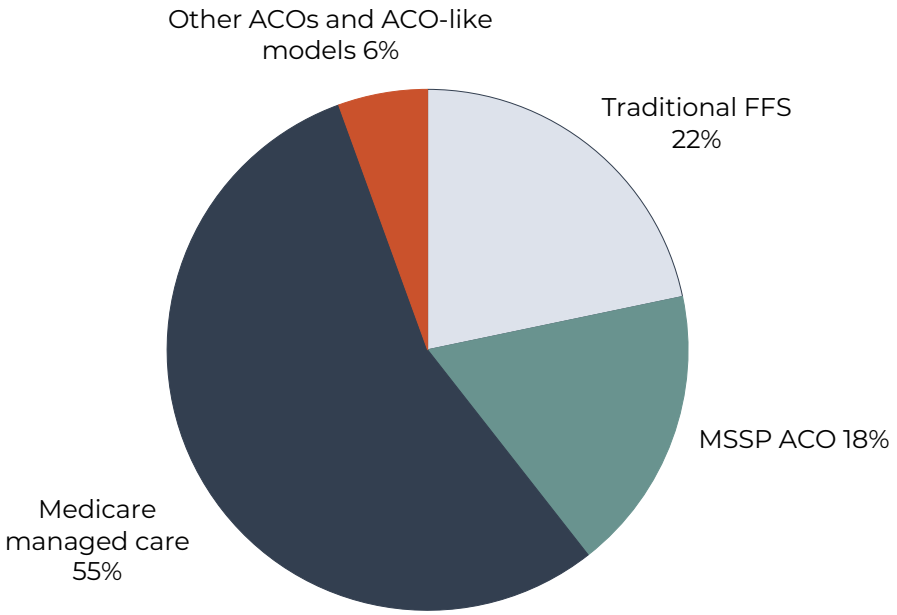
SECTION

5

Alternative payment models

Chart 5-1 Most Medicare beneficiaries are in managed care plans or are assigned to accountable care organizations, 2024



Note: ACO (accountable care organization), FFS (fee-for-service), MSSP (Medicare Shared Savings Program). This chart includes only beneficiaries enrolled in both Part A and Part B in January 2024. Both Part A and Part B coverage is necessary for either Medicare Advantage enrollment or ACO assignment. In general, Medicare managed care plans include Medicare Advantage plans as well as cost-reimbursed plans and Medicare–Medicaid demonstration plans. "Other ACOs and ACO-like models" include the ACO Realizing Equity, Access, and Community Health (REACH) Model, the Maryland Total Cost of Care (TCOC) Model, and the Vermont All-Payer ACO. In the Maryland TCOC Model, all FFS beneficiaries are assigned to a hospital, and each hospital is responsible for all Part A and Part B spending for all Medicare beneficiaries in its market. This system creates ACO-like incentives for the hospital and qualifies physicians affiliated with those hospitals for the Medicare Access and CHIP Reauthorization Act (MACRA) bonus payments for participation in eligible alternative payment models.

Source: CMS January 2024 enrollment data, CMS Shared Savings Program January 2024 Fast Facts, CMS ACO REACH 2024 Fast Facts, and State of Vermont Green Mountain Care Board 2023 Medicare total cost of care annual report.

