Medicare accountable care organizations (ACOs): Additional information on policy directions

David Glass, Jeff Stensland, and Katelyn Smalley

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MEDPAC

Outline

- Pioneer ACOs
  - First year results
  - Issues
- Policy issues for second phase of ACOs
- Objective: Discuss guidance Commissioners would like to give CMS and the Congress -- new MSSP regulations likely in 2014

Pioneer ACO model: CMS reported first year results

- Started January 1, 2012 with 32 ACOs
  - 13 achieved shared savings* 1 had shared losses
  - 18 either below threshold for sharing or not at risk for losses in first year
  - Results better than random variation would predict
- 9 of 32 ACOs withdrew in July 2013
  - 23 staying in Pioneer demonstration
  - 7 applying to be in MSSP
  - 2 likely will not be Medicare ACOs

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

Interviews with Pioneer ACOs

- NORC interviewed 12 Pioneer ACOs
- Reason for joining Pioneer demonstration
  - Already coordinating care, wanted to do more
  - ACO is direction things are moving, want to be leader
  - Confident in ability to control costs
- Reasons for leaving demonstration
  - Many did not want to be at risk for losses
  - Some liked MSSP methodology for aligning physicians better
  - Some had concerns about baseline (level and variability) and reference trend levels

Interview insights

- Strategies for achieving savings
  - Focus on high-risk beneficiaries
  - Expanded care management, use of palliative care services
  - Post-acute care emerging issue
  - Physician incentives
- Results versus expectations
  - Fewer beneficiaries attributed to ACO than expected
  - Many beneficiaries sought care from non-ACO providers (leakage)
  - Shared savings not primary motivator
- Methods
  - Baseline and reference trend
  - Data

Pioneer sustainability

- Program savings reported to be 0.5%
- ACOs report the cost of running an ACO 1% to 2%
- Will savings grow over time?
- Is improvement from own baseline sustainable over time?

Policy issues for second phase of ACOs

- One-sided vs. two-sided risk sharing
- Setting baselines and benchmarks
- Addressing issues of beneficiary assignment and leakage

Comparing one-sided and two-sided risk sharing

- One-sided (no shared losses) could bring in more ACOs
- Two-sided (shared savings and losses) gives stronger incentive for efficiency
  - Any improvement in efficiency is rewarded
  - Lower (or no) savings threshold

One sided vs. two sided risk sharing

- Commission commented that two-sided risk eventually should be only option
- Pioneer ACOs now all have two-sided risk
- Should MSSP require two-sided risk for:
  - existing ACOs for second agreement period?
  - existing and new ACOs starting by some date?
- Should MSSP retain one-sided risk as option with lower share of savings?
  - One year
  - Three year

Setting baselines and benchmarks in MSSP

ACO benchmark = historical baseline + allowance for actual national trend

	Low-spending ACO	National Average	High-spending ACO
Historical baseline for ACO's beneficiaries	$7,000	$10,000	$12,000
Absolute dollar amount for spending growth	400	400	400
Benchmark	7,400	10,400	12,400
% increase	5.7%	4.0%	3.3%

Options for setting baselines

- Historical spending for ACO's beneficiaries (unsustainable in long run?)
  - Reflect use rather than spending in baseline (remove price issues)
  - Blend ACO's historical and national experience (regional equity)
- Use local FFS as baseline
  - sustainability
  - market equity

Options for setting trends and benchmarks

- Trend
  - Absolute dollar (used in MSSP)
  - Percentage (used in MA)
- Benchmark
  - Prospective (used in MA)
  - Retrospective (used in ACOs)

Passive beneficiary assignment and opt out

- Limited beneficiary awareness of ACO
  - Beneficiary does not enroll, passive assignment
  - ACO sends letter asking approval for CMS to share data
  - Beneficiaries can choose to opt out of data sharing but not out of ACO
  - Some ACO-specific info in office, other communication limited
- Advantages:
  - No marketing, no selection,
  - No action required of beneficiary
- Disadvantages
  - Difficult to engage beneficiary
  - Beneficiary has no incentive to use ACO providers

ACOs report issues with passive assignment and leakage

- Fewer beneficiaries attributed than ACO expected
  - Enrollment instead of passive assignment
  - Attestation in addition to attribution
- Leakage - beneficiaries using non-ACO providers
  - Should ACOs be allowed to offer lower cost sharing for using ACO providers?
  - Should there be ACO-specific supplemental plans?

Discussion

- Should two-sided risk models be required next cycle or be the eventual goal?
- How should baselines and benchmarks be set?
- How should we address attribution and leakage issues?