# Status Report on Medicare Accountable Care Organizations (ACOs)

David Glass, Jeff Stensland, and Sydney McClendon

October 6, 2016

MEDPAC

# Outline

- 2016 program status
- 2015 results
- Conclusion
- Discussion

# MSSP program growing

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| MSSP | 114 | 220 | 333 | 392 | 433 |
| Pioneer | 32 | 23 | 20 | 12 | 9 |
| Next Generation | | | | | 18 |

MEDPAC

# Medicare Shared Savings Program, 2016

| | Track 1 | Track 2 | Track 3 |
|---|---|---|---|
| **# of ACOs** | 411 | 6 | 16 |
| **Two-sided risk** | No | Yes | Yes |
| **Savings/loss %** | 50% | 60% | 75% |
| **Attribution** | Retrospective | Retrospective | Prospective |
| **Minimum savings/loss rate** | 2-3.9% | 1. 2-3.9%<br>2. 0.5-2%<br>3. None | 1. 2-3.9%<br>2. 0.5-2%<br>3. None |
| **Payment** | Fee for service (FFS) | FFS | FFS |

# Pioneer and Next Generation Model Comparison

| | Pioneer | Next Generation |
|---|---|---|
| **Two-sided risk** | Yes | Yes |
| **Savings/loss %** | 60-75% | 80-100% |
| **Attribution** | Prospective | Prospective |
| **Benchmark** | 3 years | 1 year |
| **Minimum savings/loss rate** | 1-2.7% | None |
| **Payment** | 1. FFS<br>2. Population-based payment (PBP) | 1. FFS<br>2. PBP<br>3. FFS + Infrastructure<br>4. Partial capitation |

MEDPAC

# 2015 ACO quality results

- CMS reports ACOs continue to score high on overall quality measures
  - Pioneer: 92% (76%-98%)
  - MSSP: 91% (17 below 80%)
  - Quality is improving each year
- Weak/no correlation between quality and savings
- Mostly process measures

MEDPAC

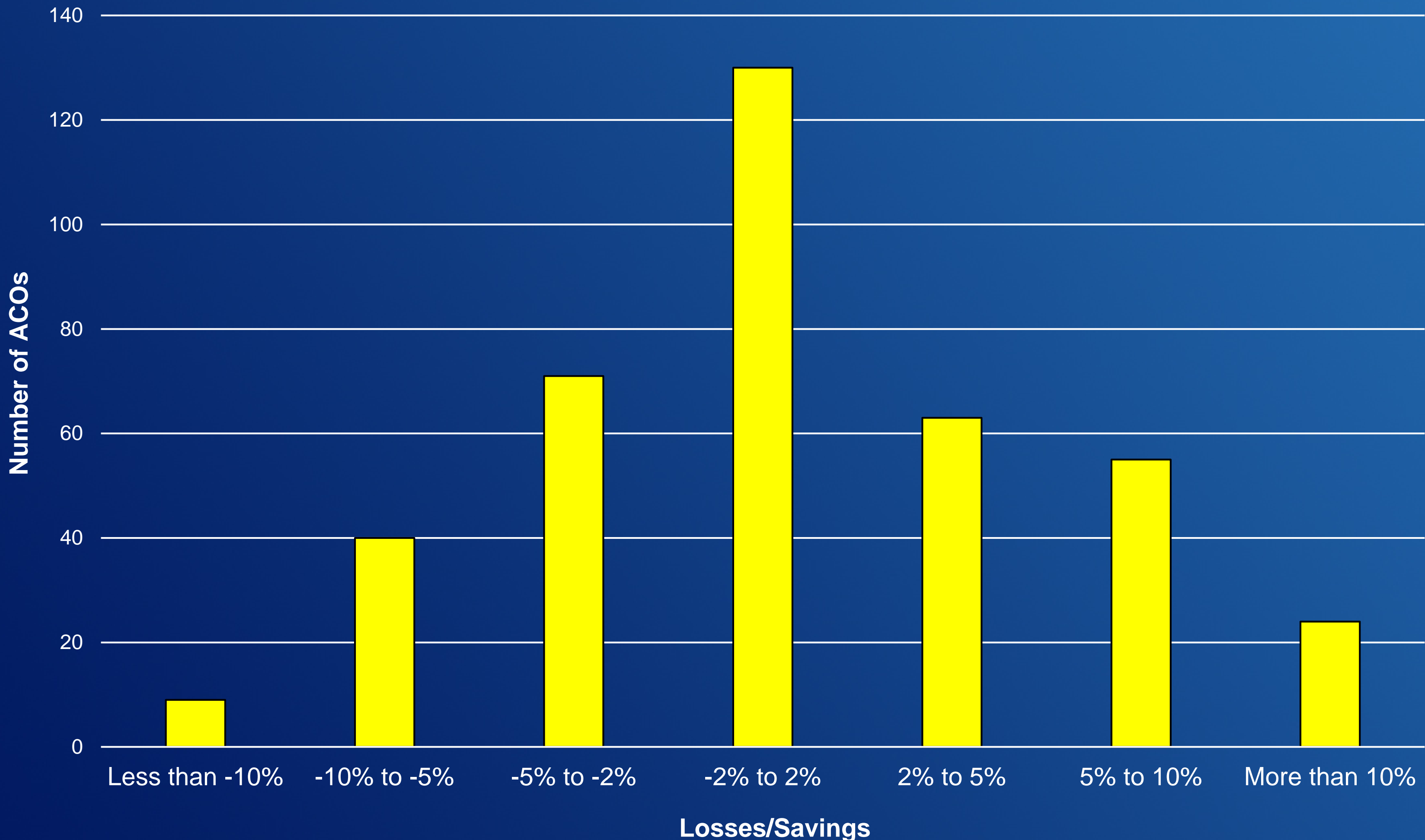
# 2015 Financial results for Medicare ACOs

