

Medicare Shared Savings Program: Accountable Care Organizations Pathways to Success Final Rule

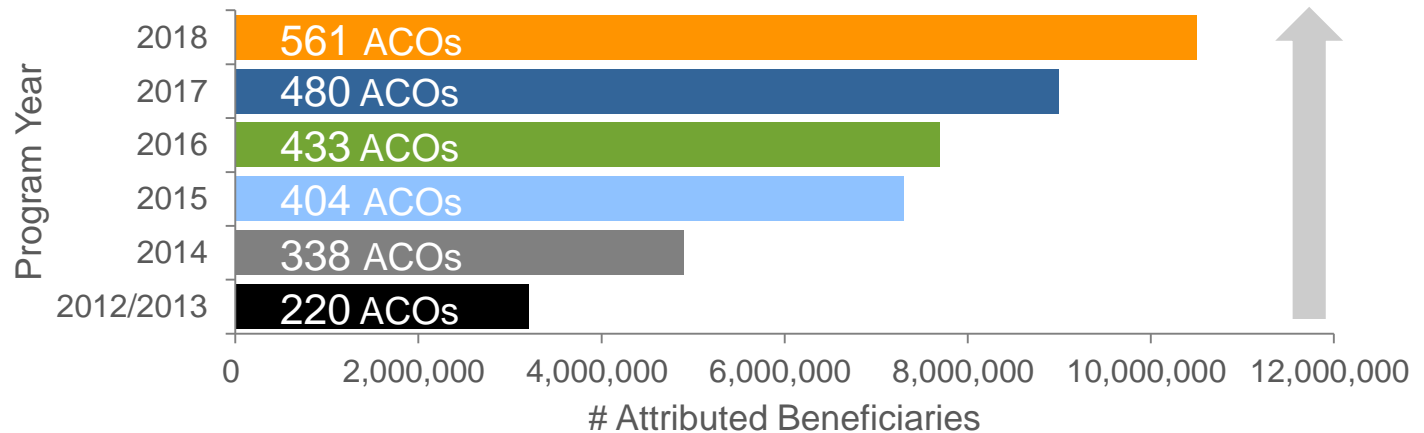
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December 21, 2018

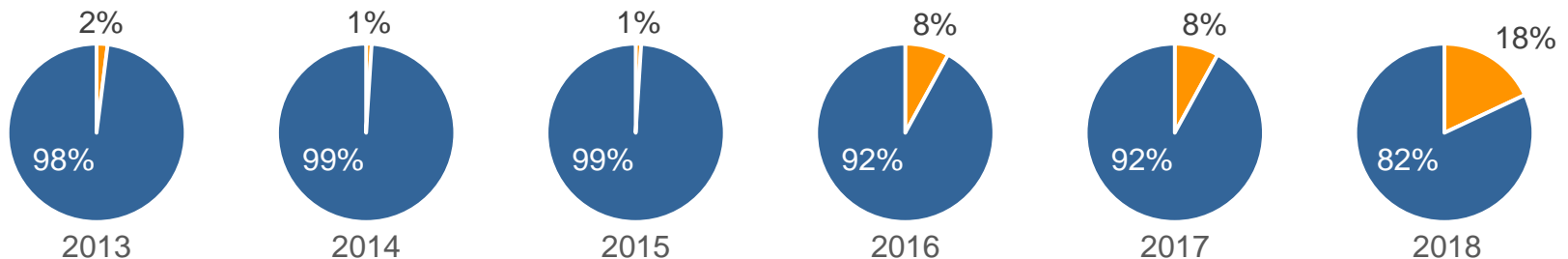
Historical MSSP Participation Snapshot

Growing Program Participation



Upside Only Remains the Most Popular

Although the level of risk has slightly increased over time (largely due to MACRA and the introduction of Track 1+), only **18%** of ACOs are currently taking on risk in 2018.



ACO = accountable care organization;
MACRA = Medicare Access and CHIP Reauthorization Act .

