Synchronizing Medicare policy across delivery systems

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Background

- There are different delivery system options available in Medicare (e.g., FFS, MA, ACOs)
- How do these options relate to one another?
- How should they be synchronized?
- Approaches to studying this question
  - Payment / regulatory oversight
  - Measuring quality
  - Risk adjustment for payment and quality
  - Beneficiary choice of options—including beneficiary education, plan choice, and point-of-service incentives

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Medicare payment across delivery systems

FFS	ACO	MA
Pay by service	Mixed payment: FFS payment +/- shared savings	Pay full capitation for enrollees
Silo-based		
Some value-based purchasing	All Parts A&B Quality incentive	All Parts A&B Quality bonus
No risk	Limited risk	Full risk

Payment and delivery system integration

Rules under current law

	Traditional FFS Medicare	Accountable care organizations (ACOs)	Medicare Advantage (MA)
Medicare program	• Pays for individual services at set payment rates	• Pays for individual services at set payment rates • Plus bonus payments/ penalty based on spending & quality targets	• Pays risk-adjusted capitation payments per enrollee • Based on MA benchmarks and plan bids
Beneficiaries	• Medicare benefit package • Any participating provider • Can have supplemental coverage	• Same as under FFS • Attributed to an ACO • Providers can informally encourage staying within the ACO	• Plan-specific benefits—get extra benefits if the plan bid is less than the MA benchmark • Limited network of providers or in-network incentives • Need to enroll

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Calculating spending benchmarks: ACOs vs. MA

	ACOs	MA
Level of spending	Calculated using average spending of FFS beneficiaries attributed to the ACO	Calculated using average spending of all FFS beneficiaries in a county
Adjustment for change in spending in the next year	Calculated using national growth in average FFS spending: absolute dollar amount (MSSP) or a blend of the absolute dollar amount and the national growth rate (Pioneer)	Calculated using projected national growth rate in average FFS spending

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Hypothetical examples of payment issues

- Key questions
  - How to set payment levels across different Medicare options?
  - How to set payment levels across different areas?
- Consider a simple example of payment across FFS, ACOs and MA within a given area
- Assume a beneficiary of average risk (1.0 risk score)

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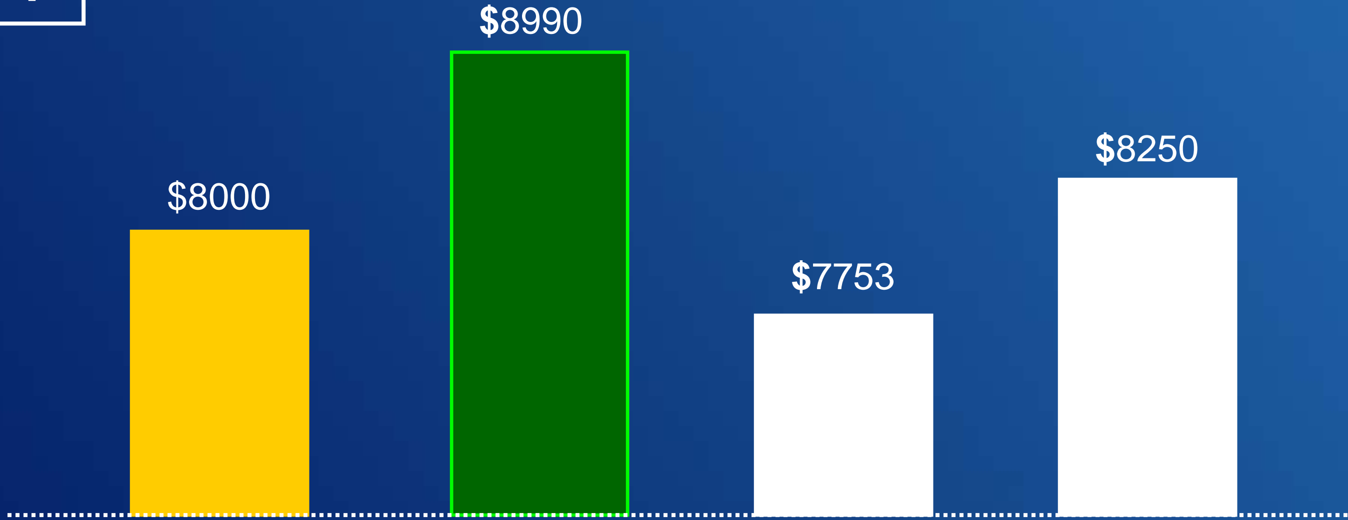
Medicare payment for the same beneficiary varies across delivery systems

- Traditional FFS
  - No benchmark or budgetary controls on spending
  - Service use and spending vary by geography, providers, market conditions, payment systems, etc.
- MA
  - County-level benchmarks range from 95 to 115% of FFS spending (plus any quality bonuses), by statute
  - Bid amounts and rebate rates vary by plan
- ACOs
  - Benchmarks reflect historical spending incurred by the ACO’s beneficiaries and vary by ACO
  - Payment to ACOs can include shared savings / losses

Example: Medicare payment for same beneficiary within an area varies across delivery systems

Area 1



	FFS	MA	ACO 1	ACO 2
Benchmark	$8000	$9200	$7800	$8300
A & B spending	$8000	$8500	$7644	$8134
Payment	$8000	$8990	$7753	$8250

Note: The numbers presented in this example are hypothetical and not drawn to scale. The MA benchmark in Area 1 equals $9200, or 115 percent of local FFS spending. The MA plan's bid in this example is $8500—the plan's expected A & B spending— and the MA plan's payment is $8990 assuming the 70 percent rebate rate. For ACOs, the benchmark is the ACO's target spending. We assumed a 2 percent savings rate off the ACO's target spending to calculate its A & B spending and a 70 percent shared savings rate to calculate its payment.

…but relationships among delivery systems can vary across areas

	FFS	MA	ACO 1	ACO 2
Benchmark	$10,000	$9500	$8800	$9700
A & B spending	$10,000	$9000	$8624	$9506
Payment	$10,000	$9350	$8747	$9642

Note: The numbers presented in this example are hypothetical and not drawn to scale. The MA benchmark in Area 2 equals $9500, or 95 percent of local FFS spending. The MA plan’s bid in this example is $9500—the plan’s expected A & B spending— and the MA plan’s payment is $9350 assuming the 70 percent rebate rate. For ACOs, the benchmark is the ACO’s target spending. We assumed a 2 percent savings rate off the ACO’s target spending to calculate its A & B spending and a 70 percent shared savings rate to calculate its payment.

Hypothetical examples highlight several issues

- How to deal with spending variations within an area?
- How to deal with spending variations across areas? (Note everyone had higher Medicare payment in area 2)
- How to set spending benchmarks across delivery systems, at the area level or the beneficiary group level?
- Who gets the difference between Medicare payment and actual spending, the delivery system or beneficiary?

What's the meaning of "synchronizing"?

- Neutrality across delivery systems
- Moving toward one delivery system option over another

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Questions for discussion

- Does “synchronizing” mean payment neutrality across FFS and other delivery systems options?
- How to address spending variations within an area?
- How to address spending variations across areas?