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# Next Generation Accountable Care Organization Model Performance Year 5 Financial Methodology Updates in Response to COVID-19

Center for Medicare & Medicaid Innovation  
Seamless Care Group

# Agenda

- The Impact of COVID-19 on the NGACO Model and NGACOs
- Objectives of the Amendment to the Participation Agreement
- Financial Settlement under the Existing Participation Agreement
- Financial Settlement under the Amended Participation Agreement
- Next Steps / Calendar
- Discussion

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# **The Impact of COVID-19 on the NGACO Model**

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# The Impact of COVID-19 is Evolving and Uncertain

- In the first seven months of the year, there has been significant variation in the impact of COVID-19 on utilization patterns and expenditures
- Certain areas of the country have seen greater impacts than others, and the degree of the impact has varied over the course of the year, and is still changing
- There continues to be a high degree of uncertainty around how COVID-19 will progress for the remainder of the 2020 performance year – and CMS must account for this uncertainty in addressing COVID-19 impacts

# Preliminary Comparison of CY2020 to CY2019 Expenditure PBPM

Claims incurred in month and paid by June 30

## Aged & Disabled Experience

	Expenditure PBPM		
	2019	2020	% Change
Jan	\$937	\$974	4%
Feb	\$901	\$955	6%
Mar	\$988	\$867	-12%
Apr	\$988	\$634	-36%
May	\$959	\$727	-24%
Jun	\$349	\$309	-11%
<b>YTD</b>	<b>\$855</b>	<b>\$747</b>	<b>-13%</b>

## ESRD Experience

	Expenditure PBPM		
	2019	2020	% Change
Jan	\$7,639	\$7,823	2%
Feb	\$7,172	\$7,473	4%
Mar	\$7,745	\$7,466	-4%
Apr	\$7,591	\$6,495	-14%
May	\$7,348	\$6,599	-10%
Jun	\$1,711	\$1,571	-8%
<b>YTD</b>	<b>\$6,562</b>	<b>\$6,287</b>	<b>-4%</b>

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# Goals of the Participation Agreement Amendment

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# Goals of the Participation Agreement Amendment

- Improve benchmark accuracy in the context of COVID-19
- Reduce the impact of the inherent uncertainty on:
  - The Model (CMS)
  - Model Participants
- Maintain incentive for continued value-based-care delivery efforts
- Limit down-side risk to NGACO (risk of losses)



# Comparison of Current and Amended Participation Agreements

## Current Participation Agreement

- Maintains existing benchmarking methodology
- Maintains existing elections for risk arrangement, stop-loss, and gross savings cap
- Continues to include COVID-19 episodes in benchmark and expenditures
- Applies retrospective national modification to prospective USPCC trend

## Amended Participation Agreement

- Removes COVID-19 episodes from benchmark and expenditures
- Applies retrospective regional modification to prospective USPCC trend
- Sets gross savings cap at  $\pm 5\%$  for all ACOs
- Prorates any shared losses owed by the portion of PY 2020 months within PHE
- Allows ACOs to modify existing elections for risk arrangement and stop-loss
- Removes 2020 financial guarantee requirement
- Introduces potential rebate of excess Stop-Loss Charge

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# **Financial Settlement Under the Current Participation Agreement**

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# Trend Adjustments Provision (§XIII.B.1)

"CMS may, at CMS's sole discretion, retroactively modify the projected trend used in calculating the Performance Year Benchmark if CMS determines that exogenous factors, such as a natural disaster, epidemiological event, legislative change and/or other similarly unforeseen circumstance during the Performance Year, renders the projected trend invalid for assessing the expected level of spending between the Base Year and Performance Year in the population of NGACO reference beneficiaries, as such term is defined in Appendix B of this Agreement."

*As an epidemiological event that is likely to render the projected trend invalid, COVID-19 meets the criteria for a retroactive trend adjustment*

# Implementation of the Retroactive Trend Modification

- The prospective trend will be updated to reflect the actual trend from 2019 to 2020
- The updated trend will:
  - Use the prospective USPCC trend from BY1 or BY2, respectively, to 2019
  - Use the actual NGREF trend from 2019 to 2020 to extend the trend through PY5/2020
- The 2019 to 2020 trend will be based on:
  - The annual experience of the NGACO reference population
  - Expenditures incurred during all months, including COVID-19 months
- Purposes of this policy:
  - Updates the Trended Baseline expenditure to reflect actual 2020 experience
  - Reflect the impact of COVID-19 on the expenditure PBPM of NGACO-Eligible beneficiaries
  - Preserves the prospectively calculated Attained Performance Adjustment