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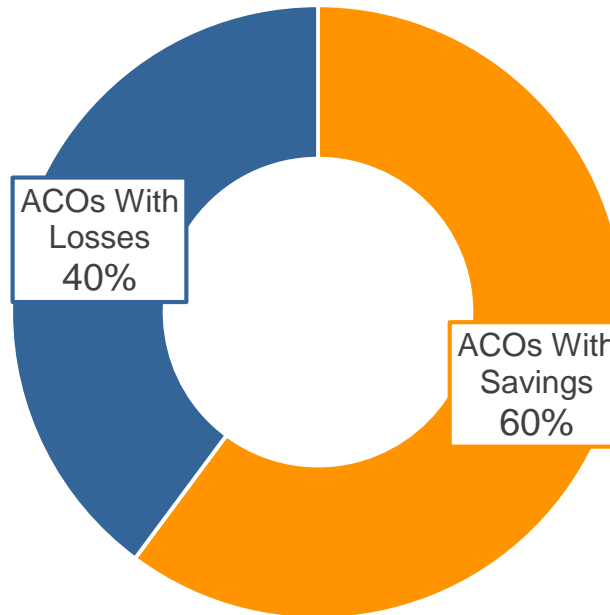
● Tracks—No Risk
(Track 1)

● Tracks—Risk
(Tracks 2 and 3; Track 1+ in 2018)

Historical MSSP Performance

2017 MSSP Performance

6% of the ACOs with losses owed money back to CMS, largely because most ACOs are not taking on risk.



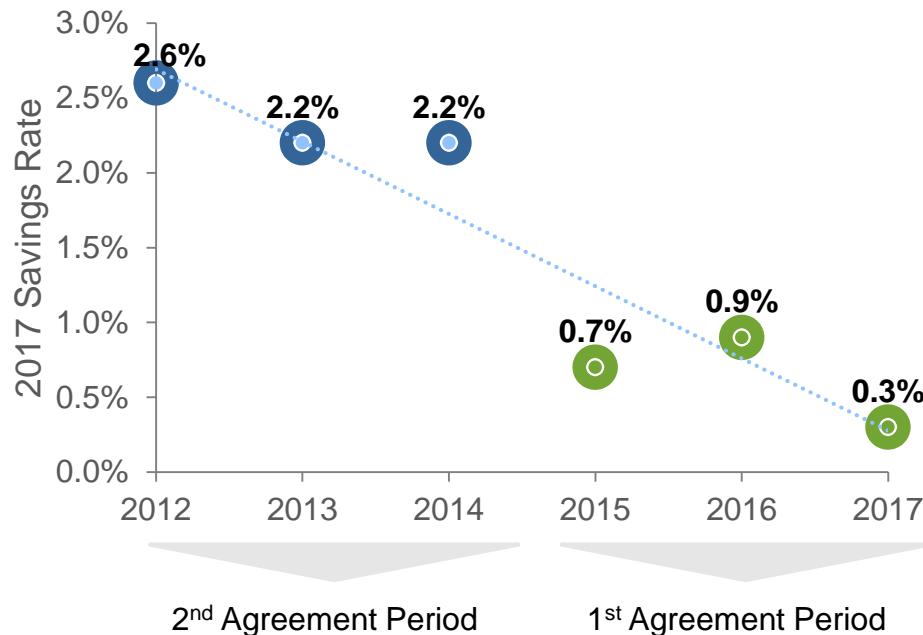
56% of the ACOs with positive savings exceeded the minimum savings rate (MSR) and earned a shared savings payment from CMS.



Upside-only options create an imbalance for CMS when it comes to the financial implications of the program.

Historical MSSP Performance

Performance by Start Date



Experience Matters

ACO performance has improved consistently the longer an ACO has been in the program. ACOs in their second agreement period (ie, in the program for longer than 3 years) saw **3x** the savings compared to ACOs in their first agreement period.

0.7%

Overall Savings Rate
1st Year—2013



1.3%

Overall Savings Rate
Year—2017

More Risk Could Lead to Better Results...

