

Dow Jones Reprints: This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit [www.djreprints.com](http://www.djreprints.com)

See a sample reprint in PDF format.

Order a reprint of this article now

---

## THE WALL STREET JOURNAL.

WSJ.com

---

HEALTH INDUSTRY | JUNE 3, 2011

# Health-Care Initiative Draws Fire

By ANNA WILDE MATHEWS

Hospitals and doctors are pushing back against an Obama administration initiative that urges them to create new organizations to coordinate the care of groups of Medicare patients.

The voluntary program seeks to save money and improve treatment. But the health-care providers say the rules proposed for the initiative are too onerous and the financial incentives too weak, and that they will participate only if the program gets a major revamp.

The deadline for response to the proposal is June 6, but health-care providers have already been unusually vocal in their complaints. "It's pretty much a nonstarter as structured," said Anders M. Gilberg, an official at the Medical Group Management Association.

Jonathan Blum, deputy administrator of the Centers for Medicare and Medicaid Services, said in a statement that the agency has been "actively seeking input at every stage of the rule-making process, and we're confident that the final rule will reflect the valuable input we've received."

The effort to create new health-care entities, called accountable-care organizations, stems from the health-care overhaul law. The idea is that the ACOs would be more efficient than many providers are today, with the resulting savings being shared by the providers in the ACOs and the federal government. At the end of March, regulators issued proposed rules governing how these organizations would be structured.

Hospitals and doctors say they agree with the goals of the program, and a number are moving forward in similar partnerships with private insurers. Several said they are much more likely to apply for a separate Medicare ACO initiative that is aimed at larger providers and limited to 30 groups. "There's a lot more flexibility" in that model, said Chas Roades, chief research officer of Advisory Board Co., a consulting firm that works with hospitals. For instance, he said, providers can share in more of the savings and can potentially get the money as monthly per-beneficiary payments, a format known as capitation.

Some health-care providers say the broader ACO proposal is unworkable. A letter from 10 medical groups that participated in an earlier, similar Medicare demonstration project said it would be "difficult, if not impossible" to accept the financial design. The American Medical Group Association said a survey of its members found that 93% wouldn't enroll as ACOs in the main proposed Medicare program.

Hospitals and doctors complain that the regulations are overly prescriptive, with detailed requirements such as 65 quality measures. The design could mean steep start-up costs, they say. The Medicare agency estimated average start-up and first-year operating costs at around \$1.8

million for a new organization, and suggested it might help with financial advances against later shared savings. But the American Hospital Association projects the "order of magnitude is significantly different," likely more than two or three times higher, said Richard Umbdenstock, its chief executive.

At the same time, the hospitals and doctors say, the financial rewards are too limited. An ACO can potentially share as much as 65% of the savings Medicare achieves, after it meets an initial savings threshold. An ACO also could share in losses if the organization winds up raising Medicare costs, rather than pushing them down, though health-care providers can choose to delay this downside until the third year.

"The risk is just too high," said Nick Turkal, chief executive of Aurora Health Care, a Milwaukee-based nonprofit that owns hospitals and clinics. "There's just not enough incentive."

In addition, the hospitals and doctors say the proposed structure could make it hard for them to achieve the program's aims. For one thing, an ACO wouldn't know the identities of the beneficiaries that the Medicare agency ascribed to the organization until well after they were enrolled.

**Write to** Anna Wilde Mathews at [anna.mathews@wsj.com](mailto:anna.mathews@wsj.com)

Copyright 2011 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit [www.djreprints.com](http://www.djreprints.com)