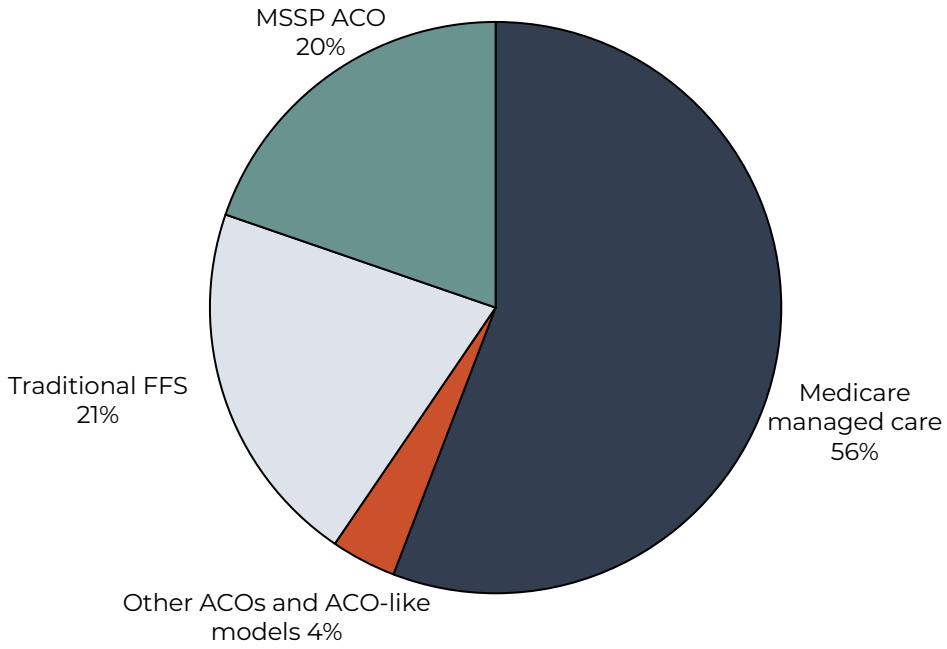
SECTION

5

Alternative payment models

Chart 5-1 Most Medicare beneficiaries are in managed care plans or are assigned to accountable care organizations, 2026



Note: MSSP (Medicare Shared Savings Program), ACO (accountable care organization), FFS (fee-for-service). This chart includes only beneficiaries enrolled in both Part A and Part B in January 2026. Both Part A and Part B coverage is necessary for either Medicare Advantage (MA) enrollment or ACO assignment. In general, Medicare managed care plans include MA plans as well as cost-reimbursed plans and Medicare–Medicaid demonstration plans. "Other ACOs and ACO-like models" includes the ACO Realizing Equity, Access, and Community Health (REACH) Model, the Maryland Total Cost of Care (TCOC) Model, and the Vermont All-Payer ACO. In the Maryland TCOC Model, all FFS beneficiaries are assigned to a hospital, and each hospital is responsible for all Part A and Part B spending for all Medicare beneficiaries in its market. This system creates ACO-like incentives for the hospitals and qualifies physicians affiliated with those hospitals for the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) bonus payments for participation in eligible alternative payment models. Components may not sum to 100 percent due to rounding.

Source: CMS January 2026 enrollment data, CMS Shared Savings Program January 2026 Fast Facts, CMS ACO REACH 2026 Fast Facts, and State of Vermont Green Mountain Care Board 2024 Medicare ACO settlement.