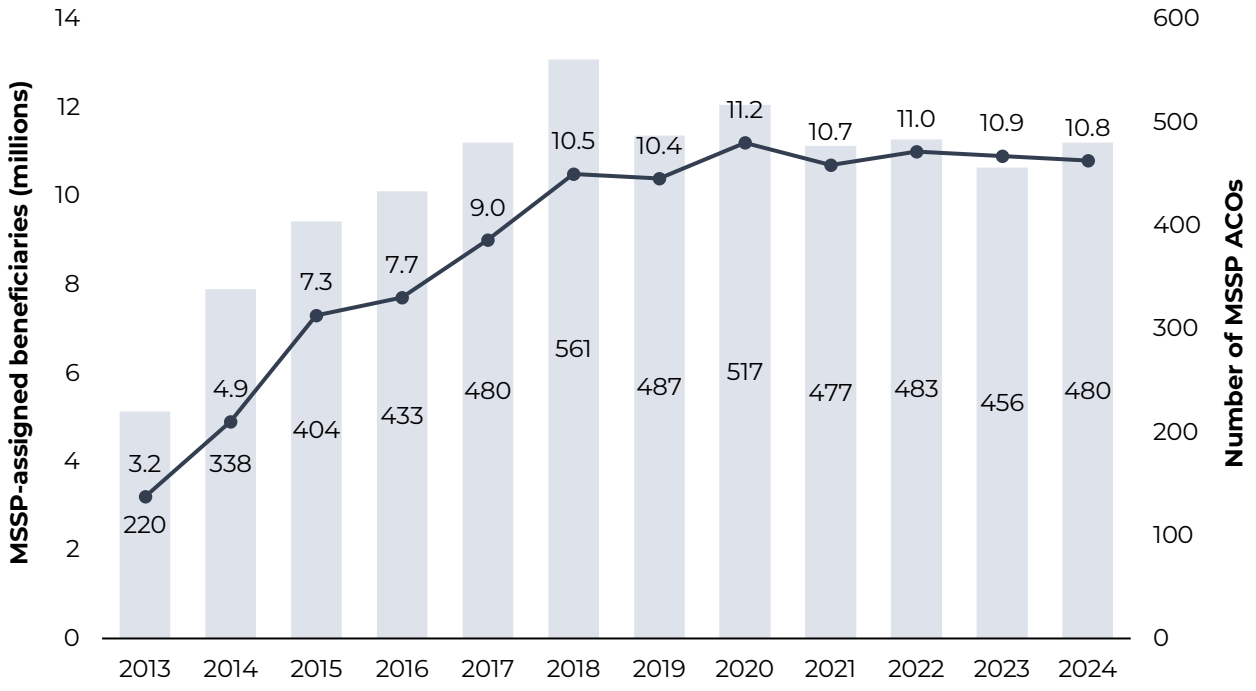
> Among the 61.0 million Medicare beneficiaries with both Part A and Part B coverage in 2024, approximately three-fourths (78 percent) are in Medicare managed care (Medicare Advantage or other private plans) or ACO models.

> The MSSP, a permanent ACO model established through the Affordable Care Act of 2010, accounts for most of the beneficiaries assigned to ACO or ACO-like payment models.

> Only 22 percent of Medicare beneficiaries with both Part A and Part B coverage are now in traditional FFS Medicare—a share that has declined in recent years.

> Even among the share of beneficiaries in FFS Medicare, some beneficiaries may be assigned to other alternative payments models such as the Bundled Payments for Care Improvement Advanced Model.

Chart 5-2 The number of beneficiaries assigned to MSSP ACOs grew rapidly through 2018 and then leveled off



Note: MSSP (Medicare Shared Savings Program), ACO (accountable care organization). Numbers are as of January in each year. In 2019, MSSP ACOs were allowed to join the program in July. Those ACOs and the beneficiaries assigned to them were therefore not in the program as of January 2019 and so are not included in the 2019 counts on this chart. As of July 2019, there were 518 MSSP ACOs and 10.9 million beneficiaries assigned to them (data not shown). In 2021, new MSSP ACOs were not allowed to join the program due to the coronavirus pandemic, though ACOs were still allowed to exit the program.

Source: CMS Shared Savings Program January 2024 Fast Facts.

