

Accountable Care Organizations

February, 2017

Medicare ACOs Continue to Grow

Accountable Care Organizations are a central part of Medicare’s effort to improve care coordination and quality. They were authorized by the Affordable Care Act of 2010 and introduced by Medicare in 2013. Since then they have undergone significant changes, and new types of ACOs have been added.

Basics of ACOs

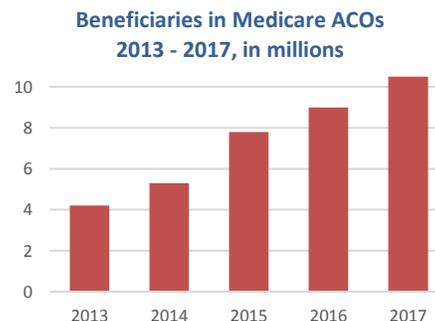
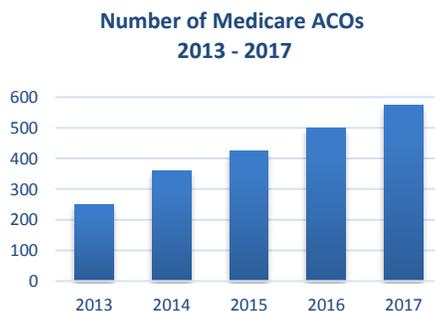
ACOs are groups of doctors, hospitals, and other health care providers that join together to provide coordinated care for patients. The goal is better quality and lower costs.

- ACOs share in financial savings if they meet specific quality and cost benchmarks.
- ACOs share in even greater financial savings if they also agree to share in financial losses.
- The amount of savings or losses is determined by how well they perform on quality and cost measures.
- The Centers for Medicare & Medicaid Services (CMS) is encouraging ACOs to take on greater financial risk, which includes the risk of financial losses.

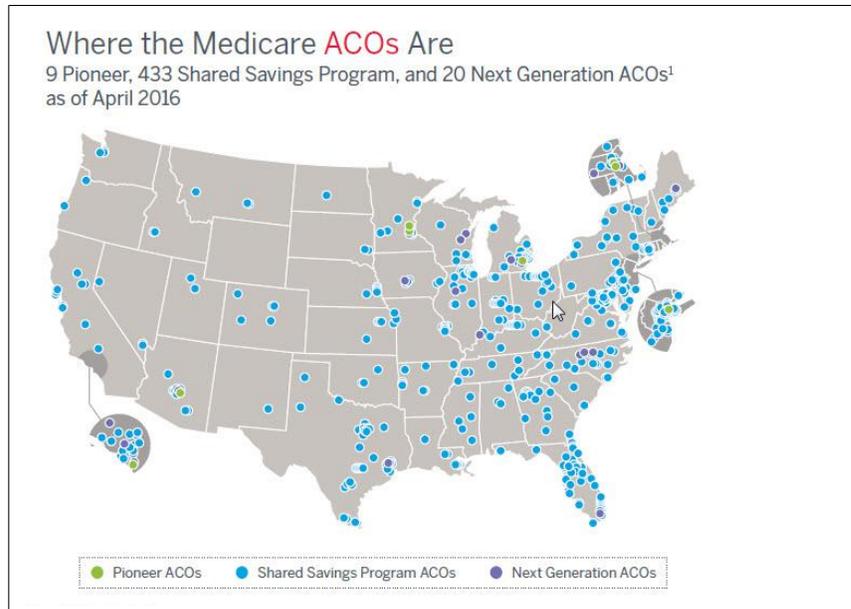
Types of ACOs

<i>Shared Savings</i>	<p>Providers share in financial savings, but are not required to share in financial losses.</p> <p>In 2016, CMS introduced new payment tracks to encourage these ACOs to assume greater performance-based financial risk, i.e., to share in losses</p>	<ul style="list-style-type: none"> ✓ Track 1 ACOs share only in savings. ✓ Track 1+ ACOs share in savings, but must pay up to 30% of losses. (Begins 2018) ✓ Track 2 ACOs can share in greater % of savings than Track 1, but must pay up to 60% in losses. ✓ Track 3 ACOs can share in greater % of savings than Track 2, but must pay up to 75% of shared losses.
<i>Pioneer</i>	<p>Providers share in a generally greater percentage of financial savings than Shared Savings ACOs and are also required to share in financial losses.</p>	<p>They can choose to share in up to 70% of shared savings or losses.</p>
<i>Next Generation</i>	<p>Providers can take on even greater financial risk than Pioneer ACOs; can share in up to 100% of savings and losses.</p>	<p>CMS added new flexibility, including allowing broader use of telehealth.</p>