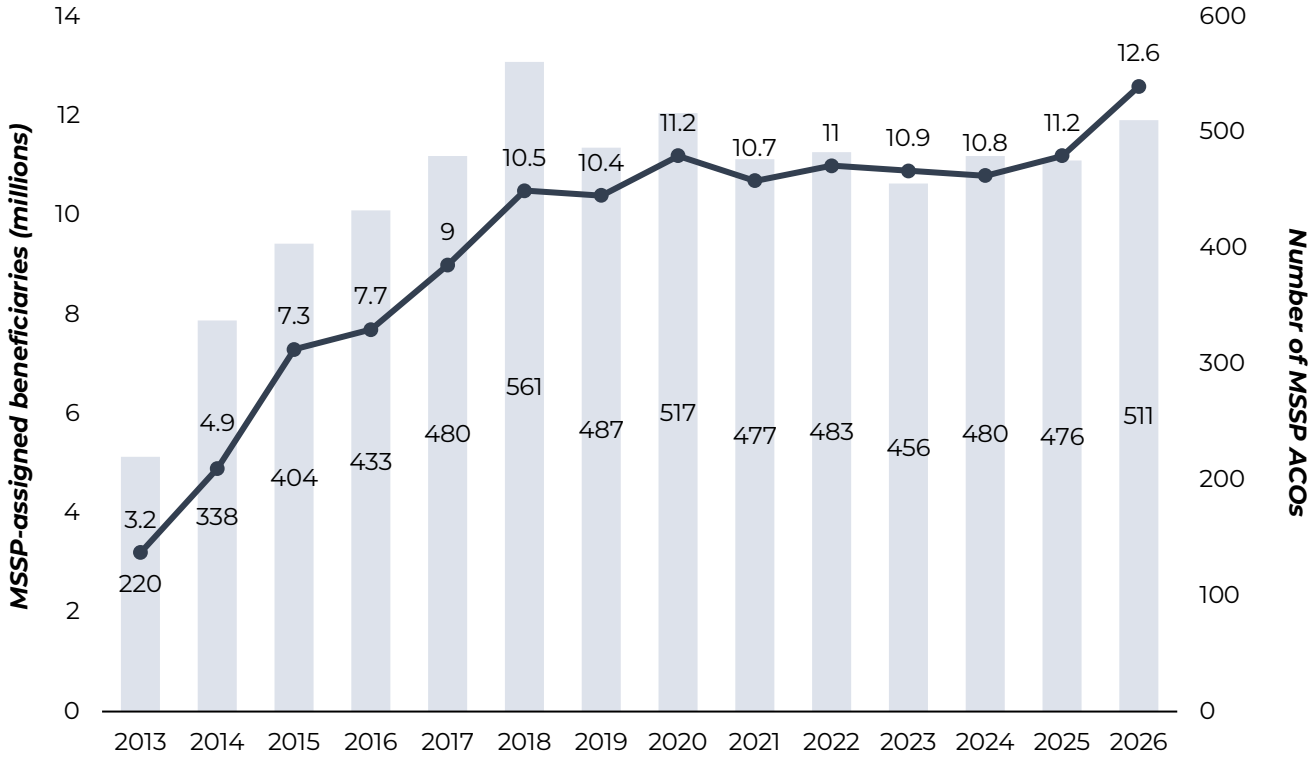
> Among the 63.9 million Medicare beneficiaries with both Part A and Part B coverage in 2026, more than three-fourths (79 percent) are in Medicare managed care (MA or other private plans) or ACO models.

> The MSSP, a permanent ACO model established through the Affordable Care Act of 2010 (ACA), accounts for most of the beneficiaries assigned to ACO or ACO-like payment models. ACO models provide incentives for providers to manage beneficiaries' total annual spending.

> Only 21 percent of Medicare beneficiaries with both Part A and Part B coverage are now in traditional FFS Medicare—a share that has declined in recent years.

> Even among the share of beneficiaries in traditional FFS Medicare, some beneficiaries may be assigned to other alternative payments models such as the Bundled Payments for Care Improvement Advanced Model for a portion of their care.

Chart 5-2 The number of beneficiaries assigned to MSSP ACOs grew substantially in 2026



Note: MSSP (Medicare Shared Savings Program), ACO (accountable care organization). Numbers are as of January in each year. In 2019, MSSP ACOs were allowed to join the program in July. Those ACOs and the beneficiaries assigned to them were therefore not in the program as of January 2019 and so are not included in the 2019 counts in this chart. As of July 2019, there were 518 MSSP ACOs and 10.9 million beneficiaries assigned to them (data not shown). In 2021, new MSSP ACOs were not allowed to join the program due to the coronavirus pandemic, though ACOs were still allowed to exit the program.