# Example of Benchmark Calculation Under Current P.A.

	AD	Base Year 1	Base Year 2	Calendar Year	Performance Period
		2017	2018	2019	2020
<b>National Trend Calculation</b>					
83.	Adjusted USPCC	\$814.32	\$849.70	\$884.45	
84.	Prospective Adj. USPCC Trend Factor (BY1 or BY2 to CY2019)	1.0861	1.0409		
85.	NGREF Expenditure PBPM (including Covid-19 months)			\$986.43	\$944.09
86.	National Trend Factor (2019 to 2020) including Covid-19 months				0.9571
87.	National Adjusted Trend Factor (line 84 times line 86)	1.0395	0.9962		

- The prospective trend (line 84) is the adjusted USPCC trend from each base year to 2019
- Line 85 is the observed NGREF expenditure PBPM in 2019 and PY5/2020
- Line 86 is the observed trend in the NGREF expenditure PBPM from 2019 to PY5/2020
- Line 86 is the revised NGACO trend for:
  - BY1/2017:  $1.0395 = 1.0861 \times 0.9571$
  - BY2/2018:  $0.9962 = 1.0409 \times 0.9571$

# Alternative presentation of the trend calculations

	2017	2018	2019	2020
Adj. USPCC	\$814.32	\$849.70	\$884.45	
NGREF Expenditure PBPM			\$986.43	\$944.09
<b>Trend from previous year</b>				
Adj. USPCC		4.34%	4.09%	
NGREF Expenditure PBPM				-4.29%
<b>Cumulative Trend</b>				
from BY1/2017 to PY5/2020		4.34%	8.61%	3.95%
from BY2/2018 to PY5/2020			4.09%	-0.38%

## Calculation of BY1 to PY5 Trend

- +4.34% from 2017 to 2018 (USPCC)
- +4.09% from 2018 to 2019 (USPCC)
- -4.29% from 2019 to 2020 (NGREF)
- Cumulative +3.95% from 2017 to 2020

## Calculation of BY2 to PY5 Trend

- +4.09% from 2018 to 2019 (USPCC)
- -4.29% from 2019 to 2020 (NGREF)
- Cumulative -0.38% from 2018 to 2020

# Do not interpret the data on the previous slides as a forecast

- The previous slides only illustrate the mechanics of the calculations
- The 2020 expenditure is unknown today and will remain unknown until April 2021
- The figures for 2019 and 2020 on the previous slides are illustrative only
  - The 2020 expenditure PBPM is based on the PY5Q1 NGREF expenditure
  - Expenditures in PY5Q1 were incomplete and included a large estimated IBNR expenditure
  - The CY2020 expenditure will reflect the impact of COVID-19 on annual spending

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# **Financial Settlement under the Amended Participation Agreement**

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# Summary of Amended Participation Agreement Provisions

## Updates to Benchmark Methodology

- Removal of COVID-19 episodes of care from benchmark and expenditures
- Application of retrospective regional modification to prospective USPCC trend

## Reductions in ACO / CMS Risk

- Application of gross savings cap at  $\pm 5\%$  for all ACOs
- Proration of any shared losses by the proportion of PY 2020 months within PHE

## Other Changes

- Option for ACOs to modify existing risk arrangement and stop-loss elections
- Removal of 2020 financial guarantee requirement
- Potential rebate of excess Stop-Loss Charge

# Removal of COVID-19 Episodes from NGACO Model Experience

- NGACO will be following the SSP methodology for defining COVID-19 episodes
- A COVID-19 episode of care will include any month starting in the month of admission and extending through the month following the beneficiary's discharge from a hospital for treatment of COVID-19
  - A beneficiary is admitted to the hospital on March 17, 2020, for COVID-19
  - The beneficiary is discharged from the hospital on May 3, 2020
  - The COVID-19 episode includes March, April, May, and June 2020
- Note that this approach may be refined between now and financial reconciliation

# An inpatient admission will trigger a COVID-19 episode of care based on a combination of claim type, CCN, and diagnosis code

- Claim Type: 60 (inpatient claim)
- CCN:
  - Short Term (General and Specialty) Hospitals (0001-0879)
  - Hospitals that participated in an Office of Research and Development Demonstration Project (0880-0899)
  - Critical Access Hospitals (CAHs) (1300-1399)
  - Long Term Care Hospitals (LTCH) (2000-2299)
  - Inpatient Rehabilitation Facilities (3025-3099)
  - Rehabilitation Units (T in third position)
  - CAH Rehabilitation Units (R in third position)
  - Children's Hospitals (3300-3399)
- Diagnosis Code:
  - B97.29 (Other coronavirus as the cause of diseases classified elsewhere) for discharges occurring on or after January 27, 2020, and on or before March 31, 2020.
  - U07.1 (COVID-19) for discharges occurring on or after April 1, 2020, through the duration of the COVID-19 PHE.

