

## **Affordable Care Organizations and Integrated Delivery Systems**

by Fred Gluck

Affordable Care Organizations (ACOs) and Integrated Delivery Systems (IDSs) are somewhat overlapping terms for organizing health care delivery to serve the healthcare needs of a particular cohort of patients and financing it on a capitated basis; the objective being to shift incentives to keeping people healthy and out of the hospital as opposed to fee-for-service reimbursement which rewards professional activity. Or stated differently rewarding value instead of volume.

The objective of rewarding value not volume is not something new; it's been a topic of debate and experimentation for many decades. Moreover, it's something everyone can embrace; and it has been embraced at the highest levels of Government by Alex Azar (Secretary of Health and Human Services) as well as Seema Verma (Administrator of the Centers for Medicare & Medicaid Services). Perhaps more importantly there are numerous examples of highly successful IDSs including Kaiser Permanente, the Cleveland Clinic, the Mayo Clinic, Intermountain Health and dozens of others. Nevertheless, the actual adoption of ACO's and IDSs seems to be proceeding extremely slowly and the great majority of healthcare delivered is still reimbursed on a fee-for-service basis. Unless this changes, we can expect the nation's healthcare costs to continue to consume an ever-increasing portion the nation's GDP.