Source: CMS Shared Savings Program January 2026 Fast Facts.

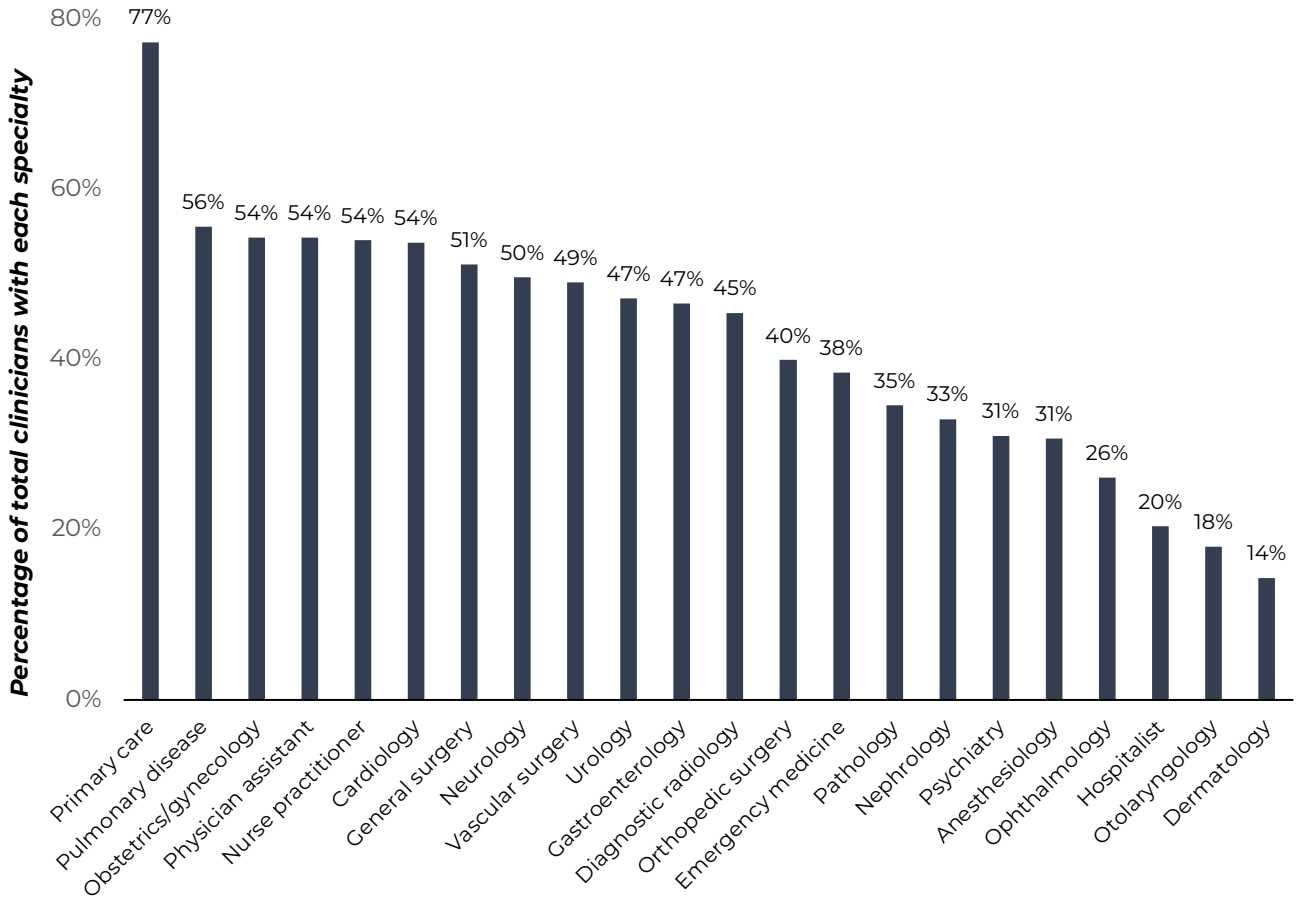
> After several years of relatively flat growth, the number of beneficiaries assigned to MSSP ACOs grew by about 13 percent from 2025 to 2026. In 2026, 20 percent of beneficiaries enrolled in both Part A and Part B were assigned to an MSSP ACO (see Chart 5-1).

