

Accountable Care Organizations

2019

Medicare ACOs Continue to Grow

Accountable Care Organizations are a central part of Medicare’s effort to improve care coordination and quality. The Centers for Medicare & Medicaid Services (CMS) introduced ACOs in 2010 and, since then, has made many changes, including adding new types of ACOs and payment tracks. The latest round of CMS changes, finalized in December 2018, streamline and redesign the largest ACO program and push ACOs to assume a greater proportion of risk for financial losses.

Basics

ACOs are groups of doctors, hospitals, and other health care providers that join together to provide coordinated care for patients. The goal is better quality and lower costs.

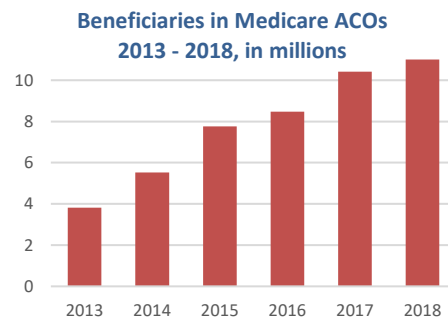
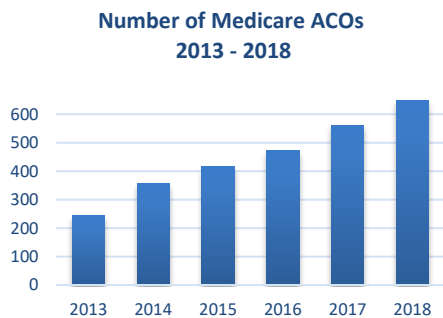
- ACOs share in financial savings if they meet specific quality and cost benchmarks.
- ACOs share in a greater portion of financial savings if they also agree to share in financial losses.
- The amount of savings or losses depends upon how well they perform on quality and cost measures.

Types

The payment tracks and mechanisms vary by type of ACO. These are the three main ACO types.¹

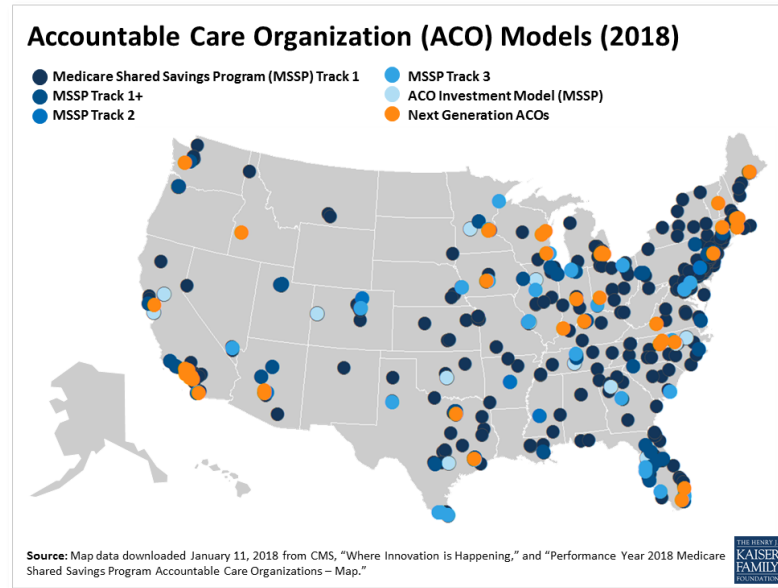
| | | | |
|------------------------|---|---|--|
| Shared Savings | Providers can choose to share only in financial savings for a period of time. But they must eventually also share in financial risk, i.e. losses. | ➔ | Shared Savings is the largest Medicare ACO program, with 561 ACOs in 2018. |
| Pioneer | Providers share in a greater portion of savings, but are also required to share in financial losses. | ➔ | Started in 2012, Pioneer was the first Medicare ACO program, but was discontinued in 2016. |
| Next Generation | Providers can share in up to 100% of savings and losses. | ➔ | Next Generation ACOs are the newest and highest-risk ACOs. They are the “next generation” of Pioneer ACOs. |

Number



¹ CMS also initiated a Comprehensive End Stage Renal Disease (ESRD) Care ACO model to improve the coordination and quality of care for beneficiaries with ESRD. In 2018, 37 of these specialty ACOs were in operation.

