

# 2023

A POLICY NOTE

# A Global Review of Accountable Care Organizations

## Design Features and Lessons Learned

Reimbursable Advisory Services:  
Technical Assistance on Health Economics

المجلس الصحي السعودي  
Saudi Health Council



رؤية  
2030  
الهيئة العامة  
KINGDOM OF SAUDI ARABIA



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# Acknowledgements

This policy note was produced by the Saudi Health Council (SHC), with technical support from the World Bank (WB). It is an output of the 2022 Reimbursable Advisory Services (RAS) program between the WB and the Kingdom of Saudi Arabia (KSA). Taghred Alghaith (SHC) and Christopher H. Herbst (WB) task led the overall work program.

Contributors from the SHC included Mohammed Alluhidan, Taghred Alghaith, Adwa Alamri, Rana Saber, Abdulrahman Alfaisal, and Nahar Alazemi. Contributors from the World Bank include Michael D. Finch, Yi Zhang, Stephen T. Parente, Di Dong, Daniel K. Zismer, and Christopher H. Herbst.

The team is grateful for the overall support provided by H. E. Nahar Alazemi, Secretary General of the Saudi Health Council; Rekha Menon, World Bank Practice Manager of HNP in MENA, and Issam A. Abousleiman, World Bank Regional Director for the GCC countries.

The SHC and the WB do not guarantee the accuracy of the data included in this work. The findings, interpretations, and conclusions expressed in this work are those of the authors, and do not necessarily reflect the views of the Saudi Health Council or the World Bank, their Boards of Directors, or the governments they represent.





# Abbreviations

ACO	accountable care organization	IT	information technology
CDS	clinical decision support	KSA	Kingdom of Saudi Arabia
CMS	Centers for Medicare & Medicaid Services	MENA	Middle East and North Africa
EHR	electronic health record	MSSP	Medicare Shared Savings Program
EMR	electronic medical record	PBPM	per beneficiary per month
FFS	fee-for-service	PCF	Primary Care First
GCC	Gulf Cooperation Council	PCMH	Primary Care Medical Home
HHC	Hierarchical Condition Category	PCP	primary care physician
HMO	health maintenance organization	PMPM	per member per month
HIM	health information management	RAS	Reimbursable Advisory Services
HIT	health information technology	TCOC	total cost of care
HNP	Health, Nutrition, and Population (sector of the World Bank)	US	United States
IPA	individual practice association	WB	World Bank



# Executive Summary

**Accountable care structures are increasingly adopted in health systems across the world.**

Originating as a conceptual model in the United States, accountable care structures have existed in earlier forms both in the United States and the world. *Accountable care organizations* (ACOs) constitute groups of physicians and hospitals that operate as a legal entity and that are collectively accountable for the cost, needs, and quality of care for a defined population (termed beneficiaries).

**The design of ACOs draws on various value-based payment models, which links the payments for delivering health services to both care quality and health outcomes for a defined population over a specified time horizon.**

By providing coordinated care as a team, sharing information, and aligning financial incentives, ACOs hold the potential to provide high-quality care and limit avoidable, unnecessary spending for the entire defined population. They offer a unique opportunity to both address inequalities and improve health system efficiency. In Saudi Arabia, the reform of existing service delivery structures into ACOs are central to the Vision 2030 implementation plan for the health sector.

**One of the origins of the accountable care model is integrative care.**

Prior to 2009, global interest in models of integrative care as a pathway to increase access to quality care while slowing the growth of health care spending was already common. The heterogeneity between implementations across national comparisons, however, made it difficult to understand which parts of the integrated care model

were the most important, the most effective, or the most equitable because both findings, and the strength of those findings, were not generalizable across countries. Recognizing this problem, McClellan and colleagues coined the term *accountable care* in 2009, and defined it as “a system in which a group of providers are held jointly accountable for achieving a set of outcomes for a prospectively defined population over a period of time and for an agreed cost.”

