consolidation of physician practices, which can in turn generate higher costs and lower quality – opposite to the aims of accountable care. Given this, the study asks, **as ACOs enter health care markets, do physician practices grow larger?**

Study:

- ▶ Examined practices in MSSP ACOs between 2010-2015 (before and after program implementation)
- ▶ Compared counties with and without ACOs
 - ▶ Counties with 30% or higher share of practices in ACOs were considered “high-ACO counties”
- ▶ Examined trends by practice size and type

Compared to counties with no ACOs, in high-ACO counties from 2010 to 2015...

Large practices increased, small practices decreased



The largest practices (90th percentile for size) got larger



IMPLICATIONS

- ▶ **Physician practices consolidated as ACOs entered markets:** in the first three years following the launch of the Medicare Shared Savings program, practices grew larger in markets with more ACOs.
- ▶ **Market power may be concentrated in a few large practices:** in high-ACO counties, there was a roughly three-fold increase in large practices (from 87 to 288).
- ▶ **Specialty and hospital-owned practices are amassing market power:** specialty practices are combining with other practices and consolidating with primary care, while hospitals are combining with other hospitals.
- ▶ **ACOs are affecting physician markets in important ways:** if a few large practices control the market, they can significantly increase prices and possibly diminish the quality of care.