

# DISSERTATION PROPOSAL

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## **“Participation and Performance in Accountable Care Organizations”**

Thursday, April 26<sup>th</sup>, 2018

11:00 am

227 GSIA

Medicare's Accountable Care Organizations (ACOs) are among the most recent and important attempts to curtail healthcare expenditure and improve healthcare quality in the United States. Welcomed with the enactment of the Patient Protection and Affordable Care Act of 2010 and the Medicare Shared Savings Program (MSSP) in 2012, these ACOs are groups of Medicare providers that receive incentive pay for spending less on their beneficiaries while providing high quality of care. Physicians, hospitals, insurers, and academics in several disciplines acknowledge the potential of ACOs to finally spur integrated care delivery and significant reductions in expenditure throughout Medicare---and possibly throughout the entire 3 trillion dollar healthcare industry. Early indicators are favorable: 10.5 million Medicare beneficiaries have been assigned to ACOs from 2012 until 2018, and total program savings will exceed \$12 billion over these years.

My proposed dissertation studies provider participation and performance in Medicare's ACOs. I build and estimate a two-stage structural model where potential ACO participants first choose which, if any, ACO to join based on the characteristics of an ACO and the net income they expect to earn from participating in that ACO. In the second stage, participants in an ACO act strategically, choosing their contribution to ACO savings and quality to maximize their payoff, hence determining overall ACO performance and the net income from participating. The model is estimated with public ACO-level performance data. Estimation provides strong evidence that Medicare providers are more likely to participate in ACOs that earn more, with an additional \$100,000 in ACO income increasing participation in that ACO by over 5%. I also find that primary care physicians have a much higher cost of improving quality of care and increasing savings than specialists, and all providers face a strong trade-off between these objectives. A counterfactual analysis shows that just \$130 million dollars was lost to non-cooperative decision making within ACOs from 2014 to 2016, which is just 6% of the money saved by the program during that time period. A counterfactual policy experiment shows that two-sided ACOs could as much as double the cost-savings of the MSSP. The results of this proposed dissertation offer significant insight to healthcare providers, payers, and policy-makers.