**ACOs are different from health maintenance organizations (HMOs).**

ACOs are frequently thought as a further development of managed care organizations or HMOs. While similar in design, there are important differences. First, HMOs are paid a fixed, per member fee that reflects the actuarial risk of their population, whereas ACOs negotiate a total cost of care (TCOC) for their population for a fixed period of time. Second, HMOs provide financial disincentives for members to receive their care outside the HMO’s contracted providers with whom they have negotiated prices. Third, HMOs must manage their operating margins to a monthly payment as opposed to ACOs accepting upside incentives (or both upside incentives or downside risk) for their total fee-for-service (FFS) costs below (or above for downside risk) a benchmark. Finally, back-office costs (accounting, financial functions, enrollment tracking and verification, and so on) for HMOs are higher than they are for ACOs.

**A contemporaneous complement to ACOs is the Advanced Primary Care model.**

This concept was developed by the US Centers for Medicare & Medicaid Services (CMS).

Advanced Primary Care is sometimes referred to as a Primary Care Medical Home (PCMH), which was the first iteration of CMS's Advanced Primary Care program. PCMHs include a full range of primary care providers, specialized physicians, nurse practitioners, and advanced-practice nurses, all with the goals to improve quality of care, patient satisfaction, and reduced expenditures through increasing patient access to advanced primary care services.

**The definition of *accountable care* adopted in this policy note encompasses the intent and implementation of a recently developed Primary Care First (PCF) program.** This is a form of the Advanced Primary Care model. There are similarities and differences between this model and the HMO and ACO models. Similarities between the PCF model and the ACO and HMO models include the host of tools currently employed by both ACOs and HMOs. Furthermore, similar to ACOs and HMOs, PCF providers have a defined population for whom they are responsible for a fixed period of time.

**This policy note reviews the global experience with developing accountable care systems and distills some of the key findings and lessons that can be of use to reform architects.** In order to shed light on the benefits and effectiveness of ACOs and identify critical elements for their success, this policy note provides a comprehensive review of the relevant literature to date on the application of the accountable care design on a global scale in terms of effectiveness and generalizability for broader application. The policy note should be of interest to all those governments and policy makers who are planning to, or who are already engaged in, reforming their health service delivery structures around mechanisms for greater efficiency and accountability to results.

**The review shows that, globally, models of accountable care have shown mixed results on quality and marginal effects on cost.** There have been successes; however, translating

the success of these models internationally requires an understanding of not only the applicable cultural and clinical contexts but also a commitment among providers to develop the competencies needed to succeed (that is, the will to work together). It will also require the governing bodies to revamp or remove systemic impediments to the ability to work together for providers within a network toward aligning the goals of better patient access, better experience, and better outcomes, with the need to reduce costs.

**The success of ACOs seem to center on five elements: organizational alignment, partnership, health information technology and data analytics, risk adjustment, and provider performance.** The first three critical elements are within the control of the accountable care practice. The first of these is the continuous strengthening of organizational alignment at operational, cultural, and cognitive levels among health providers within ACOs to achieve the shared visions and goals. The second element within the control of the practice is the formation of partnerships to improve the scope of clinical operations, which speaks to horizontal integration of service lines across the organization to build efficient resource interdependence and the collaboration necessary to deliver consistent high-quality care, and scale which enables the organization to efficiently deliver a full spectrum of clinical services from primary care through long-term care. The third element within the control of the practice is the availability of adequate health information management and health information technology to improve patient management, coordination, and engagement. The remaining two critical elements, which rely partly on external factors, include employing risk adjustment models that accurately estimate the cost of the highest-risk patients to ensure sustainable health financing; and using performance benchmarks to incentivize high-performing groups, achieving organizational transformation.

# INTRODUCTION

There is growing global interest in developing models of integrative care as a pathway to increasing access to quality care while slowing the growth of health care spending. Unfortunately, the term *integrative care* has come to describe a broad range of implementations that share little else in common. Back in 2009, Armitage et al. documented over 175 overlapping definitions and concepts of integrated care [1]. In their 2012 evaluation of the United Kingdom's Department of Health Integrated Care Pilots, RAND went so far as to warn "...we take care to avoid confusing and inaccurate generalizations about the merits or otherwise of 'integrated care' as though there was some fundamental agreement about its meaning" [2].

