

# SENATE BILL REPORT

## ESSB 6522

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As Passed Senate, February 16, 2010

**Title:** An act relating to establishing the accountable care organization pilot projects.

**Brief Description:** Establishing the accountable care organization pilot projects.

**Sponsors:** Senate Committee on Health & Long-Term Care (originally sponsored by Senators Pflug, Keiser, Swecker, Murray, Honeyford, Kline, Hewitt and Shin).

**Brief History:**

**Committee Activity:** Health & Long-Term Care: 1/25/10, 2/01/10 [DPS, w/oRec].  
Passed Senate: 2/16/10, 48-0.

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### SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

**Majority Report:** That Substitute Senate Bill No. 6522 be substituted therefor, and the substitute bill do pass.

Signed by Senators Keiser, Chair; Franklin, Vice Chair; Pflug, Ranking Minority Member; Fairley, Marr and Murray.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Becker and Parlette.

**Staff:** Rhoda Donkin (786-7465)

**Background:** In recent years, health care innovations like medical home projects have sought to provide comprehensive, coordinated patient care using integrated services, health information technology, prevention, and specific ways to track patient health outcomes. Other innovations focus on paying providers based on how treatment is rendered instead of the number of patient visits. Such innovations include so-called bundled payments, where physician and hospital payments are lumped together. Rather than paying for a particular procedure, doctors and hospitals are paid for all services to a patient in an episode of care for a particular condition. Depending on how the project is structured, an episode could be defined in several ways; a period of hospitalization, hospital care plus a period of post acute care, a stretch of care for a chronic condition, or even all inpatient or out patient care.

The Accountable Care Organization (ACO) model establishes a spending benchmark for health care providers in an organization based on an expected level of spending. An ACO

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offers provider organizations, such as a medical home or a primary care practice, the opportunity to share savings from payers when savings are achieved through such practices as care coordination, wellness services, chronic care management, effective referral patterns, and other approaches that achieve quality outcomes at lower expense. The concept attempts to shift the emphasis from volume and intensity of services to incentives for efficiency and quality.

Currently Washington State health agencies lead two medical home pilot projects with 33 participating primary care practitioners.

**Summary of Engrossed Substitute Bill:** The Health Care Authority must appoint a lead organization by January 1, 2011, to support at least two accountable care organization pilot projects which will be implemented no later than January 1, 2012. The lead organization will contract with a reputable research organization with expertise in ACOs and payment systems. The designated lead organization will provide support for these pilots without using state funding; however, they may seek federal funds and solicit grants, donations, and other sources of funding. ACOs in these pilots are health care providers and systems that are accountable for improving quality and slowing spending. ACOs must use spending benchmarks and report health outcomes.

The lead organization must coordinate with medical home projects established in statute and report to the Legislature by January 1, 2013, on the progress of the ACOs with recommendations for expansion. The current public-private partnership of the Washington State Department of Health and the Washington Academy of Family Physicians is authorized to participate in the accountable care organization pilot projects.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Original Bill:** PRO: The approach to primary care described in ACO is happening now, and it does improve patient outcomes and lower costs. If we are really going to reform health care, we need to reform both the delivery system and the payment system. Right now there is no incentive to reduce unnecessary care, inappropriate tests, and avoidable hospital admissions. ACOs promote treatment that focuses on performance measures and payment incentives that change current practice. We should expand any opportunity to do this and piloting ACOs is a step in the right direction. This bill could go further, but it is the right thing to do.

**Persons Testifying:** PRO: Scott Kronlund, M.D., Northwest Physicians Network; Stephen Tarnoff, Group Health Cooperative; Sydney Smith Zvara, Association of Washington Health Care Plans.