

Be optimistic about the next version of Medicare

Written by

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The Patient Protection and Affordable Care Act – our nation’s sweeping health care law that took effect Sept. 23 — is 906 pages of dense legislation. But one of the most important provisions of the law takes only seven pages to detail and is now having ripple effects throughout the industry.

I’m talking about Accountable Care Organizations, a program in which physicians and hospitals make more money if they provide a high quality of care to Medicare recipients while, at the same time, controlling costs.

Hospitals throughout New Jersey see the ACO program as a golden opportunity for new government revenue; an entire new business has erupted to help hospitals meet the criteria to become ACOs as quickly as possible.

It is an odd endeavor. An ACO is like Bigfoot — people think they know what it is, although they’ve never actually seen it.

According to the law, ACOs are network of doctors and hospitals that work together to provide patient care. An ACO must be

willing to manage a heavy caseload of Medicare beneficiaries — a minimum of 5,000 patients for at least three years.

You can liken an ACO to a general building contractor, who brings together the talents of an electrician, a plumber, a framer, etc. to construct a quality house. An ACO services a Medicare recipient with primary care, specialists, home health aides, etc. — ensuring that all are working together to best serve the patient.

The grand experiment with ACOs begins in January. Members of the New Jersey Association of Health Underwriters — of which I am a member — are carefully watching local hospitals, physicians and insurance companies pull together the nuts and bolts for this launch.

The NJAHU supports the concept of ACOs, as they appear to be part of the national solution to begin controlling the \$14 trillion deficit and, with Baby Boomers retiring in droves, a method in which to maintain Medicare, which costs \$452 billion, or 14

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percent of the nation's budget, each year.

What we like about ACOs is that they make an entire medical team accountable for the outcome of patients. There are financial benefits for doctors to work collaboratively, to share information and to avoid unnecessary tests that cause costs to skyrocket.

The federal Department of Health and Human Services has estimated this new program could save taxpayers nearly \$1 billion through January 2015. While that is just a drop of the overall Medicare spending, it is the first step toward curtailing the cost of this out-of-control government program.

A key flaw of Medicare has been that the more procedures that are undertaken, the more money doctors and hospitals make. ACOs earn more if they control costs by meeting benchmarks, focusing on prevention and closely monitoring patients with chronic diseases. In a nutshell, ACOs reward doctors and hospitals who keep their patients healthy, rather than by treating them once they get sick.

As we move forward with ACOs, NJAHU is reminding its clients this new system is a great step forward, but not the panacea that some lawmakers tout to control Medicare costs. Some economists are concerned that ACOs encourage hospital mergers, with new, mega-entities driving up costs in heavy-handed negotiations with health insurance companies.

We are pleased the U.S. Justice Department is supposed to monitor ACOs for anti-trust issues, especially those that could crop up in rural area of New Jersey where there are a limited number of providers.

So, call us cautiously optimistic about ACOs. Something needs to be done to control costs; here is a strong first step.

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