**Globally, the design and implementation of models of integrated care is highly heterogeneous, which makes comparison of experiences challenging.** The heterogeneity between implementations across national comparisons made it difficult to understand which parts of the integrated care model were the most important, the most effective, or the most equitable, as both findings, and the strength of those findings, are not generalizable across countries. In the end, the World Health Organization report on integrated care concluded: "The concept of integrated care is strongly shaped by perspectives and expectations of various users in the health system, making a unified definition difficult. Interestingly, all definitions converge around highlighting the central role of population and individual. Furthermore, adopting a health system perspective, the use of the term 'integrated health service delivery' is seen as more reflective of the notion" [3].

**This policy note draws on a well-recognized definition of accountable care, which**

**incorporates three of the most recent models that emerged out of the older framework of integrated care.** *Accountable care* is "a system in which a group of providers are held jointly accountable for achieving a set of outcomes for a prospectively defined population over a period of time and for an agreed cost" [4]. This is the definition first used by McClellan et al. after recognizing the heterogeneity of the concept and the resulting complications in a definitive definition. It is this definition that we employ in the remainder of this work. This definition of accountable care incorporates three of the most recent models to grow out of the older integrated care framework: health maintenance organizations (HMOs) (as well as their various incarnations), accountable care organizations (ACOs) (along with implementations of various, but not complete, forms of the original US implementation of ACOs), and advanced primary care practices. Each of these contains the essential elements of an accountable care model but represents different implementations of the model.



# THREE MODELS OF ACCOUNTABLE CARE

This section describes the development of three main accountable care models and their early implementations. They are HMOs, ACOs, and advanced primary care providers. All three models have grown out of the older integrated care framework, vary in design, and have their own strengths and weaknesses.

## 2.1 Health Maintenance Organizations

**An HMO features a network of health care providers that treat a voluntary patient population for a prepaid cost [5].** As such, HMOs combine financing and care delivery, creating an incentive to provide cost-efficient quality care [6]. Thus, the HMO acts as both service provider and insurer. In contrast to the traditional fee-for-service (FFS) system, where providers decide what care to administer and then seek payment for that care from insurers, the HMO receives a capitated payment (a fixed payment) for each member in the organization. In the United States, HMOs are funded by contracts with public entities such as Medicaid/Medicare, or private entities such as employers. These entities usually compete on the low overall cost of care for a given population and in combination with reasonable evidence of acceptable access to care and quality of care.

**The HMO model is designed to incentivize and maximize the quality and efficiency of service delivery.** The very design of an HMO incentivizes the plan to engage high-quality care for its members while stressing prevention and patient self-management as well as eschewing expensive hospital care by substituting more efficient modes of care delivery and avoiding unnecessary care [7]. For example, if a patient with a chronic illness such as diabetes regularly undergoes blood tests to check their hemoglobin

A1c, some of the more severe conditions associated with out-of-control diabetes (such as skin ulcers, blindness, or amputation) could be avoided. Doing so would substantially decrease the costs to the HMO, which is ultimately responsible for managing care and paying the medical bills.

**There are four generally recognized models of HMOs, which vary in their design.** In the so-called group model, the HMO contracts with a group of physicians for a set fee per patient to provide many different health services in a central location. The group of physicians determines the compensation of each individual physician. In the *individual practice association (IPA) model*, the HMO contracts with a private practice physician or physician group to provide health care services in return for a negotiated fee. The IPA then contracts with physicians who continue in their existing individual or group practice. In a *network model*, the HMO contracts with a variety of groups of physicians and other providers in a network of care with organized referral patterns. In a *staff model*, the physicians are salaried staff of the HMO and provide care exclusively for the HMO's population.

**HMOs can also be described by the restraints they impose on their population.** An *exclusive provider organization* provides benefits only if care is rendered by providers within a specific network, while some HMO's offer point-of-

service. These HMOs allow members to receive care from both network providers and out-of-network providers. Typically, there are fewer covered benefits associated with the use of out-of-network providers. In addition, members usually pay substantially higher out-of-pocket costs when seeking care from out-of-network providers.

