Advising the Congress on Medicare issues

Update on Medicare accountable care organizations (ACOs):

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MEDPAC

Today's presentation

- Background
- Medicare shared savings program (MSSP): status, 1st year performance
- Pioneer: status, performance, case studies
- Comment letter
- Longer-term strategies
- Discussion

Medicare ACOs

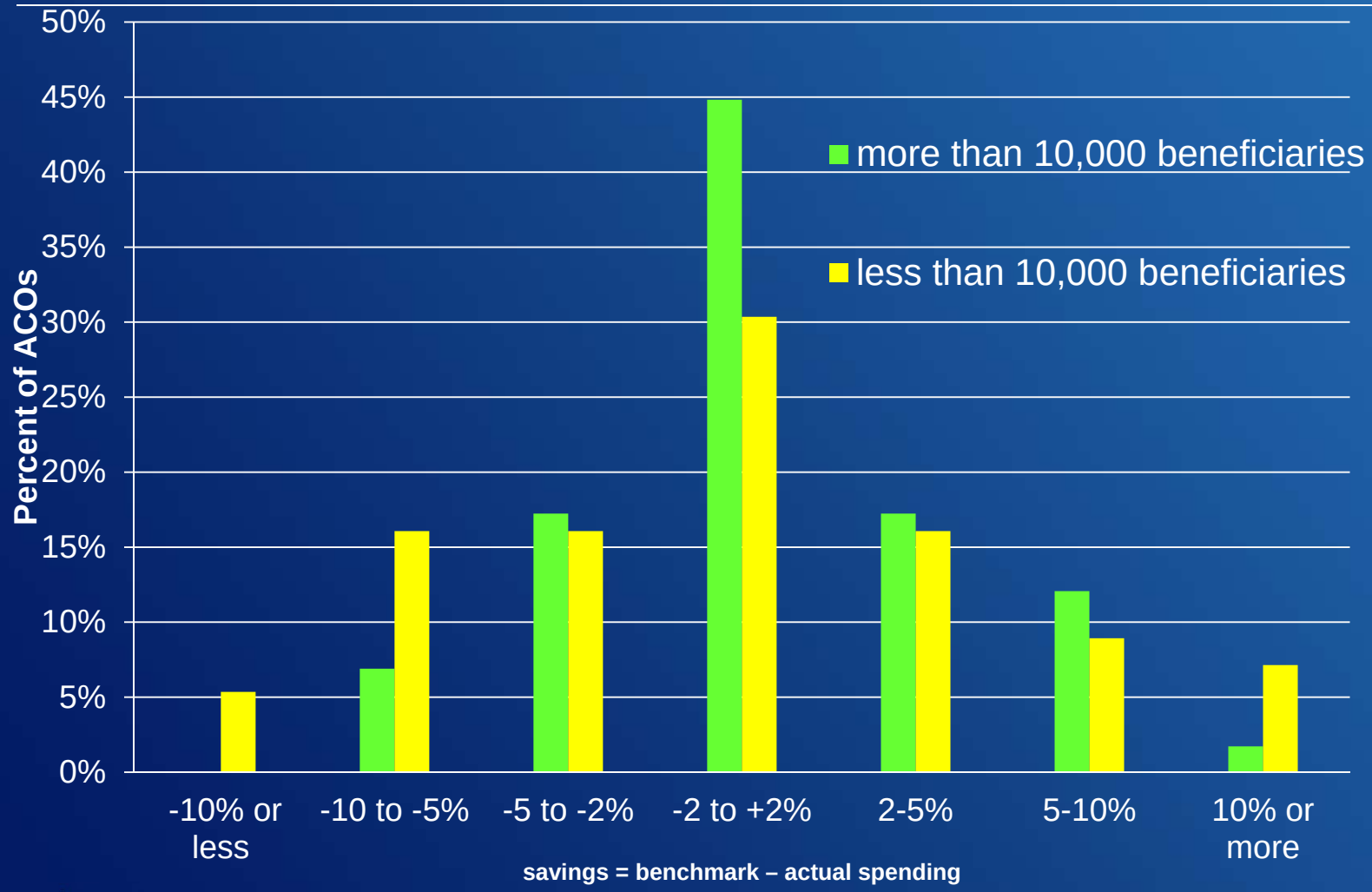
- An organization accountable for cost and quality for a population of Medicare beneficiaries
- Beneficiaries attributed to ACO (no enrollment)
- The beneficiary can still choose any provider inside or outside of the ACO
- CMS pays providers inside and outside ACO FFS rates
- If Medicare payments are lower than target ACO shares savings with Medicare