# Application of Retrospective Regional Trend

- The prospective trend will be updated to reflect the actual trend from 2019 to 2020
  - The prospective USPCC trend will continue to apply from BY1 and BY2 to 2019
  - That trend will be extended to 2020 using the observed trend in the regional expenditure PBPM of Non-COVID NGACO Eligible Months from 2019 to 2020
- The regional expenditure PBPM for 2019 and 2020 will be the weighted average expenditure PBPM in counties in which the ACO has aligned beneficiaries
  - As with the benchmark, COVID-19 months will be excluded from the 2020 regional expenditure PBPM used to generate the trend from 2019 to 2020
  - An ACO's regional expenditure will be determined by weighting county expenditures by the number of aligned beneficiary months in each county in 2020

# Retrospective Regional Trend Calculation

	AD	Base Year 1	Base Year 2	Calendar Year	Performance Period
		2017	2018	2019	2020
<b>Regional Trend calculation</b>					
88.	Adjusted USPCC	\$814.32	\$849.70	\$884.45	
89.	Prospective Adj. USPCC Trend (to CY2019)	1.0861	1.0409		
90.	Regional Expenditure (excluding Covid-19 months)			\$37,569,211.02	\$35,990,410.28
91.	DIVIDED BY: Eligible Months (excluding Covid-19 months)			38,710	38,710
92.	EQUALS: Regional Expenditure PBPM (excluding Covid-19 months)			\$970.53	\$929.74
93.	Regional Trend Factor (2019 to 2020) excluding Covid-19 months				0.9580
94.	Regional Trend Factor (line 89 times line 93)	1.0405	0.9972		

- The prospective trend (line 89) is the adjusted USPCC trend from each base year to 2019
- Lines 90 through 92 calculate the NGREF expenditure PBPM in the NGACO's region (excluding COVID-19 Months)
- Line 93 is the regional trend in the NGACO's region ( $0.9580 = 929.74 \div 970.53$ )
- Line 94 is the revised NGACO trend for:
  - BY1/2017:  $1.0405 = 1.0861 \times 0.9580$
  - BY2/2018:  $1.0967 = 0.9972 \times 0.9580$

# Calculation of the Regional Expenditure and Trend

## 2019 Regional Expenditure

NGACO_CTY	NGACO_ST	SSE_REG_PBPM	PY5_ELIG_MNTHS	REG_SSE
Johnson	KS	\$916.48	8,751	8,020,103
Leavenworth	KS	\$954.84	2,203	2,103,507
Linn	KS	\$944.77	376	355,234
Miami	KS	\$907.78	1,008	915,041
Wyandotte	KS	\$1,053.96	2,142	2,257,576
Bates	MO	\$1,133.03	411	465,674
Caldwell	MO	\$878.25	257	225,710
Cass	MO	\$993.44	2,433	2,417,035
Clay	MO	\$917.95	3,122	2,865,842
Clinton	MO	\$965.17	574	554,005
Jackson	MO	\$1,009.60	12,704	12,826,021
Johnson	MO	\$952.55	1,152	1,097,342
Lafayette	MO	\$1,041.18	546	568,485
Linn	MO	\$968.54	416	402,914
Platte	MO	\$916.78	2,029	1,860,152
Ray	MO	\$1,082.89	586	634,571

## 2020 Regional Expenditure

NGACO_CTY	NGACO_ST	SSE_REG_PBPM	PY5_ELIG_MNTHS	REG_SSE
Johnson	KS	\$863.38	8,751	7,555,434
Leavenworth	KS	\$885.14	2,203	1,949,972
Linn	KS	\$911.68	376	342,791
Miami	KS	\$835.01	1,008	841,691
Wyandotte	KS	\$1,005.98	2,142	2,154,816
Bates	MO	\$1,077.25	411	442,750
Caldwell	MO	\$840.92	257	216,117
Cass	MO	\$983.14	2,433	2,391,976
Clay	MO	\$895.22	3,122	2,794,878
Clinton	MO	\$914.05	574	524,665
Jackson	MO	\$982.23	12,704	12,478,309
Johnson	MO	\$930.14	1,152	1,071,522
Lafayette	MO	\$1,018.94	546	556,341
Linn	MO	\$896.00	416	372,738
Platte	MO	\$859.36	2,029	1,743,642
Ray	MO	\$943.29	586	552,768