**HMO models are a mainstay of health care coverage in the United States; these models have evolved over the past decades to meet critical challenges.** Their success in meeting these challenges has been mixed. Medicare instituted HMOs in 1985, and the HMO model has been, and remains, a mainstay of health care coverage in the United States, evolving to meet the criticisms of both its members and the policy community. While several staff model HMOs are healthy and thriving, network models with point-of-care options are now the norm. However, the dual agency involved in both acting as a service provider and acting as an insurer has taken its toll. HMOs must master the key competencies of both health care provider and insurance company. Christenson et al. examined HMO failures from 1981 through 1989, a period of rapid growth in the nascent HMO environment. They reported that HMO failures "... increased from one between June 1984 and June 1985 to fifty-three in 1988, while mergers rose from two to forty-five in the same period" [8]. Some considered this to be a shake-out period, where HMOs lacking expertise in both realms exhibited a tendency to underestimate their incurred-but-not-reported claims or overestimate their receivables, often leading to bankruptcy or acquisition; at the same time, these HMOs lacked avenues for subsequent cost savings through cost shifting. Browen et al., in their 1993 paper, concluded that HMOs had not saved money for Medicare even though HMOs were able to reduce hospital days by 16 percent (however, they were not able to reduce hospital admissions) [9].

**Aside from the lack of financial success of many Medicare HMOs, there is limited evidence that HMOs have increased quality of care.** In their influential paper, Miller and Luft reviewed the literature on HMO performance from 1997 to 2001 and found that HMOs' care

quality was comparable to that of traditional FFS approaches, while HMOs lowered the use of hospital and other expensive resources [10]. At the same time, HMOs reduced many measures of access to care and were associated with lower levels of enrollee satisfaction than non-HMOs. Quality-of-care research results, however, are particularly heterogeneous, which suggests that quality varies greatly among providers, plans (HMO and non-HMO), and geographic areas. Their conclusion was prophetic: "The consistently mixed quality-of-care results for HMO versus non-HMO plans over the past two decades suggests that for HMOs to meet the vision of their advocates and, as a whole, outperform PPO and indemnity plan quality of care, nothing less than a systematic revamping of health care information systems, incentives, and clinical processes may be required. It remains to be seen whether such a revamping will occur. If it does not, HMOs will likely be but a footnote in the history of U.S. health care" [11].

## 2.2 Accountable Care Organizations

**The concept of ACOs has existed for the past 50 years.** The birth of ACOs was foreshadowed 50 years ago by Paul Ellwood, who coined the term *health maintenance organization* in 1970 at the Jackson Hole Group [11]. The influence of the Jackson Hole Group on demand-side health care policy and the evolution and implementation of HMOs in the United States was evident in both the Clinton-era health care reform effort and the Obama-era Affordable Care Act, which institutionalized the development of ACOs.

**The goal of ACOs was to improve quality of and access to care while holding constant, or reducing, the volume of care.** This was to be accomplished through bonus payments for meeting quality targets and lower payments for not meeting the targets. The Medicare Payment Advisory Commission (MedPAC), in their 2009 report to Congress, described an ACO as consisting of "... primary care physicians, specialists, and at least one hospital. It could be formed from an integrated delivery system, a physician-hospital organization, or an academic medical center. The defining characteristic of



ACOs is that a set of physicians and hospitals accept joint responsibility for the quality of care and the cost of care received by the ACO's panel of patients"<sup>1</sup> Two ACO models were described: one in which providers volunteer to form an ACO and one in which participation from providers is mandatory.

**In the United States, the design and implementation of ACOs followed a number of core features.** ACOs were implemented as groups of clinicians, hospitals, and other health care providers who come together voluntarily to give coordinated high-quality care to a designated group of patients. Under this arrangement, ACOs first receive FFS payments for actual service provided. Patients can also receive care from providers who are not part of the ACOs. At the end of year, ACOs also included bonus payments for up-side savings but no penalty for down-side losses (though two-sided risk was eventually introduced). Savings were defined as the estimated average per capita expenditures under the ACO below the applicable benchmark, with adjustment for beneficiary clinical characteristics.

