Case Study: Accountable Care Organizations in California

ABOUT THE CASE STUDY
This summary provides an overview of a case study on ACOs in California, conducted by the Integrated Healthcare Association (IHA) and researchers from the University of California at Berkeley, School of Public Health. Support for the two-year study, which was launched in April 2013, was provided by a grant from the Robert Wood Johnson Foundation® and focused exclusively on the California market. The research team conducted two rounds of structured interviews in 2013 and 2014 with five prominent Accountable Care Organizations (ACOs). It also undertook two rounds of interviews with health plan executives responsible for ACO strategy and contracting at five health plans in California: Aetna, Anthem, Blue Shield of California, CIGNA and United-Healthcare. Findings from the study were published in four Issue Briefs, available at www.iha.org, that address various aspects of ACOs emerging in the state:

▪ Accountable Care in California: Imperatives and Challenges of Physician-Hospital Alignment, by James C. Robinson, Ph.D,
▪ Referral Management and Disease Management in California’s Accountable Care Organizations, by James C. Robinson, Ph.D,
▪ ACO Contractual Arrangements in California’s Commercial PPO Market, by Thomas R. Williams, Dr.PH, and
▪ A Large Community Health Center Adapts to a Changing Insurance Market, by Jill M. Yegian, Ph.D.

PHYSICIAN ORGANIZATIONS INCLUDED
The study focused on five physician organizations—each distinct in scale, geography, structure and ownership ties to hospitals. All are deeply engaged in ACO initiatives, defined broadly as including payment methods linked to the total cost of patient care. Some have new ACO contracts with Medicare and private insurers, while others are focused on capitation payment from Medicare Advantage, commercial HMO and managed Medicaid plans.

▪ AltaMed Health Services was founded more than 40 years ago as a grant-funded free clinic serving the Latino population in Los Angeles. It is the largest independent Federally Qualified Health Center in the U.S., delivering more than 930,000 annual patient visits to 180,000 patients through 43 sites in Los Angeles and Orange Counties. The majority of AltaMed’s patients—85,000—are Managed Medi-Cal enrollees, but it serves an additional 11,500 through Medi-Cal fee-for-service contracts. In addition, 26,000 patients are covered through commercial HMO and PPO contracts, and 5,000 are Medicare patients. AltaMed provides care through staff-model clinics with an IPA that supplements the clinic staff with community physicians. It offers primary medical care, dental care and senior long-term care services.

▪ Brown & Toland Physicians is an Independent Practice Association (IPA) founded in 1992 in San Francisco, with a recent expansion into the East Bay market. Its 1,500 physicians care for more than 34,000 Medicare patients—including 16,000 through Medicare Advantage and 18,000 through its Pioneer ACO contract. It also serves 100,000 commercial HMO patients through capitation contracts; 175,000 commercial PPO patients; and 2,700 Medicaid managed care enrollees. Brown & Toland partners with several hospitals in the area, including Sutter, where many admits come from California Pacific Medical Center and Alta Bates Summit Medical Center. It also partners with other area hospitals—including Dignity Health, the University of California, San Francisco and the Alameda Health System.

▪ HealthCare Partners, a division of DaVita HealthCare Partners, manages and operates HealthCare Partners Medical Group in California along with organizations in Arizona, Colorado, Florida, Nevada and New Mexico. In California, HealthCare Partners serves 175,000 Medicare patients, including 125,000 through Medicare Advantage, and the remainder through its Medicare Shared Savings Program (MSSP) ACO and the Medicare fee-for-service program. It also serves 100,000 commercial PPO patients, 400,000 commercially insured HMO patients and 117,000 Medi-Cal managed care and fee-for-service patients. For HMO and Medicare Advantage patients, HealthCare Partners is paid
capitation for the full range of physician and hospital services. HealthCare Partners contracts with nearly 50 hospitals in Southern California.

- **Monarch HealthCare** is an IPA that includes 640 primary care physicians throughout Orange County. It serves 61,000 Medicare patients, of which 38,000 come through Medicare Advantage plans and 23,000 through its Pioneer ACO contract, plus 61,500 Medi-Cal patients through the CalOptima managed care program and 92,000 commercially insured HMO and PPO patients, combined. It is owned by Optum, Inc., a subsidiary of the UnitedHealth Group that also has an affiliation with the UnitedHealthcare insurance plan. Monarch does not have an ownership association with any hospital system, but admits patients to all the major facilities in Orange County and Los Angeles. Through Optum, it is also involved with payment and organizational initiatives for a larger set of medical groups across the nation.

- **St. Joseph Heritage Medical Group** is the physician organization affiliated with the St. Joseph Hoag Health alliance in Orange County. It contains both integrated medical groups and IPAs around the four major St. Joseph Hoag facilities in the county, as well as smaller initiatives at hospitals it owns in northern California. It serves 33,000 Medicare Advantage enrollees; 151,500 commercial HMO enrollees; 3,500 Medi-Cal managed care enrollees; and 5,500 Medi-Cal fee-for-service patients. In addition, it serves 38,000 Medicare fee-for-service and 111,000 commercial PPO enrollees; these are not covered by ACO contracts and their care continues to be reimbursed on a fee-for-service basis. Together, St. Joseph Hoag hospitals and the Heritage physician groups represent the vertically integrated physician-hospital organization, contracting as a single unit with health insurers.

**RESEARCH TEAM MEMBERS**
The research team was comprised of:

- **Thomas R. Williams**, Dr.PH—Vice President and General Manager of Accountable Care at Stanford Health Care; Former President and CEO at the Integrated Healthcare Association
- **James C. Robinson**, Ph.D.—Leonard D. Schaeffer Professor of Health Economics at the University of California at Berkeley School of Public Health and Director of the Berkeley Center for Health Technology
- **Jill Yegian**, Ph.D—Senior Vice President, Programs and Policy at the Integrated Healthcare Association
- **Kimberly MacPherson**, MPH, MBA—MPH Program Director, Health Policy and Management at the University of California at Berkeley School of Public Health and Co-Director of the Berkeley Center for Health Technology, and
- **Kelly Miller**—Project Manager at the Integrated Healthcare Association.