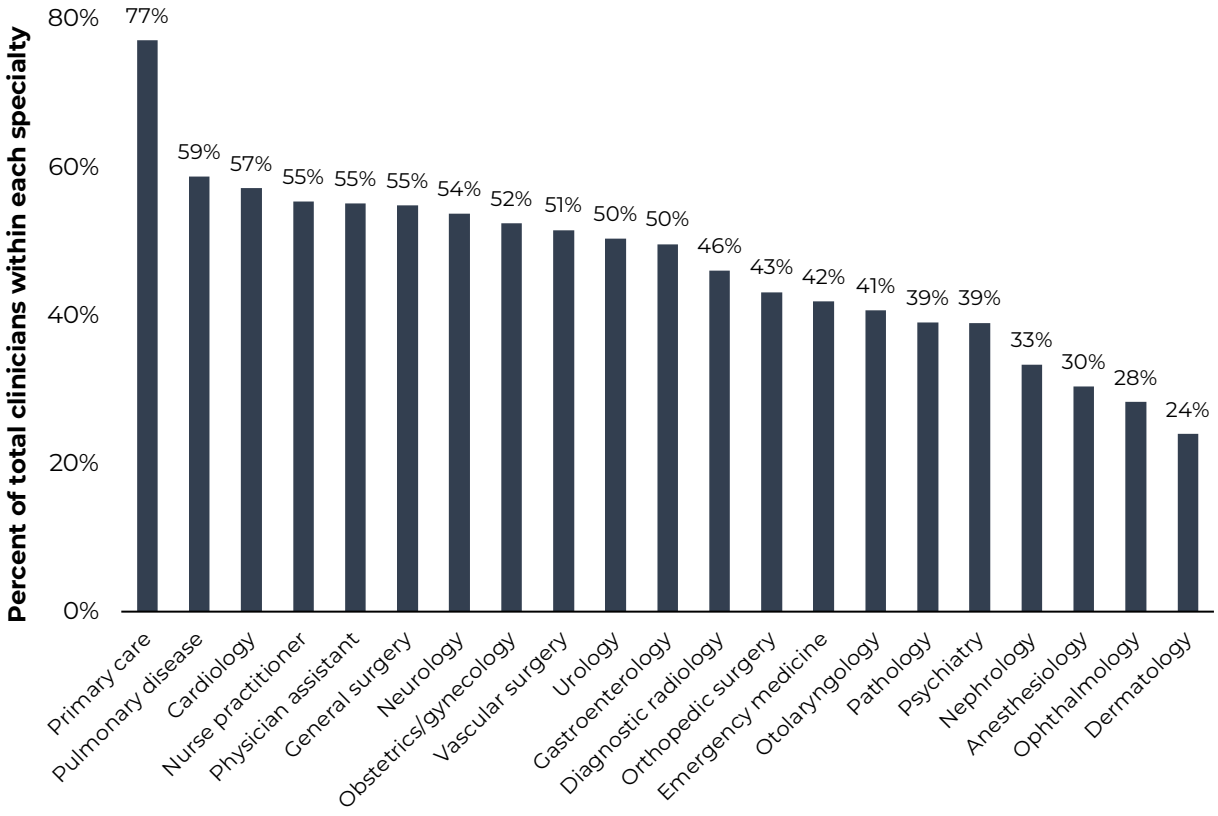
> The number of beneficiaries assigned to MSSP ACOs grew rapidly through 2018 but has leveled off in recent years. In 2023, 18 percent of beneficiaries enrolled in both Part A and Part B were assigned to an MSSP ACO (see Chart 5-1).

> The number of ACOs peaked at 561 in 2018 and then declined to 487 in January 2019. In 2024, there were 480 ACOs—an increase relative to 2023.

> CMS finalized changes to MSSP at the end of 2018 that included (1) requiring ACOs to transition toward greater levels of financial risk and (2) using regional spending as a component of all ACO benchmarks (the spending levels used to measure an ACO's financial performance). These changes coincided with some ACOs dropping out of the program and fewer new ACOs joining.

> In 2024, the number of assigned beneficiaries is similar to the amount in 2021, as is the number of beneficiaries per ACO (latter data not shown).

Chart 5-3 Participation in MSSP ACOs among select specialties, 2022



Note: MSSP (Medicare Shared Savings Program), ACO (accountable care organization). "Total clinicians" includes all clinicians from each specialty who treated at least one Medicare fee-for-service (FFS) beneficiary in 2022, including those who participated in an MSSP ACO. "Primary care" includes physicians who specialize in internal medicine, family medicine, geriatric medicine, and pediatric medicine.