**The definition of accountable care used in this policy note encompasses both the older HMO model and the ACO model, which exhibit several similarities.** These similarities between HMOs and ACOs include the host of multiple tools currently employed in most integrated or managed care practices. These tools include, but are not limited to, tools that are able to identify at-risk individuals using comprehensive data sources; focus on prevention and wellness; establish electronic, searchable patient registries that enable the management of health care services; provide appropriate follow-up; identify gaps in patient care; offer care coordination that focuses on patient and family-centered care; track and coordinate care setting transitions; integrate direct communication between primary care physician (PCP) and care coordinator so they work together to ensure consistency and continuity of care; provide care plans for selected patients with a chronic or complex condition, involving the patient and, if appropriate, the patient's family; and establish and maintain relationships with community

partners to connect patients with needed resources.

**Some pivotal differences between HMOs and ACOs also exist. First, HMOs are paid a fixed, per member fee** that reflects the actuarial risk of their population. ACOs negotiate a total cost of care (TCOC) for their population for a fixed period of time (typically one year) and a risk-sharing arrangement. Risk sharing can be sharing just the upside risk, splitting any savings from the negotiated TCOC in an agreed upon percentage, or it can entail both upside and downside risk. In this case, the ACO may be accountable for some percentage of any losses (that is, any expenses in excess of the negotiated TCOC). *Second, HMOs provide financial disincentives for members to receive their care outside the HMO's contracted providers with whom they have negotiated prices.* Non-emergency care received from outside the contracted network is typically paid out-of-pocket by the member or requires cost sharing on the part of the member. ACOs are responsible for all covered services regardless of where they are received, and members have no restraints on where they receive care. *Third, HMOs must manage their balance sheet to a monthly payment (their per member per month (PMPM) capitation rate multiplied by the number of members).* ACOs accept upside risk (or both upside and downside risk) for their FFS costs below (or above for downside risk) compared to a benchmark. Medicare currently uses risk-adjusted, projected FFS cost and a quality benchmark based on 23 quality measures spanning four quality domains: patient/caregiver experience, care coordination/patient safety, preventive care, and at-risk population management. As ACOs get paid through FFS, they accumulate revenue on a continuous basis, and those in the Basic Track (one-sided risk model) can earn up to 10 percent of savings and be held accountable for up to 4 percent on losses [14]. **And fourth, back-office costs (accounting, financial functions, enrollment tracking and verification, and so on) for HMOs are higher than they are for ACOs.**

**With those caveats in mind, the application of the ACO model could be quite useful for health care delivery systems facing increasing utilization, cost, and access disparities.** Indeed, many countries with social

1 MedPAC June 2009 Report to the Congress: Chapter 2.

insurance programs tied directly or indirectly to care delivery have been using a population-based approach to health care provision—a primary feature of ACOs as well as the managed care insurance models of the 1970s and 1980s in the US.

**ACOs have been shown to obtain modest reductions in costs.** This is primarily due to reductions in the use of facility-based outpatient services, which is an arrangement specific to the US health care system. ACOs have shown to bring about modest cost savings, which are largely attributable to savings in outpatient expenses among medically complex patients and reductions in the delivery of low-value services [12]. Most of the experience with ACOs comes from the US experience. There are two limitations to extrapolating the US experience: ACOs are paid on a FFS basis rather than on an insurance basis (as is the case of relationships based on fixed budgets or capitated payments); and the United States implemented the voluntary form of ACOs (for both patients and providers), which limits generalizability to single-payer systems.

**ACOs have also been shown to reduce the utilization of certain types of health care services, and improve the prevention and management of chronic diseases.** Indeed, to date, the most consistent associations between ACO implementation and ACO outcomes across payer types are reduced inpatient use, reduced emergency department visits, and improved measures of preventive care and chronic disease management [12]. ACO models met the majority of quality measures, performing better than their FFS counterparts [13].

### 2.3 Advanced Primary Care

**Advanced Primary Care—a program within the Centers for Medicare & Medicaid Services (CMS)—aims to reduce total cost of care by increasing patient access to primary care.** It is sometimes referred to as a Primary Care Medical Home (PCMH), which was the first iteration of CMS's Advanced Primary Care program. PCMHs include a full range of primary care providers, specialized physicians, nurse

practitioners, and advanced-practice nurses, all with the goals of improving quality of care and patient satisfaction and reducing expenditures by increasing patient access to advanced primary care services. PCMHs also incorporate non-traditional modes of primary care service delivery, including through remote clinics, mobile clinics, and telehealth. PCMHs leverage electronic health records (EHRs) to develop disease/condition registries and individual patient risk profiles. They facilitate access to and integration of specialty care services and heavily invest in case management to enhance care coordination.