2017
Average
Savings
Rates

Track 1
1.3%

Track 2
1.3%

Track 3
2.1%

Final Rule Overview: 5 Facts

1

What is it? Final rule to restructure the Medicare Shared Savings Program, which currently includes MSSP Tracks 1, 1+, 2 and 3

2

What is the intent? Encourage accountable care organizations to transition to 2-sided risk models

3

Why? MSSP has shown increases in net spending, largely because the majority of ACOs—460 of 561, or 82% of all ACOs in MSSP—have no downside risk

4

What are the goals? Pathways to Success is designed to advance the following goals: accountability, competition, engagement, integrity and quality

5

What is the financial impact? The projected financial impact of the proposal is \$2.9 billion savings to Medicare over 10 years

The Final Rule was released December 21, 2018

Sources: *Federal Register*. Medicare program; Medicare Shared Savings Program; accountable care organizations-Pathways to Success. CMS. December 21, 2018; Sg2 Analysis, 2018.

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MSSP Application Cycles

There was no application cycle for 2018

Existing ACOs may continue to participate in current track until expiration of current agreement period, or they may voluntarily terminate and apply to a new track

Next application cycle for **July 1, 2019** start, then each January 1 thereafter

Notice of Intent to Apply (NOIA) for July 1, 2019 start opens **January 2, 2019** and closes **January 18, 2019**

MSSP Track Comparison—the Basics

The MSSP final rule retires the current track options—1, 1+ and 2—and renames Track 3. The 2 new track options are Basic and Enhanced.

CURRENT TRACK 1

- 1-sided risk
- 3-year agreement period
- Beneficiary assignment: preliminary prospective with retrospective reconciliation
- Does not qualify as an advanced alternative payment model (APM)

82%
Track 1

BASIC

- Glide path from 1- to 2-sided risk
- 5-year agreement period
- Similar to starting in Track 1 and transitioning to Track 1+
- Beneficiary assignment: option of preliminary prospective with retrospective reconciliation or prospective
- Provides options for risk—highest level qualifies as an advanced APM

ENHANCED

- 2-sided risk
- 5-year agreement period
- Similar to Track 3 in current MSSP
- Beneficiary assignment: option of preliminary prospective with retrospective reconciliation or prospective
- Qualifies as an advanced APM

Sources: *Federal Register*. Medicare program; Medicare Shared Savings Program; accountable care organizations-Pathways to Success. CMS. December 21, 2018; Sg2 Analysis, 2018.

Other Notable Changes

Benchmark

Movement away from an ACO's own historical expenditures by applying regional factors to establish, adjust and update the ACO's benchmark beginning in an ACO's first agreement period; but also capping the regional adjustment

Risk Adjustment

Using full CMS–Hierarchical Condition Category risk scores to adjust the benchmark with 3% cap

Termination

More aggressive policies to terminate ACOs for financial and quality performance issues

MSSP Track Comparison—Sharing Rates

Final Sharing and Loss Rates

If savings exceed the MSR thresholds, the final savings rate is determined by multiplying the ACO's quality score by the maximum sharing rate.

Once the MSR is met, first-dollar savings are shared up to a certain limit:

Previous Track 1		PY 1*	PY 2	PY 3	PY 4, 5		
New ACOs		PY 1/2*	PY 3	PY 4	PY 5		
		TRACK 1	BASIC A/B	BASIC C	BASIC D	BASIC E	ENHANCED
Final Sharing Rate (adjusted for quality)		Up to 50%	Up to 40%	Up to 50%	Up to 50%	Up to 50%	Up to 75%
Limit on Sharing Amount		10% of updated benchmark	10% of updated benchmark	10% of updated benchmark	10% of updated benchmark	10% of updated benchmark	20% of updated benchmark

Qualifies for advanced APM

*Those entering July 1, 2019, can stay in Basic A/B for an additional 6-month performance period (July 1, 2019–December 31, 2019). PY = performance year; and low-revenue, new ACOs may elect a third (or fourth for those entering 7/1/2019) performance period with no downside risk, then advancing to Level E. **Sources:** *Federal Register*. Medicare program; Medicare Shared Savings Program; accountable care organizations-Pathways to Success. CMS. December 21, 2018; Sg2 Analysis, 2018.

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MSSP Track Comparison—Loss Rates

Final Sharing and Loss Rates

If losses exceed the minimum loss rate (MLR) thresholds, a loss-sharing rate applies regardless of the quality performance of the ACO.