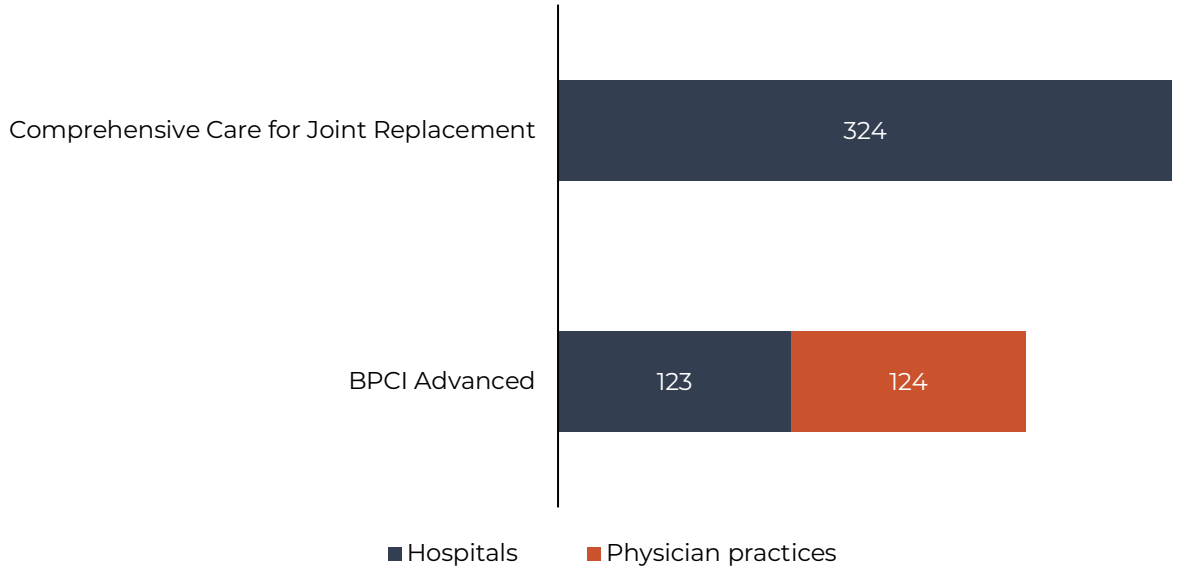
Source: Shared Savings Program Accountable Care Organizations public use files and research identifiable files from CMS; Carrier Standard Analytic File for 100 percent of Medicare beneficiaries from CMS.

> ACOs by design are oriented around primary care, but specialists also participate in these models. Most MSSP ACOs have a mix of physicians among various clinical specialties.

> Among all primary care physicians who billed FFS Medicare in 2022, 77 percent participated in an MSSP ACO.

> Among other specialties, participation in ACOs as a share of all clinicians within the specialty varies greatly. For example, 59 percent of all pulmonologists participating in FFS Medicare in 2022 also participated in an ACO. By contrast, less than 30 percent of ophthalmologists and dermatologists participated in an MSSP ACO.

Chart 5-4 Comprehensive Care for Joint Replacement is Medicare's largest episode-based payment model, 2024



Note: BPCI (Bundled Payments for Care Improvement).

Source: Comprehensive Care for Joint Replacement website (https://www.cms.gov/priorities/innovation/innovation-models/cjr); information on BPCI Advanced participants is from CMS's Where Innovation Is Happening website (https://www.cms.gov/priorities/innovation/innovation-models/bpci-advanced).

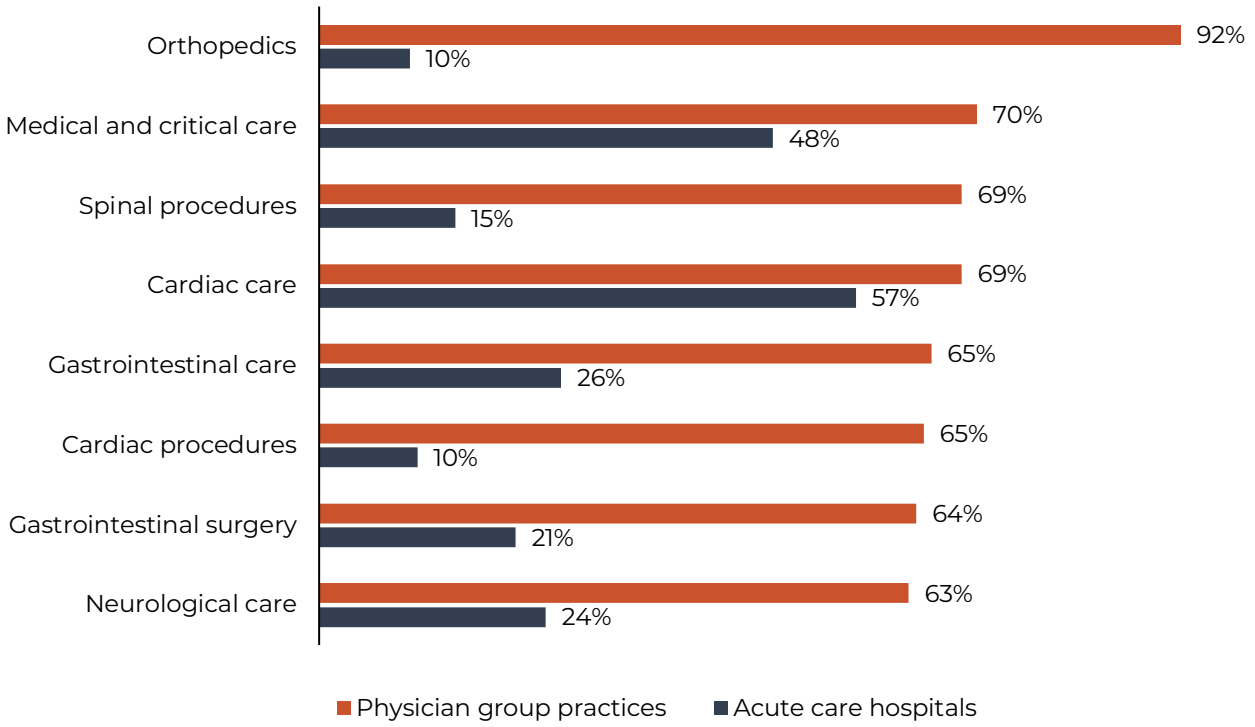
> Episode-based payment models give health care providers a spending target for most types of care provided during a clinical episode (e.g., 6 months of chemotherapy or an inpatient admission or outpatient procedure plus most other care provided in the subsequent 90 days). If total spending is less than the target, Medicare pays providers a bonus; if total spending is more than the target, Medicare recoups money from providers.