> The number of ACOs peaked at 561 in 2018 and then declined to 487 in January 2019. In 2026, there were 511 ACOs—the most since 2020.

> At the end of 2018, CMS finalized changes to the MSSP that included (1) requiring ACOs to transition toward greater levels of financial risk and (2) using regional spending as a component of all ACO benchmarks (the spending levels used to measure an ACO's financial performance). These changes coincided with some ACOs dropping out of the program and fewer new ACOs joining.

> In 2026, the number of assigned beneficiaries (12.6 million) is the largest in program history.

Chart 5-3 Clinician participation in MSSP ACOs among select specialties, 2023



Note: MSSP (Medicare Shared Savings Program), ACO (accountable care organization). "Total clinicians" includes all clinicians from each specialty who treated at least one Medicare fee-for-service (FFS) beneficiary in 2023, including those who participated in an MSSP ACO. "Primary care" includes physicians who specialize in internal medicine, family medicine, geriatric medicine, and pediatric medicine.

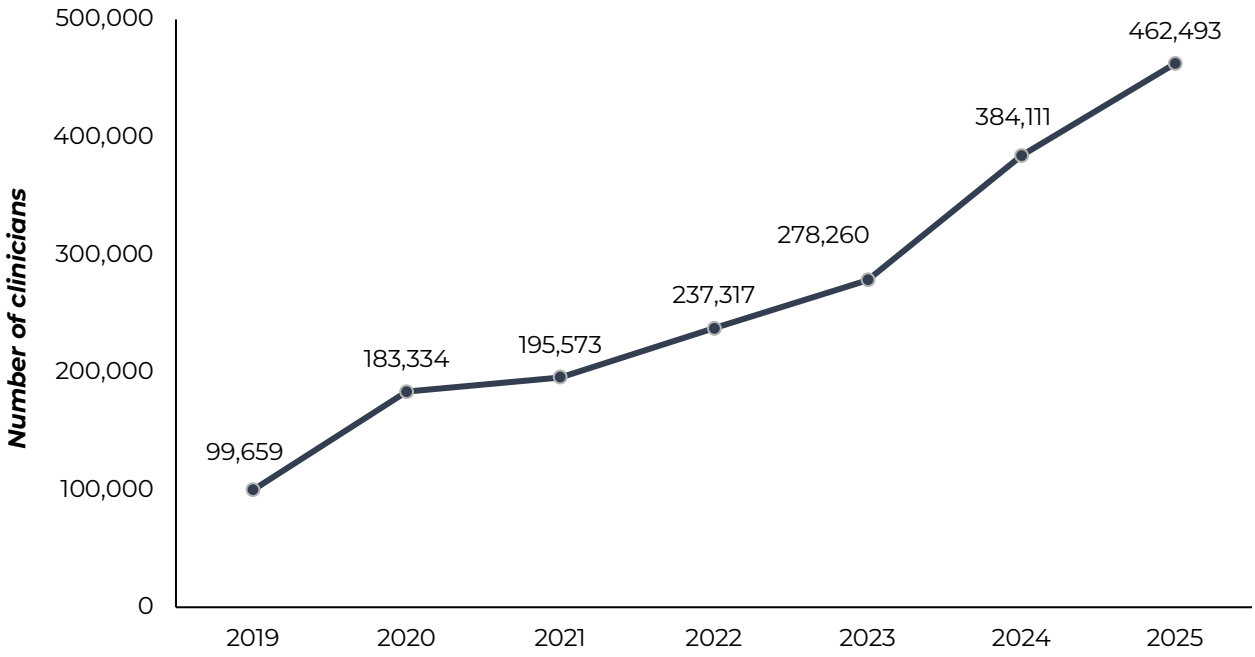
Source: Shared Savings Program Accountable Care Organizations public use files and research-identifiable files from CMS; Carrier Standard Analytic File for 100 percent of Medicare beneficiaries from CMS.