| | Pioneer 2015 (12 ACOs) | | MSSP 2015 (392 ACOs) | |
|---|---|---|---|---|
| | Millions of $ | % | Millions of $ | % |
| **Benchmark** | $5,490 | 100.0 | $73,298 | 100.0 |
| **Actual spending** | 5,453 | 99.3 | 72,868 | 99.4 |
| **Savings** | 37 | 0.7 | 429 | 0.6 |
| **Paid to ACO** | 34 | 0.6 | 646 | 0.9 |
| **Returned to CMS** | 2 | 0.0 | $0 | 0.0 |
| **Net** | +5 | +0.1 | -216 | -0.3 |

Note: Savings = Benchmark – Actual
Source: CMS Data

MEDPAC

# Distribution of percentage savings and losses for MSSP ACOs in 2015




MEDPAC

Note: Savings percentage = (benchmark minus actual expenditures)/benchmark.
Source: CMS data

# Distribution by geographic region and type (MSSP 2015)

| ACO Type | South | Mid-West | North-East | West | Total |
|---|---|---|---|---|---|
| Hospital | 55 | 59 | 47 | 25 | 186 |
| Physician | 107 | 29 | 37 | 32 | 205 |
| Total | 162 | 88 | 84 | 57 | 391 |

Note: Table does not include an ACO in Puerto Rico
Source: Harvard School of Public Health and MedPAC analysis of CMS data

MEDPAC

# Many report ACOs with certain characteristics more likely to exhibit savings

- ACOs in South > ACOs in Midwest, West, and Northeast
- Physician ACOs > Hospital ACOs
- Small ACOs > Large ACOs

MEDPAC

# Key variable: Relative service use

- Other analyses do not consider an area's historic relative service use—spending adjusted for prices and health status relative to the national average
- Relative service use
  - High correlation with ACO's savings
  - Correlated with other variables

