Can The U.S. Control Healthcare Spending: 
*Will ACO’s Help?*

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The Issue Is Not Whether It Is Possible To Control The Growth In Healthcare Spending

It’s Whether The U.S. Has The Political Will
Up To Now The Answer Has Been---NO!
WHY?
Those Who Stand To Lose Convince Enough of Us That ---

• *It Will Lead to Lower Quality Care?*
• *It Will Reduce Access to Care*
• *It Will Reduce The Number of Jobs Healthcare in Our Community?*
• *It Won’t Work*
Will The Future Be More of The Same?

I DON’T THINK SO!
The “Boogey Man” Is Demographics and Growing Numbers of Low Income
Even Without Health Reform ---
Government Patients Will Dominate Institutional Expenses

Proportion Of Hospital Expenses Attributed To Patients By Payer Source

- Gov.: 54.4% (2000), 66.3% (2025)
- Pvt.: 37.5% (2000), 24.8% (2025)
- Uncomp. Care: 5.5% (2000), 7.3% (2025)
- Other: 2.6% (2000), 1.7% (2025)
Will Hospitals Be Able to Rely On Charging Private Patients More To Make Up For Lower Government Payments?

Unlikely!
Can Private Insurance Payments Continue To Pay For The Shortfall In Government Payments

Hospital Payment-to-Cost Ratios
(Government Ratios Maintained at Current Levels)

Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2005, for community hospitals.
(1) Includes Medicaid Disproportionate Share payments.
Are Accountable Care Organizations (ACO’s) The Answer?

That Is What We are Here To Find Out!
ACO’s Designed To Avoid Main Problems of HMO Debacle of The 1990’s

• Providers Will Not Be Required To Assume Risk
  – ACO’s is a “Shared Savings System”. Each Group Starts From Their Current Spending Levels

• Patients Will Not Be Locked Into a Delivery System They Don’t Trust
  – Patients Need to Sign Up With PCP But Can Change PCP or Network With No Penalty
Many Concerned That ACO Approach Will Lead to Higher Costs!!!

Create Mini-Monopolies That Will Increase Private Rates

The Key Is What Is The Alternative Pricing System to The ACO
What Does The Future Hold???
Social Security, Medicare, and Medicaid Outlays as a Percentage of GDP, Fiscal Years 1990-2075

Deficit Reduction Commission Recommendation

Establish a Medicare Voucher System With Limited Government Payment Growth
If We Continue Fee-for-Service---

_Is Some Form of Rate Regulation Inevitable?_
Massachusetts Governor Proposes New Cost Containment Plan

- Department of Insurance (DOI) Regulates Private Insurance Premiums
  - Rate Increases Tied to CPI
  - DOI Must Approve Provider Contracts Signed By Insurer
- DOI to Receive Advice from State on Types of Acceptable Contracts
  - The Level of Payment Increases
  - The Type of Payment System Used
- Attorney General To Review Market Power of Providers
- Expanded Power of State Certificate-of-Need Program