> ACOs by design are oriented around primary care, but specialists also participate in these models. Most MSSP ACOs have a mix of physicians among various clinical specialties.

> Among all primary care physicians who billed FFS Medicare in 2023, 77 percent participated in an MSSP ACO.

> Among other specialties, participation in ACOs as a share of all clinicians within the specialty varies greatly. For example, 56 percent of all pulmonologists participating in FFS Medicare in 2023 also participated in an ACO. By contrast, less than 20 percent of otolaryngologists and dermatologists participated in an MSSP ACO.

Chart 5-4 An increasing number of clinicians qualified for the A–APM participation bonus, 2019–2025



Note: A–APM (advanced alternative payment model). Numbers have been rounded to the nearest thousand. Figure shows the number of clinicians who qualified for the A–APM participation bonus in a given year (based on their A–APM participation two years prior), which may be higher than the number who actually received the bonus (e.g., due to retirement).

Source: MedPAC analysis of CMS data identifying the national provider identifiers of clinicians who qualified for the A–APM participation bonus linked to 100 percent of fee schedule claims.

> The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) established bonus payments for clinicians who participate in A–APMs. A–APMs are models that require participating providers to take on a more-than-nominal amount of financial risk, tie bonuses to quality measures, and require the use of electronic health records that have been certified by the federal government. Clinicians are eligible to receive a participation bonus worth 5 percent of their Medicare payments for fee schedule services from 2019 through 2024, a bonus worth 3.5 percent in 2025, and a bonus worth 1.88 percent in 2026.

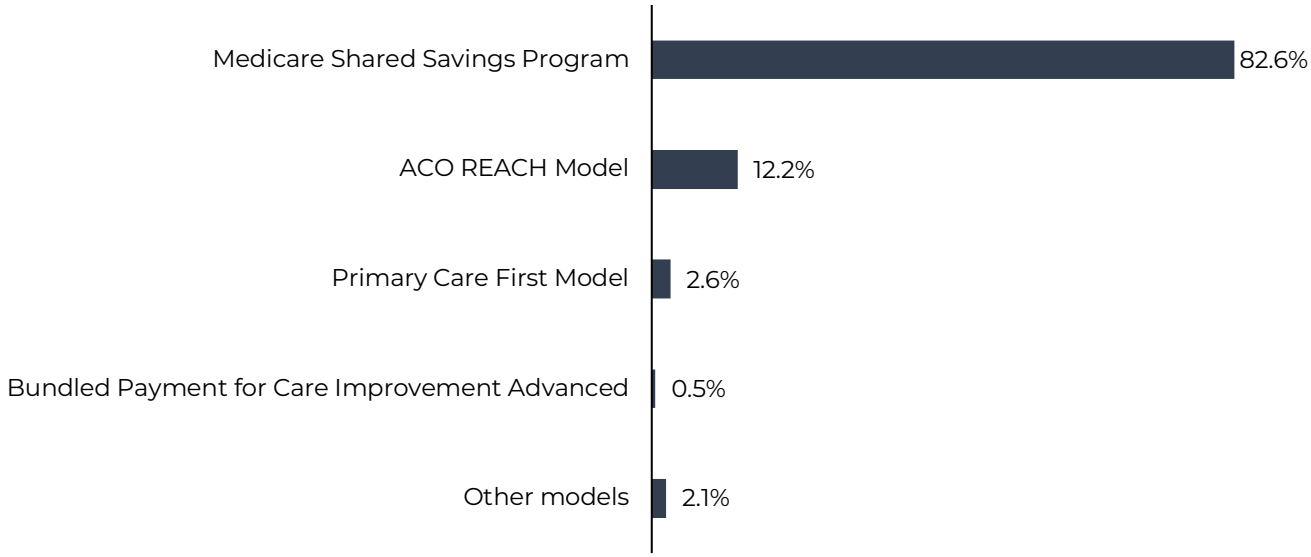
> Bonus payments are paid two years after the year in which a clinician participates in an A–APM.