MEDPAC

# Service use dominant factor in predicting savings

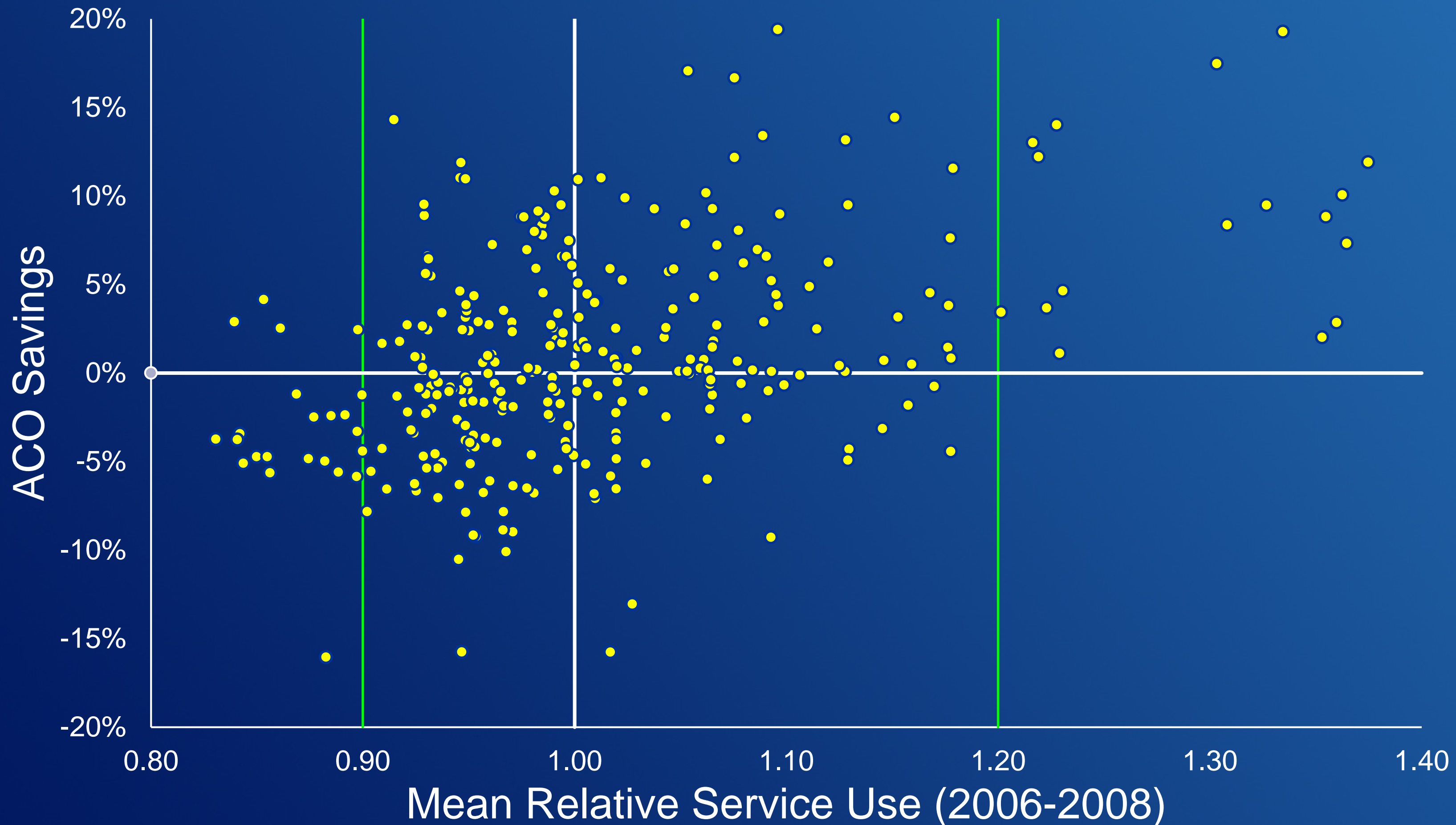
| Factor | Parameter estimate | Standard error | Statistical significance |
|---|---|---|---|
| **Historical Service use relative to national average** | .196 | .033 | $p<.001$ |
| **10,000+ beneficiaries** | -.021 | .007 | $p<.01$ |
| **Southern ACO** | .016 | .007 | $p<.05$ |
| **Primary care ACO*** | -.000 | .010 | Not significant |
| **Multispecialty practice ACO*** | -.001 | .007 | Not significant |

$R^2$=.22 N= 300 MSSP ACOs that were formed from April 2012 to January 2014
*The omitted category is hospital-based ACOs. The historical service use refers to 2006 to 2008 service use.

MEDPAC

Preliminary data subject to change

# Historical service use good predictor of ACO performance in 2015




MEDPAC

Preliminary data subject to change

# White paper on Part D and ACOs

- Mutual incentive to control drug cost and improve health outcomes would be desirable, but:
  - Mismatch between beneficiaries in PDPs and ACOs
  - Risk sharing between Medicare and PDPs very different from risk sharing between Medicare and ACOs
- No straightforward approach to aligning incentives

# Conclusion

- Findings
  - Univariate analysis: Physician ACOs, small ACOs, ACOs in South—all show greater savings
  - Multivariate analysis shows historical service use in market key determinant of savings
  - CMS reports high quality, but primarily process measures
- Assessing overall performance of ACO programs
  - Program perspective:
    - One-sided model—some ACOs save but Medicare may lose money
    - Second order effects may be important
  - ACO perspective: balance administrative costs and expected shared savings

# Discussion

- MedPAC policy principles
  - Synchronize market benchmark across MA, FFS, and ACO
  - ACOs should move to two-sided risk models
  - ACOs should be large enough to measure reliably
- Possible issues:
  - Historical benchmark not sustainable—blend with regional average
  - Level playing field across MA, FFS and ACOs or favor two-sided ACOs in low-use markets
  - Some evidence of small ACOs' success, but more difficult to measure accurately and less likely to take two-sided risk
    - Could aggregate small ACOs to pool risk
    - Could limit risk to encourage two-sided and harmonize with APM 5% bonus