> Within fee-for-service Medicare, the episode-based payment model with broadest participation is the Comprehensive Care for Joint Replacement (CJR) Model, with 324 participating hospitals.

> Participation in the BPCI Advanced Model shrank from 280 acute care hospitals and physician group practices in 2023 to 247 in 2024. The number of participants in the model is divided evenly between hospitals (123) and physician practices (124).

> CMS plans to test another episode-based payment model, the Transforming Episode Accountability Model (TEAM), starting in 2026. TEAM will draw on lessons learned from the CJR and BPCI Advanced models. As proposed, TEAM will be a mandatory model that focuses on quality and spending metrics during the 30-day period following certain surgical procedures.

Chart 5-5 Share of BPCI Advanced episode initiators accepting responsibility for each clinical-episode group, 2024



Note: BPCI (Bundled Payments for Care Improvement). BPCI Advanced participants can accept episode-based payments for multiple clinical-episode service-line groups. The denominators for each group are 124 episode initiators among physician group practices and 123 episode initiators among acute care hospitals in 2024.

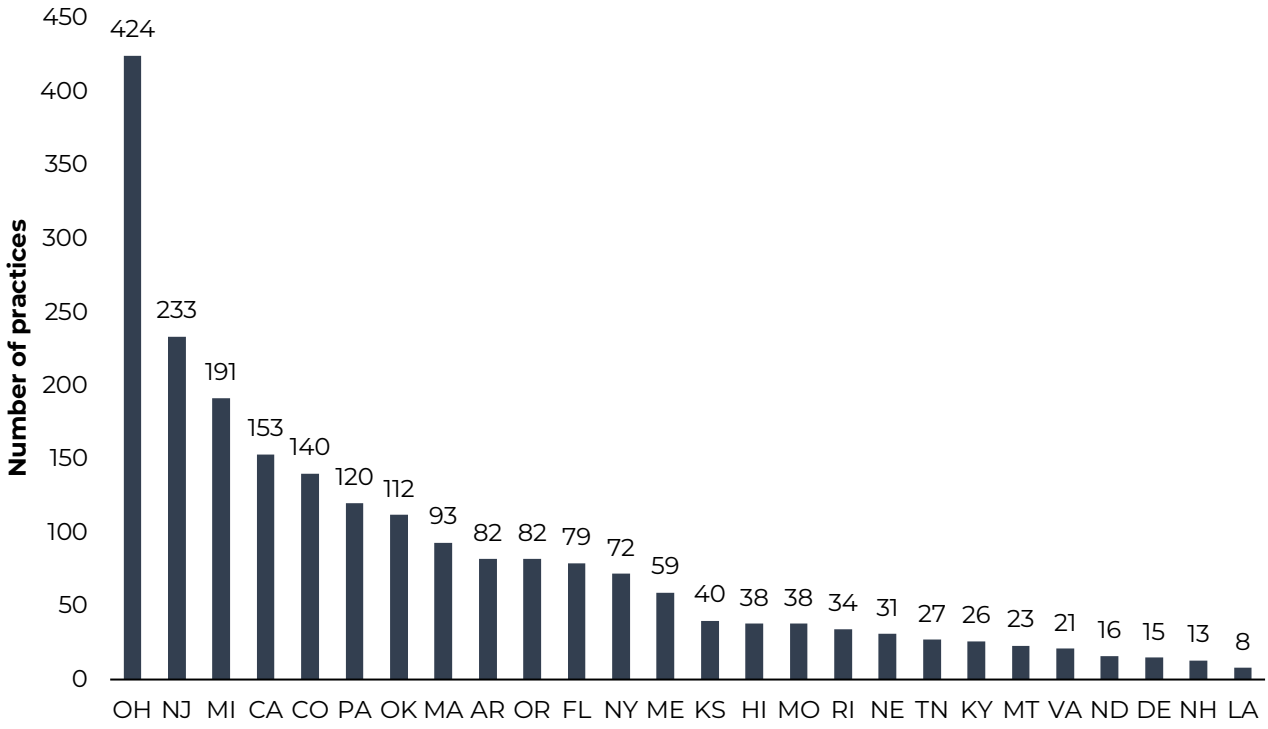
Source: List of clinical-episode service-line groups that each BPCI Advanced participating episode initiator agreed to take financial responsibility for in Model Year 7 (2024), downloaded from CMS's BPCI Advanced webpage (https://www.cms.gov/priorities/innovation/innovation-models/bpci-advanced).