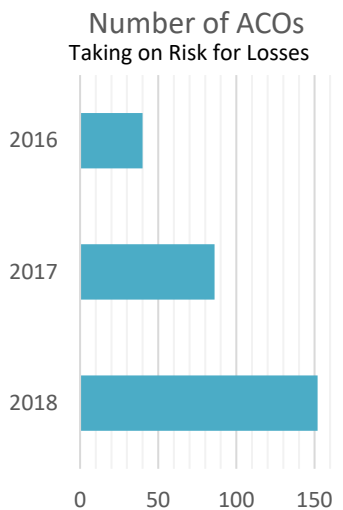
Locations



Source: "8 FAQs: Medicare ACO Models," The Henry J. Kaiser Family Foundation, accessed 12/13/18, <https://www.kff.org/faqs-medicare-accountable-care-organization-aco-models/>

Trends

- ✓ **Most ACOs do not share in the risk of financial losses.** Some 82% of Shared Savings ACOs share only in savings. That said, the number of ACOs taking on some degree of financial risk is growing.
- ✓ **Medicare has encouraged ACOs to take on financial risk for losses.** CMS offers ACOs a greater share of savings as they increase their downside risk. It also offers them greater flexibility in such areas as using telehealth and skilled nursing facilities. Starting in January 2018, CMS also introduced a Shared Savings Track 1+, which requires an even lower level of risk-sharing than Tracks 2 or 3 of the program.



- ✓ **Medicare is now pushing ACOs harder to take on downside financial risk.** As of January 2019, CMS is implementing rules that require new Shared Savings ACOs to take greater risk of losses within a five-year period and that reduce the period in which ACOs are allowed to share only in savings. The degree of financial risk increases incrementally over the five-year period.
- ✓ **MACRA is giving ACOs a boost.** Under the Medicare Access and CHIP Re-Authorization Act (MACRA), physicians have new incentives to join ACOs that share in the risk of financial losses. Physicians who become part of such ACOs can qualify for 5% payment bonuses from 2019 – 2024.
- ✓ **ACOs are here to stay.** Despite many changes in the structure, payment tracks, and risk levels of ACOs since 2010—and despite the change in Administration—CMS appears to remain committed to ACOs and their role in value-based payment.

Medicare ACOs

ACOs share many similarities, but are also different in a number of dimensions. This table compares the main types of ACOs. Note: The “Shared Savings ACOs” column reflects Medicare requirements prior to 2019 rule changes.