> To qualify for the bonus payment in most of the years shown above, at least 50 percent of a clinician's fee-for-service (FFS) Medicare or multipayer payments had to be associated with an A–APM or at least 35 percent of a clinician's FFS Medicare or multipayer patients had to be participating in an A–APM.

> The number of clinicians who qualified for the A–APM participation bonus has increased steadily since it first became available in 2019 but has remained a minority of all clinicians. About one in three clinicians who billed the physician fee schedule received a bonus in 2025 (data not shown).

> For payment year 2025, 269,000 clinicians were in alternative payment models (APMs) but did not qualify for a bonus payment (data not shown). These clinicians did not receive a bonus because either they were in an APM that did not meet MACRA's criteria to be considered an A–APM (e.g., they did not require clinicians to take on a sufficient degree of financial risk), so they were not eligible for MACRA's participation bonus, or they participated in an A–APM but did not qualify for a participation bonus due to an insufficient share of their payments or patients being in A–APMs.

Chart 5-5 More than 80 percent of the clinicians who qualified for an A–APM bonus in 2025 were in the Medicare Shared Savings Program



Note: A–APM (advanced alternative payment model), ACO (accountable care organization), REACH (Realizing Equity, Access, and Community Health). Clinicians' 2023 A–APM participation determined their 2025 bonuses. Shares do not sum to 100 percent because clinicians can participate in more than one A–APM simultaneously. To qualify for the A–APM bonus in 2025, clinicians had to receive 50 percent of their payments for professional services or provide 35 percent of their patients with professional services through an A–APM in 2023. The A–APM bonus was equal to 3.5 percent of the payments a clinician received for their professional services payments from Medicare (not including cost sharing paid by beneficiaries). "Other models" includes the Maryland Total Cost of Care Model, Comprehensive Care for Joint Replacement Model, Kidney Care Choices Model, Enhancing Oncology Care Model, and Vermont Accountable Care Organization Model. For the payment models shown, only those model tracks that require clinicians to take on some financial risk qualify as A–APMs (e.g., physicians participating in Track 1 of the Medicare Shared Savings Program did not qualify for A–APM bonuses because Track 1 involved no financial risk for participants).

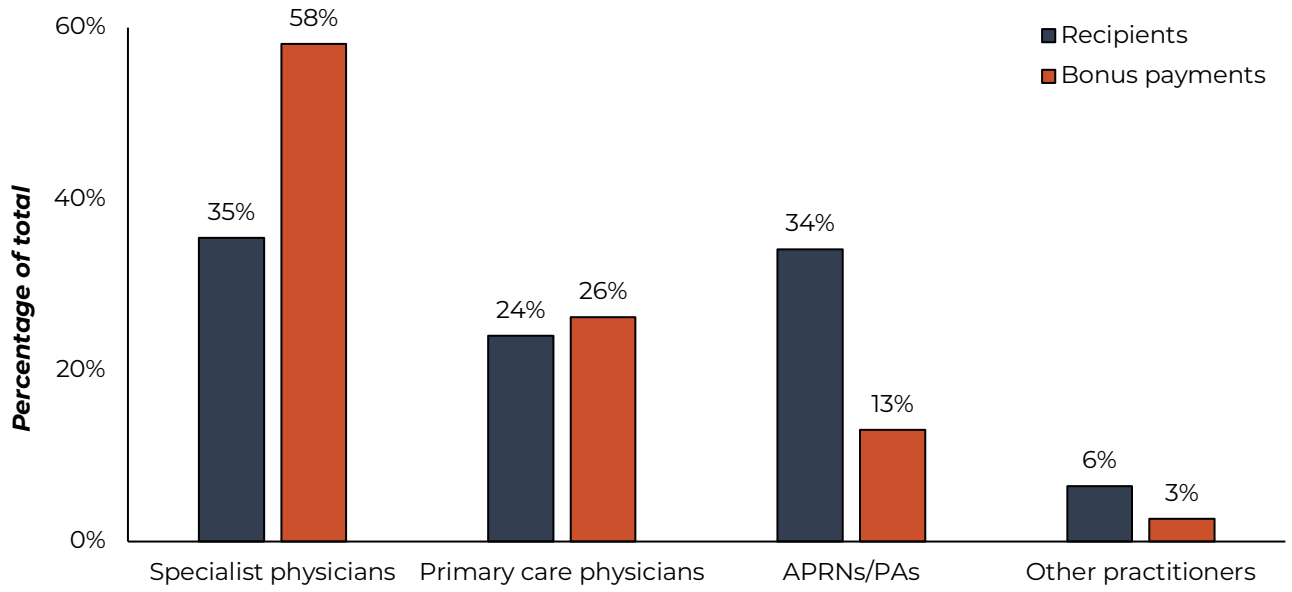
Source: CMS data on clinicians who qualified for the 3.5 percent bonus in 2025 are based on clinicians' 2023 model participation.

