



Accountable Care States

The Future of Health Care Cost Control

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Introduction and summary

Over the past few years, the growth in health care costs has slowed dramatically. But because the reasons for this are unclear, it is likely that additional policies will be needed to keep growth down. Without action, health care spending will continue to crowd out other vital spending in household and government budgets.

Given the current political gridlock, it is unlikely that the federal government will take the lead on reforms to control health care costs system-wide. States must therefore play a leadership role, with the federal government empowering and incentivizing them to act. We propose that the federal government should implement a model that gives states the option to become “Accountable Care States”—meaning that they are accountable for health care costs, the quality of care, and access to care—with sizable financial rewards for keeping overall costs low. This model would control costs across the system rather than shift costs from public programs to the private sector or to consumers.

The Accountable Care States model offers the potential for substantial savings in health care spending. If only about half of the states—those that expanded their Medicaid programs in 2014, for example—opt to become Accountable Care States, the potential savings in total health care spending would exceed \$1.7 trillion over the first 10 years of implementation. Of that amount, the federal government would save more than \$350 billion. The financial incentives for states to participate and succeed would also be powerful: 21 states would earn more than \$1 billion, 33 states would earn more than \$500 million, and 44 states would earn more than \$200 million. By 2025, the average savings for an individual with private health insurance would exceed \$1,000 and grow over time.

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