**CMS has modified the PCMH model under its Advanced Primary Care program to now use the Primary Care First (PCF) model.** PCF focuses on five primary care functions: access and continuity; care management; comprehensiveness and coordination; patient and caregiver engagement; and planned care and population health. Under an Advance Primary Care model, patients are assigned to a PCF based on their geography. Patients can either select a primary care practice or, absent that, be assigned to the primary care practice whom they saw most in the last two years.

**Under an Advanced Primary Care program, the PCF providers are paid through three revenue streams.** The first is the *Professional Population-Based payment*, which is a lump sum per beneficiary per month (PBPM) payment based on the practice's risk group. The practice's risk is calculated using the Hierarchical Condition Category (HCC) risk adjuster; the average risk for the practice's patients places the practice into one of four risk categories. This per-member-per-month payment increases with increasing risk levels. The second revenue stream is the *Flat Primary Care Visit Fee*, which is a flat fee for primary care face-to-face encounters that is lower than the FFS payment for a face-to-face encounter. The underlying logic of this revenue stream is to balance the incentive to avoid face-to-face encounters engendered by capitated payments and the need to provide patient-centered care through face-to-face encounters [17]. The third revenue stream is a quarterly performance-based adjustment to total revenue. This is defined as the total Professional

Population-Based payment plus the Flat Primary Care Visit Fee. The adjustment is based on the practice's ability to reduce costs and improve quality. The performance-based adjustment provides an upside of up to 50 percent, as well as a downside of up to 10 percent, of quarterly payments to the practice.

**There are similarities and differences between the Primary Care First model and the HMO and ACO models.** Similarities between all three models include the host of tools currently employed by both ACOs and HMOs mentioned above. Similar to ACOs and HMOs, PCF also has a defined population for whom they are responsible for a fixed period of time. Beyond those elements, the PCF model selectively borrows components from the ACO and HMO models. The inclusion of a PMPM capitated up-front payment harkens to the HMO model, which provides more cash on hand. This allows the practice some flexibility in budgeting, withstanding unexpected costs, and simplifying billing. Like ACOs, PCF bills FFS

for face-to-face encounters, thus increasing access to appropriate care, increasing patient satisfaction, and providing a springboard for higher-quality care. Furthermore, like ACOs, PCF providers accept upside and downside risk based on performance. But there are also several nuanced differences. ACOs are paid through FFS with annual adjustments to total payment linked to performance. HMOs' payments are capitated. PCF providers are paid both through FFS and capitated payments, and their performance adjustments are made quarterly rather than annually. ACOs and HMOs are responsible for all covered services. Under the PCF model, practices are responsible only for primary care services (though performance adjustments include non-primary care services). ACO and HMO membership is voluntary. PCF membership is both voluntary and assigned based on previous patterns of care. The PCF model is just now being implemented, and thus little is known about its efficacy or effectiveness at this time.



# CRITICAL ELEMENTS OF SUCCESSFUL ACCOUNTABLE CARE MODELS

# 3

Based on the experience with implementation and performance of accountable care models, five critical elements for success can be distilled. These are discussed below. The first three critical elements are within the control of the accountable care practice. The final two are policy issues external to the organization and require the attention of the governing body.

**ACOs require strong organizational alignment in culture and operations to drive performance and achieve their overarching goals.** Hillitgoss et al. performed qualitative case studies of four ACOs over a two-year period. While they concluded that organization within an ACO is an ongoing process, they also noted similarities between all four organizations. Perhaps most important was their identification of cognitive (for example, understandings and attention) and cultural (for example, trust and values) levels of alignment; this is in addition to operational levels of alignment (such as organizational structures, processes, and incentives). They label these *cooperative alignment* (the “alignment of interests, goals, or rewards”), to enable the will to work together, and *coordinative alignment* (the “alignment of actions or operations” or the “ability to work together”) [16].