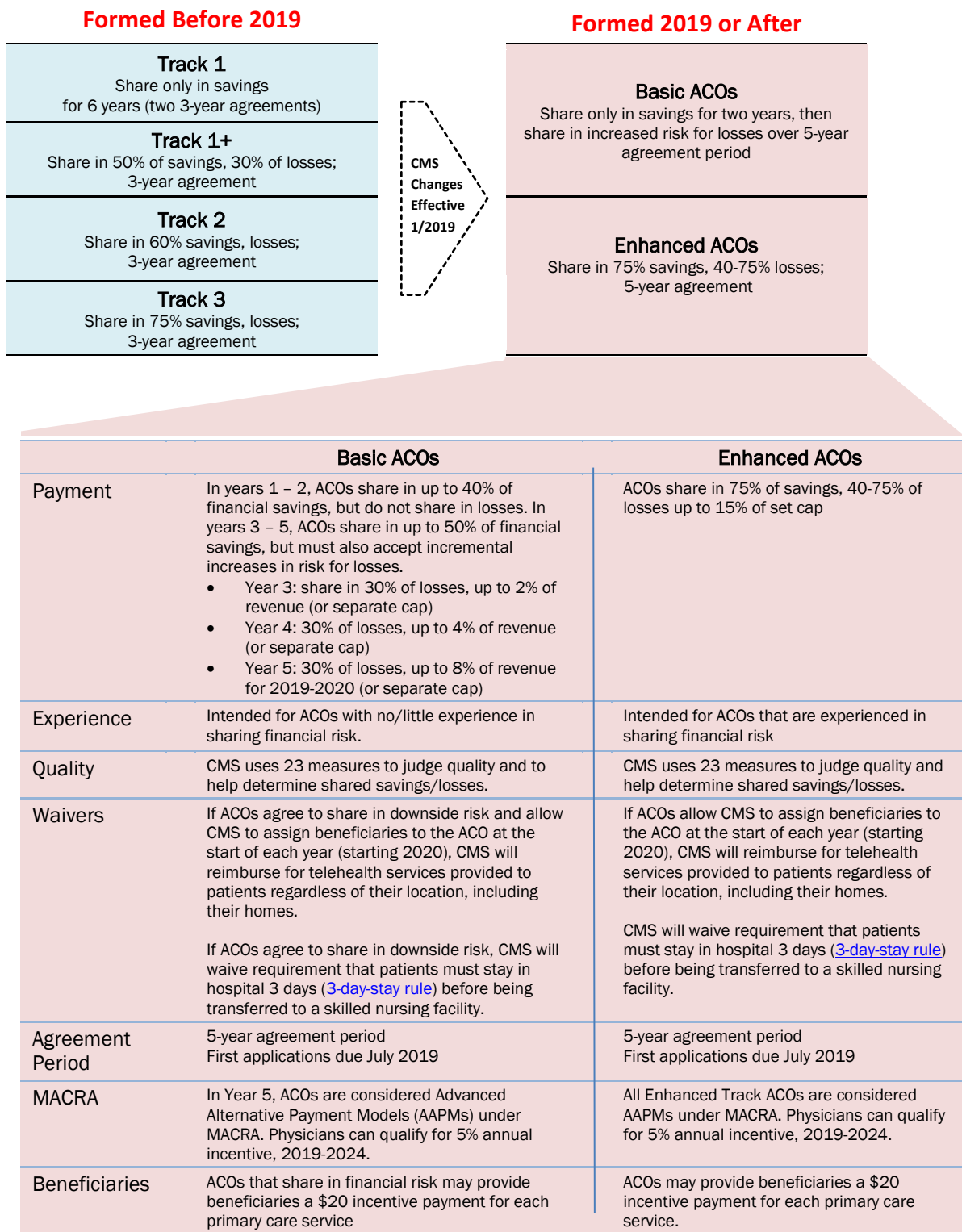
| | Shared Savings ACOs | Pioneer ACOs (Program ended 2016) | Next Generation ACOs |
|---------------------|---|--|--|
| Payment | ACOs select from payment tracks that let them share in different levels of savings, losses <ul style="list-style-type: none"> <i>Track 1</i>: up to 50% of shared savings; no shared losses <i>Track 1+</i>: Up to 50% of shared savings; 30% shared losses <i>Track 2</i>: Up to 60% of shared savings and losses <i>Track 3</i>: Up to 75% of shared savings and losses | ACOs can share in 60 – 75% of savings/losses. | Two levels of financial risk: <ul style="list-style-type: none"> Share in up to 80% of savings/losses Share in up to 100% of savings/losses Payment can be based on fee-for-service or capitated payments or a combination of the two. |
| MACRA | Tracks 1+, 2, and 3 ACOs are considered “Advanced Alternative Payment Models (AAPMs)” under the Medicare Access and CHIP Reauthorization Act (MACRA). Physicians in AAPMs can qualify for 5% annual incentives, 2019 – 2024 | NA | Next Generation ACOs are considered to be AAPMs under MACRA. |
| Quality | CMS uses 31 measures to judge quality; also uses quality scores to help determine shared savings/losses. | Same as Shared Savings | Same as Shared Savings |
| Waivers | For Tracks 1+ and 3 ACOs, CMS waives requirement that patients must stay in hospital 3 days (3-day-stay rule) before being transferred to a skilled nursing facility. | CMS waives the 3-day-stay rule. | CMS waives the 3-day-stay rule , as well as limitations on telehealth and post-discharge home visits . |
| Other | <ul style="list-style-type: none"> Shared Savings ACOs may remain in Track 1 for two, 3-year agreement periods before they are required to transition to a risk-sharing track. Beneficiaries may choose which ACO they are aligned with. | Beneficiaries may choose which ACO they are aligned with. | <ul style="list-style-type: none"> Beneficiaries may choose which ACO they are aligned with. Beneficiaries may receive financial rewards for using Next Generation ACOs. |
| Number ² | 2018: 561 | 2016: 9 | 2018: 51 |
| CMS links | Shared Savings page . Shared Savings Fast Facts . | Pioneer ACO page . Pioneer ACO FAQs . | Next Generation page . Next Generation FAQs . |

Redesign of Medicare Shared Savings ACOs

The latest round of changes that CMS made to the Shared Savings program went into effect in January 2019 and apply to ACOs formed in 2019 and after. Called “Pathways to Success, the changes require ACOs to take on downside risk more quickly, in exchange for additional flexibility in using such care management tools as telehealth. The new rules discontinue Tracks 1, 1+, and 2 of the Shared Savings program and rename, and slightly adjust, Track 3. The next table compares Shared Savings ACOs formed before 2019 with Shared Savings ACOs that will be formed in 2019 and after under the new rules.

² These numbers reflect the latest data published by CMS, but the total number of ACOs at any given time may vary. Also note that while CMS reported 9 Pioneer ACOs in 2016, that was the year the program ended. Many Pioneer ACOs either transitioned to Shared Savings ACOs or Next Generation ACOs over the course of the Pioneer program, and continue to operate in that stead.

Medicare Shared Savings ACOs



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