



## Press Release

Headline: "Next Generation ACOs: Improvements and Indecision"

Source: National Association of ACOs (NAACOS)

March 18, 2015

The National Association of ACOs, a membership organization of over 140 Medicare Shared Savings Program (MSSP) ACOs applauds CMS for introducing a new demonstration program to promote and test a higher risk/reward model of accountable care. We are pleased to see many provisions in the Next Generation ACO demo that the MSSP ACO provider community has proposed and supported for lower risk ACOs. Many of these provisions were identified by NAACOS in its February 6th stakeholder coalition comment letter in response to CMS's proposed MSSP rule. (See: <https://www.naacos.com/comments.htm>). However, the Next Gen Model is designed for organizations well experienced in risk management, licensed and able to finance the possibility of a significant loss, and wanting to ultimately receive capitated at-risk payments for care. It is the government's "almost-Medicare Advantage" ACO program. CMS anticipates approving up to 20 ACOs over two application years.

The Next Gen demo will allow shared savings at 80 to 85 percent, substantially higher than the 50 to 60 percent offered by the MSSP. To CMS's credit, the demo will also prospectively assign Medicare beneficiaries, thereby intending to reduce unstable assignment or year-over-year patient churn. It will make available to qualified Next Generation ACOs a waiver of the three-day inpatient hospital stay prior to a Skilled Nursing Facility admission, allow for expanded use of telehealth services, and allow a waiver for home visits to non-homebound beneficiaries. Compared to the MSSP, Next Gen substantially improves risk scoring by making it similar to the Medicare Advantage Program. The demo will reduce the minimum number of required ACO beneficiaries to 10,000 and will offer provider participants a "learning system" to help them achieve improved performance. Concerning the quality measures they are at least, less one, the same as the measure set used in the MSSP. CMS also offers the flexibility of four payment mechanisms from current fee-for-service to full capitation. For the Medicare beneficiary, the demo will allow unassigned patients the ability to voluntarily align or select their care via a Next Generation ACO. The demo will also incent the Medicare beneficiary by making direct payments to them if they receive a certain percent of their care from a Next Gen provider.

The Next Generation demo tries to address the most significant aspect of the Medicare Shared Savings Program: how ACO performance benchmarks are calculated by using a combination of historical costs, regional trending and a "discount" factor. A Next Generation's established benchmark will be calculated using just one year of historical spending. It is unclear how using one benchmark year provides a more accurate calculation of spending than using the MSSP's three benchmark years. This point aside, it is difficult to see how CMS avoids the problem of diminishing returns (or ACO providers having to chase their own past performance) particularly since the most likely Next Generation applicants will be successful Pioneer and MSSP ACOs. CMS also introduces the use of a benchmark "discount." At least for the first three years of the planned five year demo, the discount percentage will be comprised of "quality" and "regional" and "national" efficiency components. In sum, a Next Generation ACO's benchmark will be reduced by 0.5 to 4.5 percent depending on how these three components add up. Like quality

measure benchmarking in the MSSP, quality performance is again penalty only. Even if a Next Generation has a 100 percent quality score their benchmark is discounted by 2.0 percent. The regional efficiency discount will range from -1 to 1 percent and the national from -0.5 to 0.5 percent. There has been considerable discussion and agreement by MedPAC and others that the benchmark ought to increasingly account for regional cost trends. Here however, CMS barely recognizes regional cost realities and persists with a national growth factor. Unfortunately, it appears CMS will leave this critical issue unresolved for now.

There are a number of differences with the Pioneer Model that started with 32 and now has 19 ACOs. Next Gen offers a different benchmarking methodology, recognizes regional trending, incorporates 2-way risk adjustment, includes a pathway to true capitation, more care coordination waivers, higher risks and rewards, steps towards tighter network management, and offers financial incentives to beneficiaries to stay in the network.

NAACOS strongly believes that the Medicare program is best served by a continuum of MSSP track options that incrementally increases the level of risk and reward such that program growth is maximized. The Next Generation ACOs are clearly at the far end of the continuum, approaching the Medicare Advantage Program level of risk/reward. For providers to move successfully through the continuum, the MSSP entry Track 1, under which over 98 percent of ACOs currently operate, need improved program rules in order for providers to learn how to progress successfully along the continuum or take on greater financial risk responsibility. We hope the final MSSP rule that will be published by CMS this spring will determine if the continuum will succeed.

#### About National Association of ACOs

NAACOS is a non-profit organization that enables accountable care organizations to work together to increase quality of care, lower costs and improve the health of communities. Our membership currently includes over 140 ACOs in 27 states, and our board includes ACO executives and experts from across the country.