> The payment models that CMS has designated as A–APMs place health care providers at some financial risk for Medicare spending while expecting them to meet quality goals for a defined patient population.

> A–APM bonuses for qualifying clinicians equaled 3.5 percent of professional service payments in 2025 and equal 1.88 percent in 2026. From 2019 to 2024, clinicians who participated in A–APMs qualified for bonuses equal to 5 percent of their professional services payments from Medicare.

> In 2025, nearly 460,000 clinicians nationwide qualified for the A–APM bonus (based on 2023 A–APM participation) out of about 1.4 million who billed the Medicare physician fee schedule (data not shown). Roughly 95 percent of clinicians who qualified for an A–APM bonus participated in at least one of the ACO initiatives administered by CMS, which gives clinicians an opportunity to earn shared-savings payments from Medicare if they lower health care spending while meeting care quality standards.

Chart 5-6 Most A–APM participation bonus payments were paid to specialist physicians, 2025



Note: A–APM (advanced alternative payment model), APRN (advanced practice registered nurse), PA (physician assistant). "Primary care physicians" includes family medicine, internal medicine, pediatric medicine, and geriatric medicine, with an adjustment to exclude hospitalists. "Specialist physicians" includes cardiologists, dermatologists, and hospitalists. "Other practitioners" includes clinicians such as physical therapists, psychologists, and social workers. This category also includes podiatrists, optometrists, dental surgeons, and chiropractors, which are defined as physicians in Section 1861 of the Social Security Act. Components may not sum to 100 percent due to rounding.

Source: MedPAC analysis of CMS data identifying the national provider identifiers of clinicians who qualified for the A–APM participation bonus linked to 100 percent of physician fee schedule claims.

> In payment year 2025, qualifying clinicians were paid a total of $678 million in A–APM participation bonus payments. Physicians in specialties other than primary care accounted for 35 percent of all clinicians who received a bonus payment, and 58 percent of total bonus payments went to those physicians. The size of each recipient's participation bonus was based on 3.5 percent of the clinician's total Medicare physician fee schedule revenue in 2024.

