

Accountable Care Organizations (ACO) Overview

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| Program Objective | <p>Accountable Care Organizations (ACOs) include physicians, hospitals and other health care providers who collectively are accountable for providing coordinated, high-quality care at lower costs to Medicare fee-for-service beneficiaries. Payments to ACOs incorporate financial incentives in the form of shared savings or losses (also referred to as bonuses or penalties) for performance on identified spending and quality metrics. The Center for Medicare and Medicaid Innovation offers several initiatives, collectively called “Accountable Care Programs,” designed to support newly forming and existing ACOs. The most relevant for ACC members are the Medicare Shared Savings Program (MSSP), Pioneer ACO Model, ACO Investment Model and the Next Generation ACO Model. Each of these programs vary by level of financial risk and experience organizations forming ACOs have in managing population health, size of population covered, composition of ACO, payment mechanism and capital investment from the Centers for Medicare and Medicaid Services (CMS).</p> |
| Program Purpose | <p>Designed to reduce fragmented care and encourage health care providers to become accountable for an entire patient population</p> |
| Special Considerations: Experience Requirements | <ul style="list-style-type: none"> • MSSP: Designed for organizations managing health of fee-for-service beneficiaries and are less experienced with managing financial risk or are in the early stage of managing population health • Pioneer: Designed for early adopters of population health management strategies and providers already experienced in taking on financial risk <i>*Note: This is the one ACO model approved by the CMS actuary for nationwide expansion pending regulations from the Secretary of Health and Human Services</i> • ACO Investment Model: Designed to encourage MSSP ACO formation in rural and underserved areas and to encourage current MSSP ACOs to transition to take on higher levels of risk • Next Generation: Designed for ACOs that are ready to take on higher levels of financial risk than in any of the other ACO models and includes elements similar to Pioneer ACOs |
| Duration and Number of Participant ACOs *as of January 2016 | <p>All performance periods are 3 years with one exception: Next Generation ACOs that start their performance period in 2017. These ACOs will have a performance period of 2 years.</p> <ul style="list-style-type: none"> • Medicare Shared Savings Program: 434 participant ACOs; the first cohort began in April 2012. • Pioneer: 9 participant ACOs; the first cohort began in January 2012. • ACO Investment Model: 41 participant ACOs; the first cohort began in April 2015. • Next Generation: 21 participant ACOs; the first cohort began in January 2016. |
| Core Care Delivery Elements | <p>ACOs manage the continuum of care by functioning similarly to an integrated delivery system, are of sufficient size to support comprehensive performance measurement, and must have the capability to internally distribute shared savings. All ACOs either share financial rewards with CMS and/or pay penalties to CMS based on amount of risk agreed upon and their performance against pre-established quality and financial targets that take into account both regional and national variation. Generally, forming an ACO doesn’t preclude participation in other reform efforts. For example, ACOs can be formed in conjunction with other reform efforts such as bundled payments.</p> |
| Participant Eligibility (ACO Composition) | <p>MSSP, Pioneer and Next Generation ACOs must consist of physician practices, independent physician associations, health systems and/or hospital-physician partnerships and any of these in partnership with other health care facilities. They</p> |

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| | <p>differ in size requirements.</p> <ul style="list-style-type: none"> • MSSP: ACO cover \geq 5000 beneficiaries • Pioneer: ACO covers \geq10,000 beneficiaries • Next Generation: ACO covers \leq10,000 beneficiaries • ACO Investment Model: ACO covers 5,000 – 10,000 beneficiaries (except for rural ACOs which may cover >10,000); must be classified as a participant ACO in the MSSP and must consist of hospitals without in-patient facilities; Inpatient Prospective Payment System hospital with \leq100 beds and/or critical access hospitals. |
| Payment Model | <p>All models are claims based. Payment for participant ACOs in the Pioneer and Next Generation models is based on prospective beneficiary assignment. Unlike prospective beneficiary assignment, preliminary prospective beneficiary assignment with retrospective reconciliation occurs when CMS creates a list of beneficiaries likely to receive care from an ACO based on recent primary care utilization, periodically updates the list, and at the end of the performance year, compares this list with the actual list of beneficiaries receiving care from the ACO. Payment in MSSP and the ACO Investment Model is based on preliminary prospective assignment with retrospective reconciliation.</p> <ul style="list-style-type: none"> • MSSP: ACOs must choose upside risk only (Track 1), upside and downside risk (Track 2) or upside and downside risk but at a higher level of risk than Track 2 (Track 3). CMS provides three types of payments: upfront fixed payment, upfront variable payment and monthly payment of varying amount depending on ACO size. ACOs can share savings (CMS and ACO each receive a portion of savings) and/or losses of up to 50 percent (Track 1), 60 percent (Track 2) or 75 percent (Track 3) based on quality score attained. • Pioneer: Offers the option of five payment arrangements which share savings and losses of up to 60-75 percent; savings and losses sharing rate varies based on quality score. • ACO Investment Model: CMS provides upfront capital investment. For MSSP participant ACOs starting in or after 2015, CMS will provide an upfront fixed payment, upfront variable payment, and a monthly payment of varying amount depending on ACO size. For MSSP ACO participants starting in or prior to 2014 CMS will provide the same type of payments except for the upfront fixed payment. • Next Generation: Offers the option of two risk arrangements: One offers shared savings and losses of up to 80 percent while the other offers shared savings and losses of up to 100 percent. |
| Beneficiary Notification | <p>ACOs must provide either verbal or written notification to beneficiaries.</p> |
| Quality and Metrics Reporting | <p>CMS has established a required set of 33 quality measures, each belonging to one of the following categories: 1) patient and caregiver experience 2) care coordination and patient safety 3) preventive health and 4) at-risk population/frail elderly health. The Core Measure Quality Collaborative released a core set of ACO/PCMH measures in February of 2016. CMS is already using measures from the core set. Through public comment rule-making process, CMS also intends to implement new core measures across applicable Medicare quality programs as appropriate, while eliminating redundant measures that are not part of the core set. Commercial health plans are rolling out the core measures as part of their contract cycle.</p> |