

# Medicaid Accountable Care Organizations (ACOs)

Relationship between ACO  
Implementation and Medicaid Costs

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## Assumptions

- Only have 27 months of data for the trendline
- Data includes all Medicaid clients (ACO and non-ACO)
  - ACOs cover about 50% of all Medicaid services
- Data excludes supplemental payments

## Why ACOs?

S.B. 180 Medicaid Reform from 2011 General Session

“maximizes replacement of the fee-for-service delivery model with...risk-based delivery models”

“limit the rate of growth in per-patient-per-month General Fund expenditures for the program to the rate of growth in General Fund expenditures

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## ACO Timeline

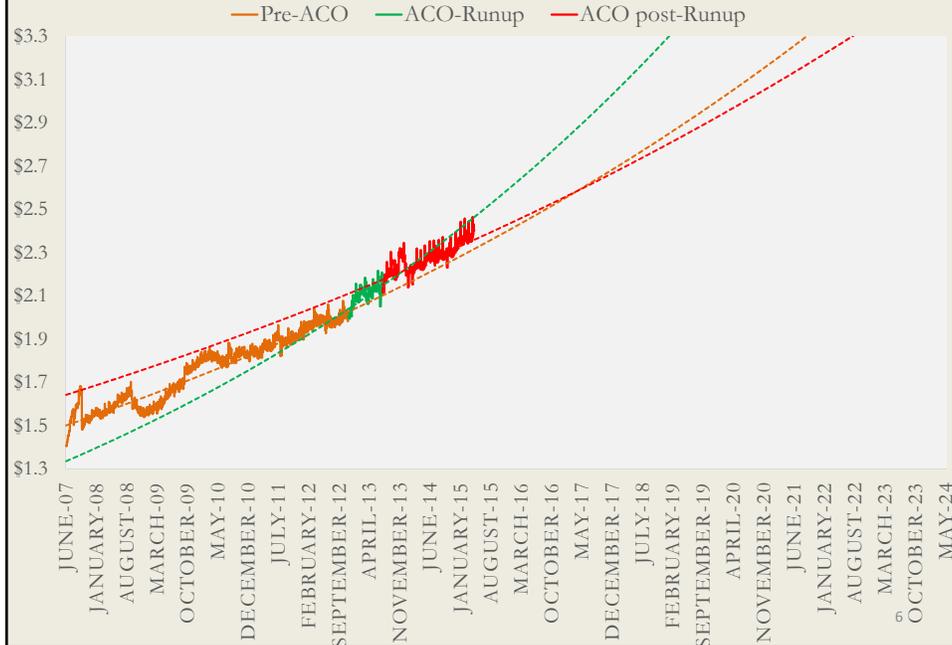
- March 2011 - General Session Legislature passes S.B. 180
- June 2011 - Waiver submitted to federal government
- February 2012 - Federal government decision
- January 2013 – ACOs start