**Forming partnerships to maximize resource interdependencies and collaboration among providers is critical.** *Partnership scope* refers to the resource interdependencies and collaboration among providers across the care continuum [17]. In ACOs and HMOs, in particular, the need to access additional capabilities—such as adding post-acute care to an organization that currently has primary care and hospital services resources—is common in the early development of the organization and is most often obtained through partnerships.

Increasing scope results in more services and care activities being provided by the organization; this, in turn, results in increasing the partners’ shared knowledge [18]. This typically results in improved patient care management with providers playing a more active role in collaborating across the patient journey [19]. *Partnership scale* refers to the extent of resource interdependence and collaboration necessary to deliver high-quality care [20]. Lan et al. argue that there is “a diminishing return from increasing partnership scale. In other words, increasing the number of same-stage providers benefits ACO performance, but, at a certain point, these benefits grow progressively incremental” [21].

**ACOs and HMOs need to develop well-developed information technology (IT) systems and data structures.** ACOs have greater health IT capabilities, on average, than non-ACO organizations. This is reflected in the findings from a national survey of providers from 2015 in which 92 percent of physicians in an ACO reported using a certified EHR, while this number was only 68 percent in physicians not participating in ACOs. While EHRs are an essential component of any accountable care entity, they are not the only information system necessary for success [22]. Box 1 discusses critical components of the technology infrastructure that promotes the success of ACOs, and their various effects are summarized in Table 1.

**BOX 1****Critical Technology Infrastructure for ACOs**

Health information management (HIM) and health care information technology (HIT) have been shown to be essential (if not the most essential) building blocks in any effort to achieve accountable care. HIM and HIT allow organizations to avoid medical errors, use resources more efficiently, accelerate the diffusion of knowledge, implement evidence-based care (by reducing the variability of care), advance the consumer's role in health care (through patient portals), promote public health and preparedness, and strengthen patient privacy. *HIM* is traditionally defined as the collection, analysis, storage, and protection of quality patient health information, while *HIT* has been defined as "the application of information processing involving both computer hardware and software that deals with the storage, retrieval, sharing, and use of health care information, data, and knowledge for communication and decision making" [23]. Alotaibi and Federico detailed the effectiveness of these approaches in their review of the literature, which are adapted and shown in Table 1 [24]. Absent an adequate, well-articulated, well-maintained information system with an emphasis on training in HIM, an organization will not be able to implement the more nuanced aspects of an accountable care model.

**TABLE 1** EVIDENCE OF HEALTH INFORMATION TECHNOLOGY ON ACCOUNTABLE CARE<sup>2</sup>

Technology	Summary of evidence
Clinical decision support (CDS)	Improvement in process adherence, medication ordering, vaccination, lab ordering, and clinical outcomes
Computerized physician order entry	Reduction in the rate of medication errors (observed only when integrated with CDS)
Electronic sign out/handover tools	Improved handover process and fewer omissions of critical patient information; weak evidence for reducing medical errors
Bar code medication administration	Reduction in medication errors and adverse drug reactions; reduction in mislabeled laboratory specimens
Smart pumps	Reduction in pump programming errors
Patient data management systems	Reduction in charting time, increasing the time available to spend on direct patient care and reducing the occurrence of errors
Automated medication dispensing	Reduction of medication errors in critical care units
Patient portals	Higher compliance to preventive medical services; reduction of frequency of asthma attacks; improved patients' medication adherence, disease awareness, self-management of disease, and patient satisfaction
Telemedicine: Virtual visits	As effective as face-to-face care with regard to specific clinical outcomes
Telemedicine: Telemonitoring	Improved clinical outcomes for patients with certain chronic disease such as chronic heart failure, chronic obstructive pulmonary disease, hypertension
Electronic incident reporting	Significant increase in adverse event reporting frequency
Overall electronic medical record (EMR)	Improved guideline adherence; reduction in medication errors; reduction in adverse drug reactions.