> BPCI Advanced covers dozens of types of inpatient and outpatient clinical episodes, aggregated into eight clinical-episode service-line groups (e.g., the cardiac care group includes acute myocardial infarction, cardiac arrhythmia, and congestive heart failure). Participating hospitals and physician practices select the service-line groups for which they will be financially responsible under the model.

> More than 60 percent of physician practices participating in the model initiate episodes in all of the service-line groups in 2024, which is substantially less than the 80 percent of practices that initiated episodes in all service-line groups in 2023 (data not shown). Among participating hospitals, there is more variation. Nearly 57 percent of hospitals initiate episodes within the cardiac care service-line group, while only 10 percent of hospitals opt to initiate episodes in the orthopedic and cardiac procedures service-line groups.

> About one-third of all BPCI Advanced episode initiators accept episode-based payments for more than four of the eight clinical-episode service-line groups. Twenty-eight percent accept episode-based payments for only one clinical-episode service-line group (data not shown).

Chart 5-6 Almost 2,200 practices are testing the Primary Care First model, 2024



Note: Primary Care First is an advanced alternative payment model that CMS began testing with the first cohort in 2021 and the second cohort in 2022. Primary Care First is a multipayer model, with some Medicaid and private insurers voluntarily paying similar fees for their enrollees.

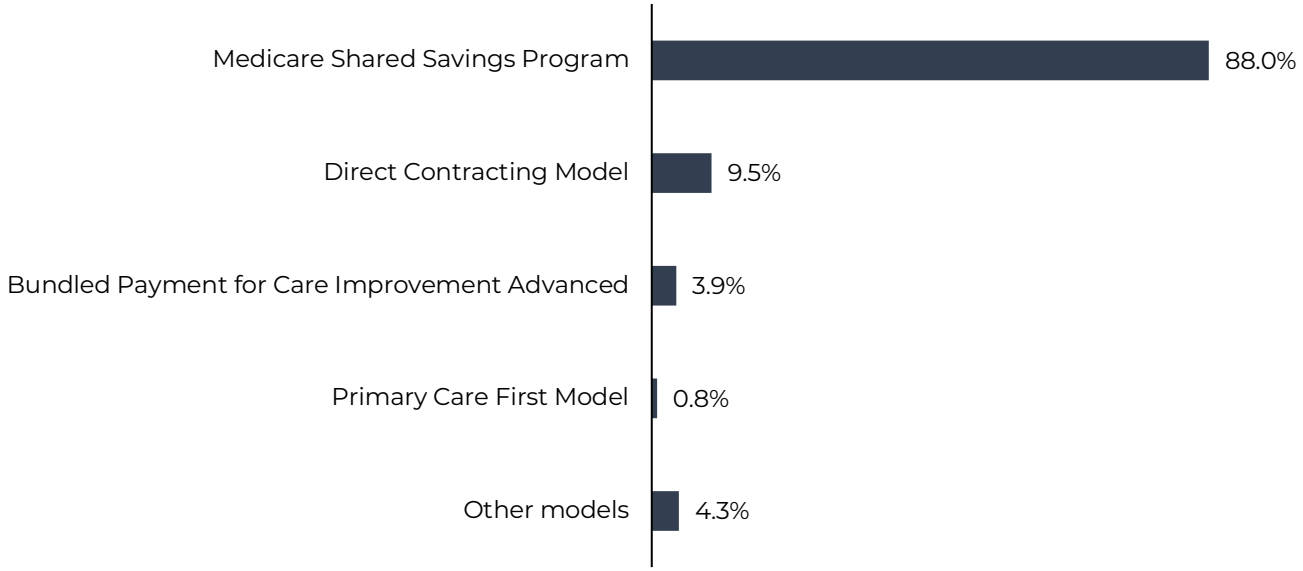
Source: CMS's list of Primary Care First practices (https://innovation.cms.gov/innovation-models/primary-care-first-model-options).