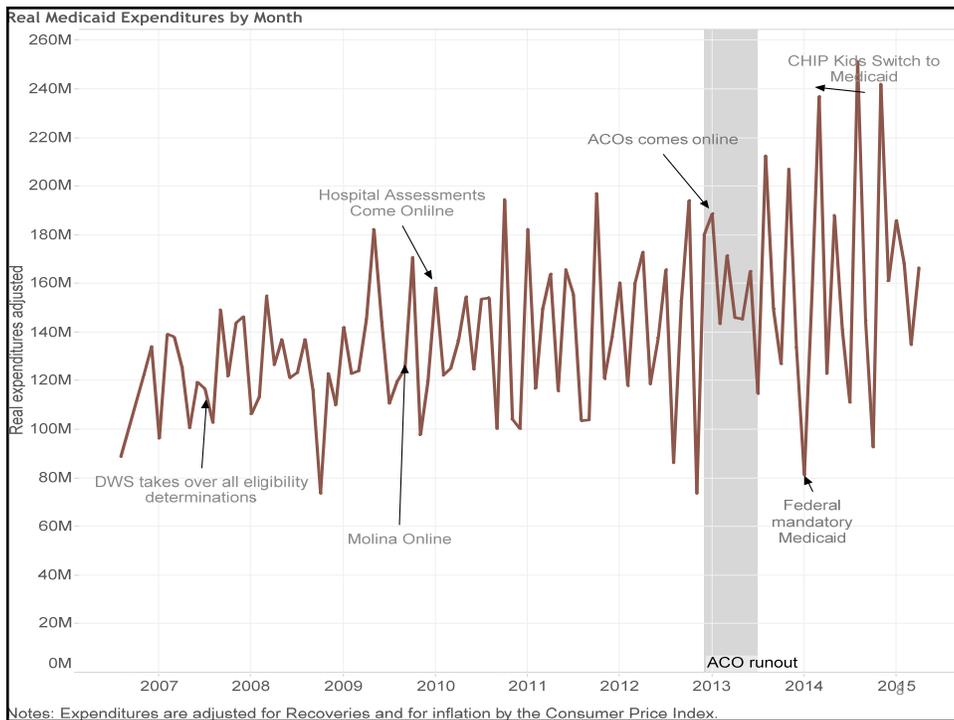
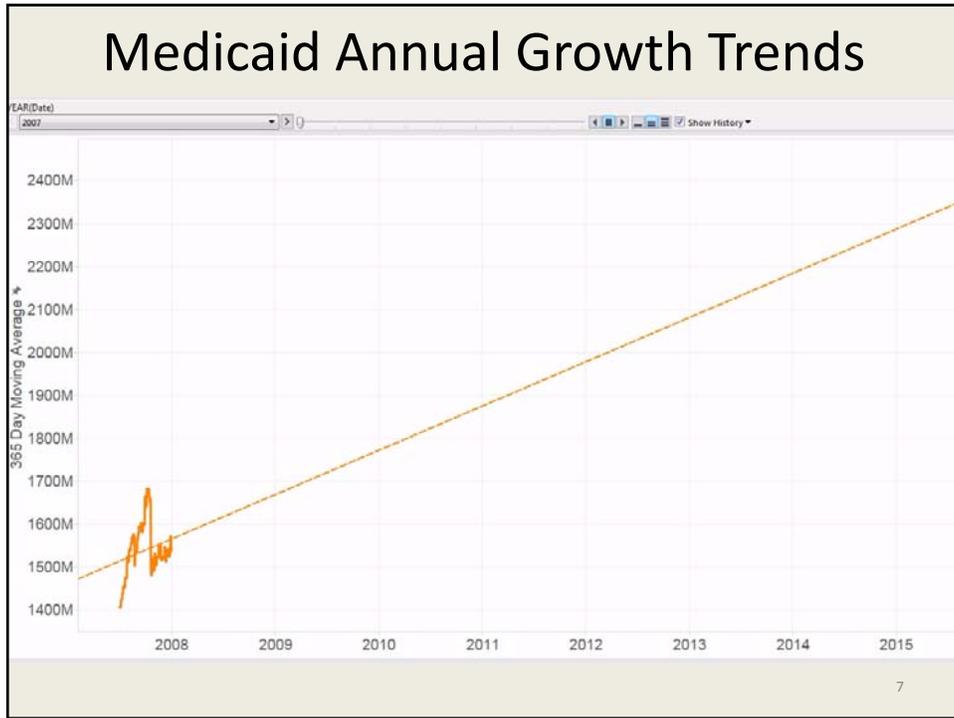
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