Once the MLR is met, first-dollar losses are shared up to a certain limit:

Previous Track 1		PY 1*	PY 2	PY 3	PY 4, 5	
New ACOs		PY 1/2*	PY 3	PY 4	PY 5	
	TRACK 1	BASIC A/B	BASIC C	BASIC D	BASIC E	ENHANCED
Final Loss Rate	N/A	N/A	30%	30%	30%	40%–75% (1 – final sharing rate)
Limit on Losses Amount	N/A	N/A	2% of ACO participant revenue, capped at 1% of updated benchmark	4% of ACO participant revenue, capped at 2% of updated benchmark	Nominal revenue std for QPP, capped at 1% > nominal std amount	15% of updated benchmark

1-sided risk in Track 1 and Basic levels A/B

*Those entering July 1, 2019, can stay in Basic A/B for an additional 6-month performance period (July 1, 2019–December 31, 2019). PY = performance year; and low-revenue, new ACOs may elect a third (or fourth for those entering 7/1/2019) performance period with no downside risk, then advancing to Level E. **Sources:** *Federal Register*. Medicare program; Medicare Shared Savings Program; accountable care organizations-Pathways to Success. CMS. December 21, 2018; Sg2 Analysis, 2018.

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MSSP Track Comparison—Loss-Sharing Limits Example

• Hypothetical ACO in Track Level E of Basic

(A) Total Benchmark Expenditures	Total Medicare Parts A and B FFS Revenue	8% of Total Medicare Parts A and B Revenue	4% of Updated Benchmark Expenditures
\$93,411,313	\$13,630,983	\$1,090,479	\$3,736,453

This ACO's loss-sharing limit would be \$1,090,479 because this amount is less than 4 percent of the ACO's updated historical benchmark.

- Determine updated historical benchmark for attributed beneficiaries.
- Calculate ACO participants' TOTAL Medicare FFS revenue (A and B).
- Apply any Medicare FFS revenue and benchmark loss-sharing limits.
- Use the benchmark-based loss-sharing limit if the loss-sharing limit as a percentage of total Medicare FFS revenue > the benchmark-based loss-sharing limit.

Determining Low- and High-Revenue ACOs

“Promote free-market principles by encouraging the development of physician-only and rural ACOs...to provide a pathway for physicians to stay independent, thereby preserving beneficiary choice.”

Elimination of self-reported ACO composition requirement from Track 1+

Replaced with a comparison of the ACO participants' Medicare parts A and B revenue to the ACO's total Medicare Parts A and B expenditures

Low Revenue

- Total revenue <35% of expenditures
- Allowed 2 agreement periods in Basic

High Revenue

- Total revenue \geq 35% of expenditures
- Limited to 1 agreement period in Basic

Sources: *Federal Register*. Medicare program; Medicare Shared Savings Program; accountable care organizations-Pathways to Success. CMS. December 21, 2018; Sg2 Analysis, 2018.

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Determining Inexperienced and Experienced ACOs

Eligibility for the Basic track's glide path is limited to ACOs inexperienced with performance-based risk Medicare ACO initiatives.

Inexperienced

- The ACO has not participated in any performance-based risk Medicare ACO initiative and
- Less than 40% of the ACO's participants were in a performance-based risk Medicare ACO initiative in each of the 5 most recent performance years.

Track 1 ACOs are not included in the definition of performance-based risk Medicare ACO initiatives.

Experienced

- The ACO is the same legal entity as a current or previous participant in a performance-based risk Medicare ACO initiative or
- Greater than 40% of the ACO's participants were in a performance-based risk Medicare ACO initiative in any of the 5 most recent performance years.

Note: Performance-based risk Medicare ACO initiative = an initiative implemented by CMS that requires an ACO to participate under a 2-sided model during its agreement period. This will include Track 2, Track 3 or the Enhanced track, and the Basic track (including levels A through E) of the CMS-1701-P 152 Shared Savings Program. It also includes the following CMS Innovation Center ACO models involving 2-sided risk: Pioneer ACO Model, Next Generation ACO Model, performance-based risk tracks of the Comprehensive End-Stage Renal Disease (ESRD) Care Model (including the 2-sided risk tracks for Large Dialysis Organization ESRD Seamless Care Organizations [LDO ESCOs] and non-LDO ESCOs), and Track 1+ model. The definition also includes such other Medicare ACO initiatives involving 2-sided risk as may be specified by CMS.