2 Adopted from Alotaibi and Federico 2017, the impact of health information technology on patient safety, Saudi Med

**Adequate risk adjustment is also critical for the success of ACOs.** Risk adjustment is improving but it still does not adequately level the playing field. The long-term financial sustainability of ACOs require a deeper comprehension of the risk characteristics of the population for which they are accountable. Community rating of risk is a viable alternative for setting prices for organizations with sizable enrollment. However, many implementations employ experience rating to determine prices [25]. Health care costs for an individual are composed of two components: a deterministic component and a stochastic component. Appropriate risk adjustment of payment to reflect the health risk and associated resource requirements is essential for equitable health financing and the financial resilience of ACOs. The stochastic component is an insurable event

and can be priced using traditional insurance approaches. However, the deterministic component is dependent on several externalities on which we have data on only a few; these few externalities explain only about 20 percent of the health care cost. The remaining 80 or so percent cannot be foreseen by either the individual or an accountable care practice because they are random. Numerous studies have demonstrated that costs are non-linear and higher costs lead to higher heteroscedasticity [25]. Thus, a patient's underlying risk increases while the adequacy of the payment for that patient is less precise and generally underestimates their true risk, resulting in underpayment for higher-risk patients. This puts the organization with higher-than-average risk at a severe disadvantage. Box 2 discusses the performance of various risk adjustment methods.

## BOX 2

### Performance of risk adjustment methods

Numerous studies have evaluated health risk assessment models. In the 1980s, Duan et al. demonstrated that the maximum percentage that one should expect to explain the deterministic component is about 20 percent [26]; McCall and Wai estimated it to be 14 percent [27].

In 2007, the Society of Actuaries commissioned a study entitled *A Comparative Analysis of Claims-Based Tools for Health Risk Assessment*, which examined the performance of common risk adjustment tools including ACG, CDPS, 3M's Clinical Risk Groups, three versions of the Dx3G, MedicaidRx, Ingenix's ImpactPro and Ingenix ERG. They found the proportion of variance of health care costs explained by these to be between 14.9 percent and 27.4 percent [28].

**Implementing appropriate performance benchmarks to motivate high-performing ACOs is imperative for the transformation of the health system.** For ACOs, becoming more efficient is a non-linear process with a ceiling effect [29]. How much better can high-performing organizations become? Reimbursement policies that require a percentage increase in quality or decrease in utilization and/or cost put high-performing organizations at a disadvantage. But so do benchmark approaches [30]. Bleser et al. reported that a \$1,000 decrease in per capita benchmark was associated with a 25 percent increased risk of the ACO exiting the ACO market. ACOs with higher Hierarchical Condition Categories medical risk scores (sicker patients) also had shorter survival in the Medicare Shared Savings Program [31].

These risk scores are used to adjust payments back to the ACO. One existing concern is that the current Hierarchical Condition Categories risk-adjustment system does not adequately account for very sick or frail patients; that is, it underpays ACOs. Likewise, benchmarks based on an ACO's past performance also can lead to perverse incentives. One solution, suggested by Douven et al. (2015), is to employ what they call *yardstick competition*. Yardstick competition could take many forms. One form would be to use both an ACO's current performance and that of other ACOs in the market. A second, more straightforward approach would be to compare the performance of the ACO with the overall performance of all ACOs in the market. This approach would result in more efficient ACOs realizing savings more easily.





# CONCLUSION

# 4

This policy note reviewed the global experience with developing accountable care systems aiming to distill some of the key findings and lessons that may be of use to reform architects. In order to shed light on the benefits and effectiveness of ACOs and identify critical elements for the success of ACOs, the policy note provided a comprehensive scoping review of the relevant literature to date on the application of the accountable care design on a global scale in terms of effectiveness and generalizability for broader application.

**The review finds that there are several proven approaches to transforming care; policy makers are able to draw on critical elements that can account for the success of accountable care models.** While this is useful, translating the success of these models to a specific country context, including that of Saudi Arabia, requires a further understanding not only of the cultural and clinical contexts and

but also of the degree of commitment among providers to develop the competencies needed to succeed (their will to work together). It will also require the governing bodies to address, by revamping or removing systemic impediments to the ability to work together within a network toward aligning the goals of better patient access, better experience, and better outcomes with the need to reduce costs.



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**The Saudi Health Council**

6293 Olya Rd

Riyadh 3161-13315

Kingdom of Saudi Arabia

[www.shc.gov.sa](http://www.shc.gov.sa)