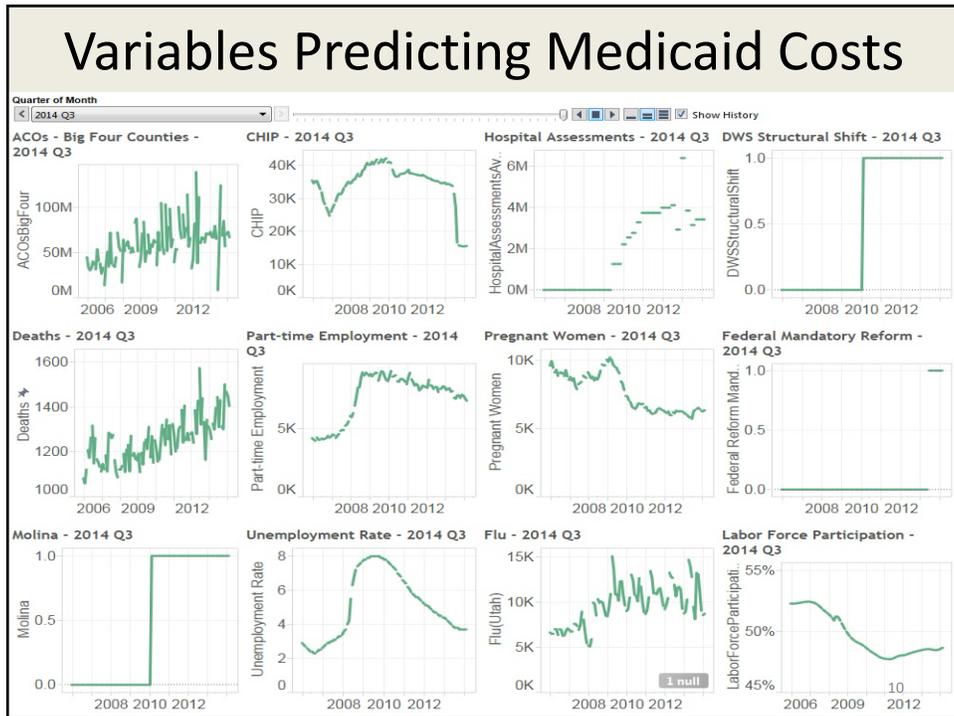
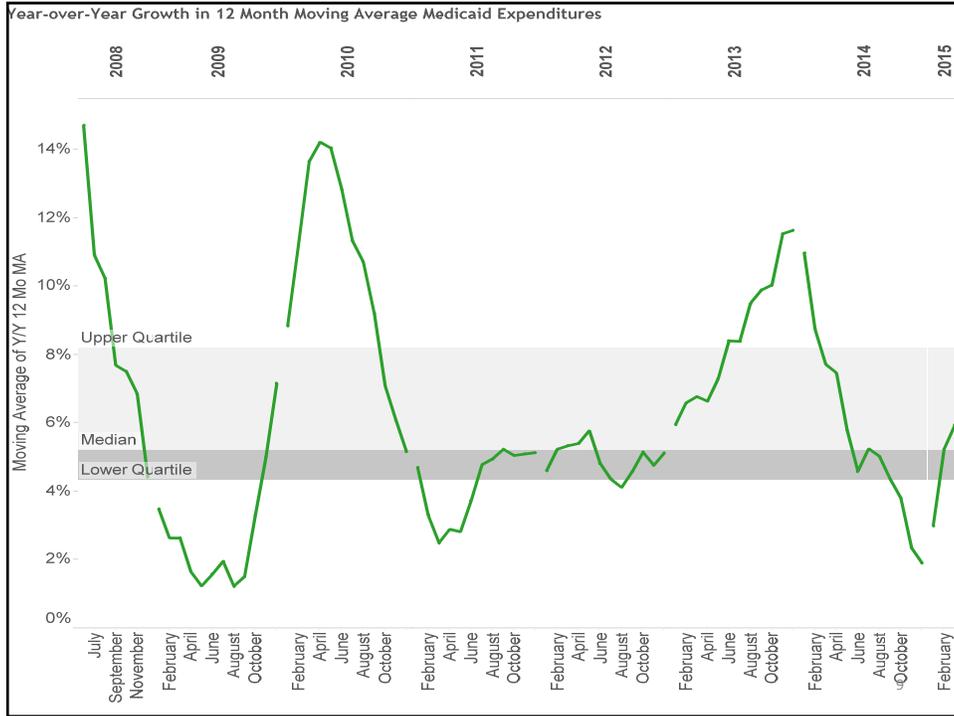
# Medicaid 365 Day Moving Average