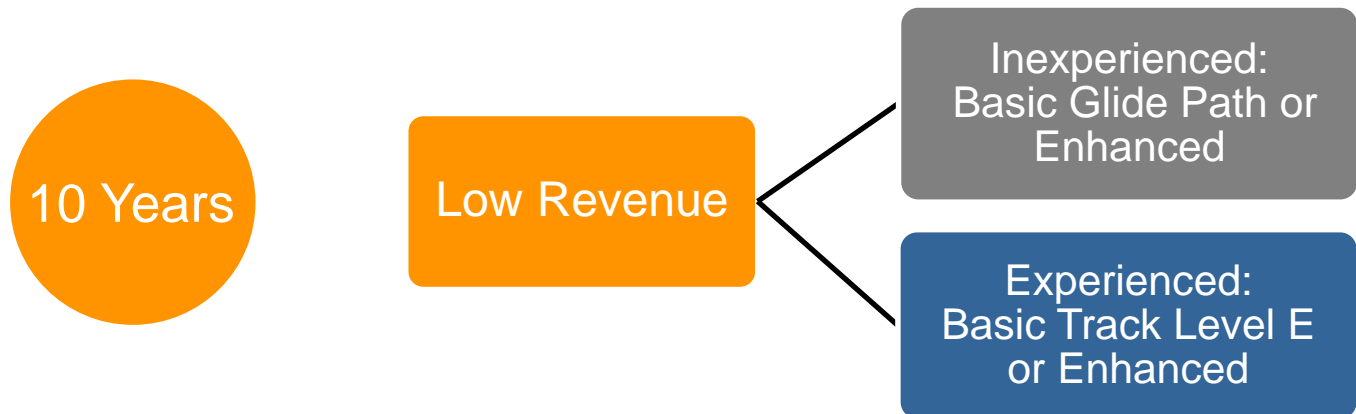
Sources: *Federal Register*. Medicare program; Medicare Shared Savings Program; accountable care organizations-Pathways to Success. CMS. December 21, 2018; Sg2 Analysis, 2018.

Participation Options Based on Revenue and Experience Level

Limited to 1 Agreement Period in Basic



Allowed 2 Agreement Periods in Basic



Engagement and Waiver Changes

Must be in a two-sided model to qualify:



Virtual Health

- Allows for payment for telehealth services furnished to prospectively assigned beneficiaries receiving telehealth services in non-rural areas, and allows beneficiaries to receive certain telehealth services at their home, to support care coordination across settings



SNF 3-Day

- Eligible ACOs under performance-based risk under either assignment methodology may use the program's existing SNF 3-day rule waiver



Beneficiary Incentives

- ACOs under two-sided models with prospective assignment may operate CMS-approved beneficiary incentive programs

Quality and Technology Changes

Focus on Interoperability

Adds a new CEHRT threshold criterion to determine ACOs' eligibility for program participation

Meaningful Quality Measures

Reduced ACO quality requirements by 8 measures

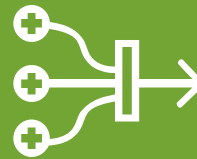
Combating Opioid Addiction

Improve information sharing on opioid use to combat opioid addiction

What Does This Mean for Your Strategy?



Steeper Learning
Curve



Physician Alignment
Is Key

Upside and
Downside is
Balanced



System of CARE
Partnerships Matter



Benchmark
Becomes
Competitive



Service Distribution
and Ambulatory
Strategy Prioritized

CMS Will Monitor Performance of the MSSP and Continues to Advocate for Medicare Advantage...

*“We will continue to monitor the program’s ability to **reduce healthcare spending** and **improve care quality**, including whether the program provides beneficiaries with the **value and choice** demonstrated by other Medicare options such as **Medicare Advantage (MA)**, and will use the results of this monitoring to inform future development of the program.”*



QUESTIONS

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