Product of Column 2 and Column 3

Non-COVID-19 eligible months accrued by aligned beneficiaries

Expenditure PBPM of all NGREF beneficiaries in county

County in which aligned beneficiary resides

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  - The 2020 expenditure PBPM is based on the PY5Q1 NGREF expenditure
  - Expenditures in PY5Q1 were incomplete and included a large estimated IBNR expenditure
  - The CY2020 expenditure will reflect the impact of COVID-19 on annual spending
  - The CY2020 expenditure includes experience during COVID-19 episodes

# Reductions in ACO / CMS Risk

- CMS will apply a gross savings cap of  $\pm 5\%$  for all NGACOs, regardless of initial cap selection for PY 2020
- CMS will prorate shared losses based on the proportion of PY 2020 months within the Public Health Emergency
  - The PHE was recently extended through October, which would result in a reduction of any owed shared loss by  $\frac{5}{6}$  – meaning an ACO would owe only  $\frac{1}{6}$  of any shared loss
  - If the PHE is extended through 12/31/2020, this would fully eliminate downside risk



# Other Changes

- ACOs will have the option to modify existing PY 2020 risk arrangements
  - Option to change full/partial risk election
  - Option to opt-in or opt-out of Stop-Loss Arrangement
- CMS will remove the Financial Guarantee requirement for PY 2020
- CMS will rebate excess Stop-Loss Charge
  - If the Net Impact of Stop-Loss across all ACOs participating in Stop-Loss is negative (resulting in a surplus for CMS), CMS will rebate the excess Stop-Loss Charge to ACOs

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# **Comparison of Amended to Current Participation Agreement Financial Settlement**

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# Comparison of Financial Settlement Methods

	Current Participation Agreement	Amended Participation Agreement
<b>COVID-19 Months Excluded</b>	No	Yes
<b>Performance Year Trend</b>	Prospective Adj. USPCC: 2017 – 2019 National NGREF Trend: 2019 – 2020	Prospective Adj. USPCC: 2017 – 2019 Regional NGREF Trend: 2019 – 2020
<b>Risk Arrangement</b>	Current Election	Can modify Election
<b>Maximum Gross Savings (Loss)</b>	Current Election	5%
<b>Stop-Loss Participation</b>	Current Election	Can modify Election
<b>Stop-Loss Charge</b>	Current Method	Potential Rebate <sup>2</sup>
<b>Pro-rata reduction of losses<sup>1</sup></b>	No	Yes

<sup>1</sup> Losses reduced based on the percentage of CY2020 months that are within the declared Public Health Emergency period (Jan thru Oct 2020, possibly thru Dec 2020)

<sup>2</sup> Consideration will be given to a rebate of a percentage of the charge based on the experience of NGACOs participating in the stop-loss arrangement who accept the Amendment to the Participation Agreement

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## **Next Steps / Calendar**

# Upcoming Milestones

	Milestone	Additional Considerations
<b>Early August 2020</b>	<i>Receive COVID-19 PA Amendment</i>	
<b>August 14, 2020</b>	<i>Distribution of PY5Q2 Benchmark Report</i>	<ul style="list-style-type: none"> <li>• Will follow current Participation Agreement</li> <li>• Will continue to <u>include</u> COVID-19 months</li> <li>• Will apply prospective national trend</li> </ul>
<b>September 2020 (30 days after receiving PA Amendment)</b>	<i>Deadline for Signing Amended PA</i>	In addition, ACOs will need to complete: <ul style="list-style-type: none"> <li>• Reselection of Full / Partial Risk</li> <li>• Decision to participate or not participate in the Stop-Loss Arrangement</li> </ul>
<b>October 31, 2020</b>	<i>Distribution of PY5Q3 Benchmark Reports</i>	<ul style="list-style-type: none"> <li>• Will follow current Participation Agreement</li> <li>• Will continue to <u>include</u> COVID-19 months</li> <li>• If amendment is accepted, may identify COVID-19 expenditures to be removed, depending on SSP clearance of methodology</li> <li>• Will apply updated Risk Arrangement and Stop-Loss Election</li> </ul>
<b>January 31, 2021</b>	<i>Distribution of PY5Q4 Benchmark Reports</i>	<ul style="list-style-type: none"> <li>• Will follow current Participation Agreement</li> <li>• Will continue to <u>include</u> COVID-19 months</li> <li>• If amendment is accepted, may identify COVID-19 expenditures to be removed, depending on SSP clearance of methodology</li> </ul>
<b>April 30, 2021</b>	<i>Distribution of PY5S1 Preliminary Settlement Reports</i>	<ul style="list-style-type: none"> <li>• If Amendment is rejected: will apply National NGREF trend</li> <li>• If Amendment is accepted: will exclude COVID-19 months and apply Regional NGREF trend</li> </ul>

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# Discussion