Current status: Medicare shared savings program (MSSP)

- Four cohorts thus far:
  - April 1, 2012: 27 ACOs, 370,000 beneficiaries
  - July 1, 2012: 87 ACOs, 1.3 million beneficiaries
  - January 1, 2013: 106 ACOs, 1.6 million beneficiaries
  - January 1, 2014: 123 ACOs, 1.5 million beneficiaries
- Primary care physician (PCP) members specified by ACO
- Beneficiaries attributed to ACOs based on PCP visits

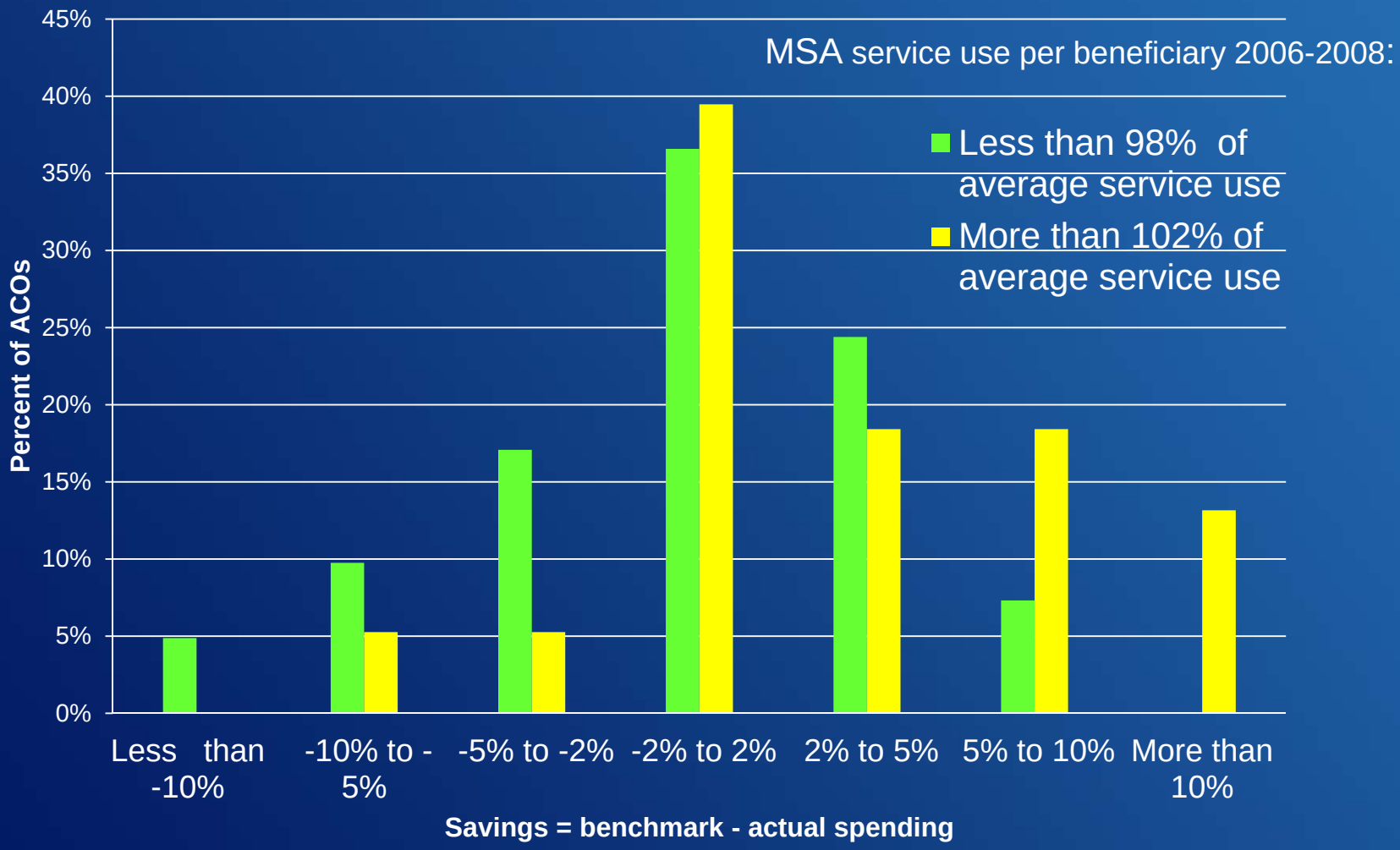
MSSP first year results

(preliminary for 114 ACOs starting in 2012)



Source: MedPAC analysis of preliminary data from CMS subject to change

ACOs in high service use areas save more often



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MSSP performance summary

- Aggregate MSSP savings 0.3 percent
  - Statistically significant savings for ACOs in areas with historically above-average service use
  - No statistically significant savings for ACOs in areas with historically below-average service use
- Savings higher in the South

Pioneer performance summary

- Started January 1, 2012 with 32 ACOs
  - 13 achieved shared savings*
  - 2 had shared losses
  - 17 either below threshold for sharing or not at risk for losses in first year
  - Program savings = 0.5% (ACO growth 0.3%, FFS 0.8%)
  - CMS reported quality better than FFS for 15 comparable measures
- 23 ACOs in 2013 (9 withdrew in July 2013)

* Shared savings if expenditures < benchmark and difference greater than minimum sharing rate

Pioneer case studies

- Compared pairs of Pioneer ACOs in three markets
- Key findings
  - Uncertainty about financial benchmarks
  - Quality
    - Reporting burdensome, expensive
    - Benchmarks unrealistic
  - Strategies to achieve savings
    - Emphasis on high cost beneficiaries