Number of ACOs



Where Medicare ACOs are Located



Courtesy of the Advisory Board

Current Issues

1. Most ACOs do not share in the risk of financial losses. Some 91% of Shared Savings ACOs do not share in performance-based financial risk, though Medicare is trying encourage more to do so. In 2016, CMS created Shared Savings Track 2 and 3, which do not require as much risk for losses as Next Generation ACOs or Pioneer ACOs. Also, in 2018, Medicare is introducing a new Shared Savings Track 1+ ACO, which requires an even lower level of risk-sharing.
2. 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.
3. New types of Medicare ACOs are growing. The Next Generation ACOs were introduced in 2016 and now include 45 organizations. In 2015, CMS introduced End Stage Renal Disease (ESRD) ACOs in which nephrologists and other kidney care providers join together to coordinate care for kidney patients. By 2017, such Medicare ACOs had grown to 47.
4. What are the savings or quality improvements from ACOs? CMS says that more than 400 Medicare ACOs generated approximately \$466 million in total savings in 2015. From 2014 – 2015, Shared Savings ACOs improved on 84% of quality measures.
5. What is the future of ACOs under the new administration? As with any governmental or regulatory issue, the policies on ACOs may change under a new administration. At the same time, there appears to be support for value-based programs.

	Shared Savings ACOs	Pioneer ACOs	Next Generation ACOs
Summary	Providers share in financial savings if they meet quality and cost benchmarks. They can also share in losses in exchange for a higher percentage of shared savings.	Providers share in a generally greater percentage of financial savings than Shared Savings ACOs and must share in financial losses.	Providers can take on even greater financial risk than Pioneer ACOs, including total financial risk for the care of a specific population.
Payment	<p>ACOs select from several payment tracks:</p> <p>Track 1: ACOs receive up to 50% of shared savings; do not share in losses. (Called 1-sided risk.)</p> <p>Track 1+: ACOs receive up to 50% of shared savings; pay up to 30% of shared losses. (2-sided risk) Track 1+ starts in 2018.</p> <p>Track 2: ACOs receive up to 60% of shared savings; pay up to 60% of shared losses. (2-sided risk.)</p> <p>Track 3: ACOs receive up to 75% of shared savings; pay up to 75% of shared losses. (2-sided risk.)</p>	<p>ACOs can share in 60 – 70% of savings/losses.</p> <p>Payment based on FFS claims, but ACOs may also qualify to receive “capitated” payments (a set monthly amount per beneficiary).</p>	<p>Two levels of financial risk:</p> <ul style="list-style-type: none"> Share in up to 80% of savings/losses Share in up to 100% of savings/losses <p>Payment can be based on FFS or capitated payments or a combination of the two.</p>
MACRA	<p>Beginning in 2018, CMS will offer a new payment track, Shared Savings ACO Track 1+, which allows ACOs to take-on less financial risk than Tracks 2 or 3.</p> <ul style="list-style-type: none"> Such ACOs will be considered “advanced alternative payment models (AAPMs)” under the Medicare Access and CHIP Reauthorization Act (MACRA). Physicians in AAPMs can qualify for 5% annual payment updates, 2019 – 2024 Tracks 2 and 3 ACOs: also considered to be AAPMs under MACRA.. 	Not applicable	Next Generation ACOs are considered to be AAPMs under MACRA.
Quality	CMS uses 31 measures to judge quality; also uses quality scores to determine shared savings/losses.	Same as Shared Savings ACOs, although the thresholds for savings/losses are different.	Same as Shared Savings ACOs, although the thresholds for savings/losses are different.
Waivers	<p>For Track 3 ACOs, CMS waived requirement that patients must stay in hospital 3 days (3-day-stay rule) before being transferred to a skilled nursing facility.</p> <ul style="list-style-type: none"> In 2018, CMS will waive this requirement for Track 1+ ACOs. 	CMS waived the 3-day-stay rule .	CMS waived the 3-day-stay rule , as well as limitations on telehealth and post-discharge home visits .
Other	Shared Savings ACOs are now allowed to remain longer in Track 1—for two, 3-year agreement periods—before they are required to transition to Tracks 2 or 3. CMS also added incentives for ACOs to move to Tracks 2 or 3.	Beneficiaries may choose which ACO they are aligned with.	<p>Beneficiaries may choose which ACO they are aligned with.</p> <p>Beneficiaries may receive financial rewards for using Next Generation ACOs.</p>
Number	<p>480 Shared Savings ACOs in 2017</p> <ul style="list-style-type: none"> 99 added in 2017 79 renewed in 2017 42 ACOs in Tracks 2 and 3 	9 Pioneer ACOs in 2016.	45 Next Generation ACOs in 2017
CMS links	<p>Shared Savings page.</p> <p>Shared Savings Fast Facts.</p>	<p>Pioneer ACO page.</p> <p>Pioneer ACO FAQs.</p> <p>Pioneer/Next Gen compared.</p>	<p>Next Generation page.</p> <p>Pioneer/Next Gen compared</p> <p>Next Generation FAQs.</p>