## MEDICAID 365 DAY MOVING AVERAGE COST BY PERIOD (BILLIONS \$)







## Variables Predicting Medicaid Costs

**Dynamic regression**  
Regression(15 regressors, 0 lagged errors)

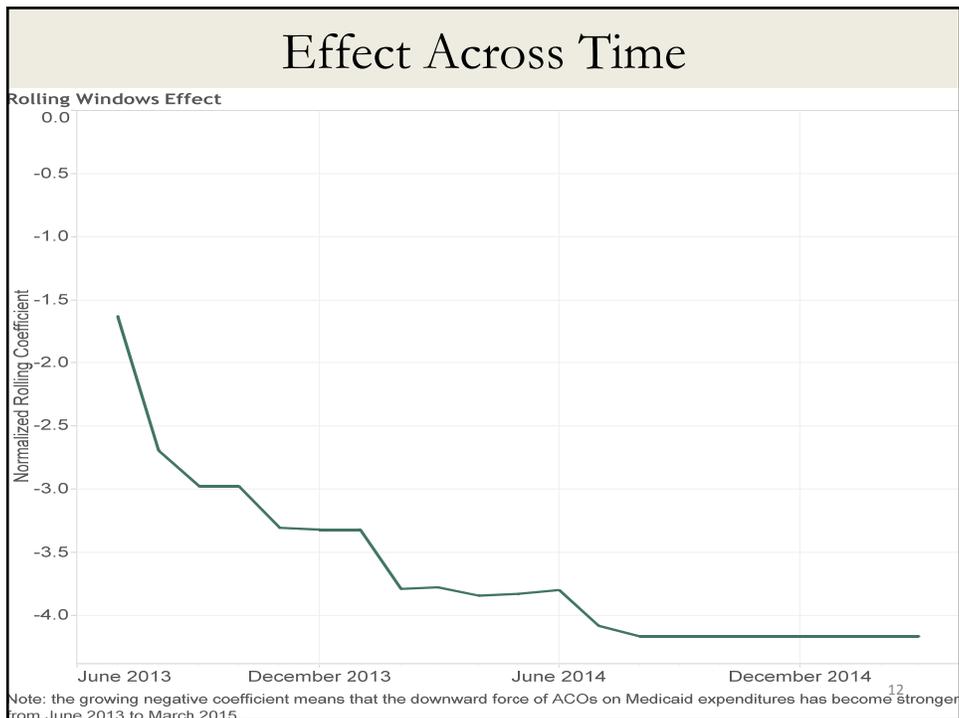
**Model for Year-over-Year Growthh in 6M MA Medicaid Expenditures**

Term	Coefficient	Std. Error	t-Statistic	Percentile
ACO	-4.166	2.49	-1.673	0.9004
ACO Runout	0.000	0.000	0.8652	0.6096
Births	-0.005145	0.002559	-2.011	0.9511
DWSStructuralShift	-7.008	3.993	-1.755	0.9156
Divorces	0.000958	0.003125	0.3065	0.2397
Flu	0.000005	0.000007	0.8264	0.5882
Federal Reform Mandatory	-20.85	3.384	-6.16	1
HospitalAssessmentsAvgQ	0	0.000001	0.3344	0.2608
Initial_Unemp_Claims	-0.001206	0.001462	-0.8244	0.587
LaborForceParticipation	-134.7	37.08	-3.634	0.9994
Nonfinancial Participants	0.000065	0.000065	1.012	0.6844
Pregnant Women	0.006193	0.0014	4.424	1
S&P 500	0.04259	0.00695	6.128	1
Year-over-Year Growth, lagged 6 months	-0.3428	0.08359	-4.101	0.9999
Consumer_Sentiment	-0.2009	0.1502	-1.337	0.8138

**Within-Sample Statistics**

Sample size	75	No. parameters	15
Mean	6.36	Std. deviation	7.52
Adj. R-square	0.66	Durbin-Watson	2.23
BIC	6.07	MAPE	226.3
MAD	3.21		

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## What does the future hold?

- July 2015 expansion of ACO model into nine rural counties
  - Increase from 70 percent to 88 percent percentage of Medicaid clients served via ACOs
  - Legislature provided \$3.3 million one-time General Fund to cover the cost
- Integrate mental health and long-term care into ACO model (currently excluded)

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