    - Some emphasis on post-acute-care
  - Desire to engage beneficiaries

ACO findings from focus groups and site visits

- Only one beneficiary of 59 in the focus groups had heard of ACOs
- Two MSSP ACOs report:
  - Model as a stepping stone towards MA/capitation
  - Challenges to the model include patient attribution, patient churning, and influencing beneficiary behavior
- Health system that are not ACOs were:
  - Discouraged by retrospective attribution and low Medicare FFS costs, or
  - Preferred up-front care coordination payments

Summary of findings

- Uncertainty of attribution and financial benchmarks a problem
- Quality reporting a burden for process measures that require chart abstraction
- Engaging beneficiaries is difficult

Comment letter

- Prospective financial benchmarks and attribution to increase certainty
- Include NPs and PAs in attribution algorithm
- Move to small set of outcome measures for quality
- Encourage movement to two-sided risk
- Provide regulatory relief if in two-sided model
- Lower cost-sharing in ACO for beneficiaries

Longer-term strategy

- Move to two-sided risk concurrently with more equitable benchmarks and more tools to manage care
  - Common benchmark in market
  - Regulatory relief for lower cost sharing, other tools such as direct SNF admits
- Retain one-sided risk model for new ACOs that need ‘on-ramp’

ACOs as low-overhead approach to better care coordination

- Third model between pure FFS and MA
- Attribution model requires no marketing, CMS continues to pay claims, set rates
- Attribution could provide larger number of beneficiaries than enrollment
- Beneficiaries retain choice, their satisfaction is important
- Is there sufficient incentive for organizing care delivery?