> CMS's Primary Care First is an advanced alternative payment model that has just under 2,200 participating practices in 26 states. The model aims to strengthen primary care by testing alternative ways of paying participating providers of primary care services. These payments are intended to support enhanced, coordinated care management and assist with care delivery transformation.

> Participating practices receive a risk-adjusted per beneficiary per month care management fee, plus a flat primary care visit fee instead of fee-for-service payments for certain primary care services. These payments are subject to adjustments determined by each practice's performance on specified quality and utilization measures.

> Participants are highly concentrated in just a few states. Two-thirds of practices in Primary Care First are located in three states (Ohio, New Jersey, and Michigan), while 10 percent of participants are in 10 states (Rhode Island, Nebraska, Tennessee, Kentucky, Montana, Virginia, North Dakota, Delaware, New Hampshire, and Louisiana).

Chart 5-7 Almost 90 percent of the clinicians who qualified for a 5 percent A–APM bonus in 2024 were in the Medicare Shared Savings Program



Note: A–APM (advanced alternative payment model). Clinicians' 2022 A–APM participation determines their 2024 bonuses. Shares do not sum to 100 percent because clinicians can participate in more than one A–APM simultaneously. To qualify for the A–APM bonus in 2024, clinicians had to receive 50 percent of their professional services payments or provide 35 percent of their patients with professional services through an A–APM in 2022. The A–APM bonus is equal to 5 percent of a clinician's professional services payments from Medicare (not including cost sharing paid by beneficiaries). "Other models" includes the Maryland Total Cost of Care Model, Comprehensive Care for Joint Replacement Model, Kidney Care Choices Model, Oncology Care Model, and Vermont ACO model. For the payment models shown, only those model tracks that require clinicians to take on some financial risk qualify as A–APMs (e.g., physicians participating in Track 1 of the Medicare Shared Savings Program did not qualify for A–APM bonuses because Track 1 involved no financial risk for participants).

Source: CMS data on clinicians who qualified for the 5 percent bonus in 2024 is based on clinicians' 2022 model participation.

> The payment models that CMS has designated as A–APMs place health care providers at some financial risk for Medicare spending while expecting them to meet quality goals for a defined patient population. Clinicians who participate in A–APMs qualify for bonuses equal to 5 percent of their professional services payments from Medicare. Those 5 percent bonus payments have been available from 2019 to 2024. A–APM bonuses for qualifying clinicians will equal 3.5 percent of professional service payments in 2025 and 1.88 percent in 2026.

> In 2024, nearly 384,000 clinicians nationwide qualified for the A–APM bonus (based on 2022 A–APM participation) out of about 1.3 million who billed the Medicare physician fee schedule (data not shown). More than 95 percent of clinicians who qualified for an A–APM bonus participated in at least one of the ACO initiatives administered by CMS, which gives clinicians an opportunity to earn shared savings payments from Medicare if they lower health care spending while meeting care quality standards (data not shown).

> Among clinicians who qualified for an A–APM bonus in 2024, 37 percent were specialists, 23 percent were primary care physicians, and 40 percent were nonphysician practitioners such as nurse practitioners or physician assistants (data not shown).