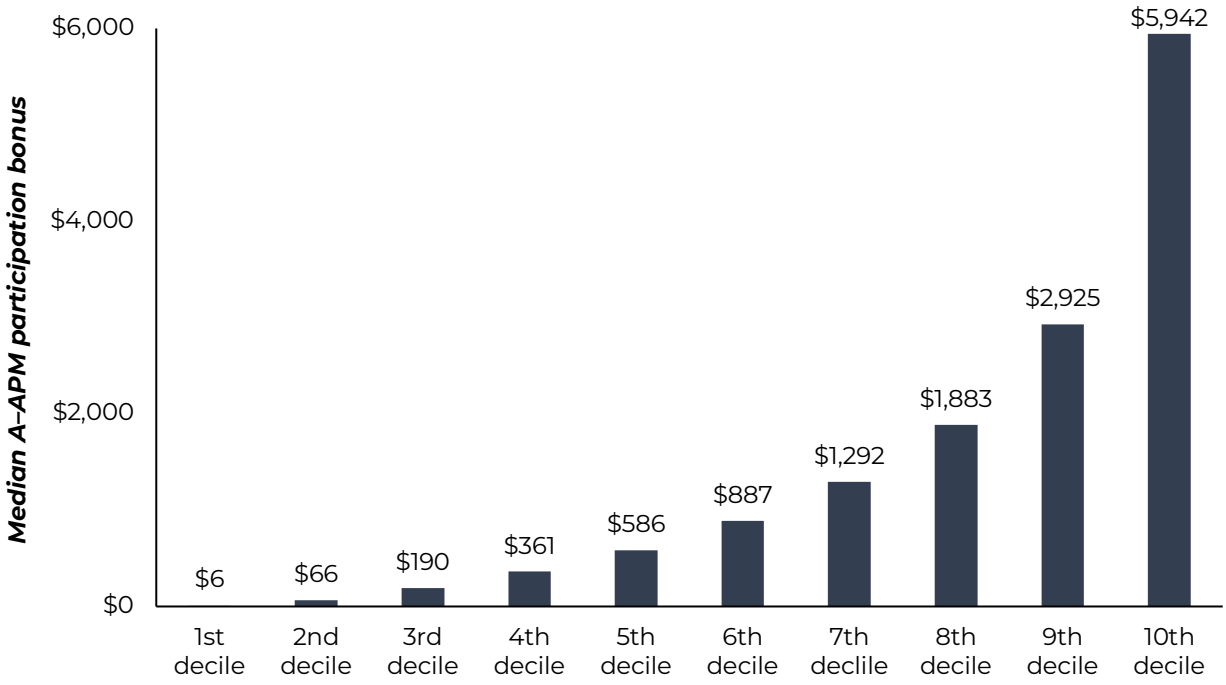
> Physicians who specialize in primary care accounted for 24 percent of all recipients and received 26 percent of total bonus payments.

> Specialists received larger A–APM participation bonuses than primary care physicians, APRNs and PAs, and other clinicians in 2025 because specialists tend to generate more annual fee-for-service Medicare payments than other types of clinicians. We calculate that the median bonus payment was $1,596 for non–primary care physicians and was $1,411 for primary care physicians (data not shown).

> APRNs and PAs accounted for a relatively small share of bonus payments (13 percent) despite accounting for a large share of recipients (34 percent). This contrast is due in part to the fact that APRNs and PAs are paid 85 percent of standard fee schedule rates and they tend to perform services that have relatively low payment rates.

> Because of "incident to" billing rules, which allow physicians to bill for services furnished by APRNs and PAs, bonuses paid to a single physician may be partly based on services performed by these other types of clinicians.

Chart 5-7 The size of A–APM participation bonuses varied widely, 2025



Note: A–APM (advanced alternative payment model). Figure shows MedPAC's estimates of the median bonus amount at different deciles in the 2025 payment year. Bonuses were calculated based on A–APM participation from two years prior (2023) and Medicare payments from one year prior (2024). Our estimates are slight underestimates of bonus sizes primarily because, when calculating bonuses, we did not include supplemental service payments that clinicians receive through A–APMs (e.g., capitated care-management fees).

Source: MedPAC analysis of CMS data identifying the national provider identifiers of clinicians who qualified for the A–APM participation bonus linked to 100 percent of physician fee schedule claims.

> The size of A–APM participation bonuses varies based on a clinician's total annual fee-for-service Medicare payments for physician fee schedule services.

> The median size of all bonus payments in 2025 was $936 (data not shown).

> Among the 10 percent of clinicians who received the smallest bonus, the median bonus was $6; among the 10 percent of clinicians who received the largest bonus, the median bonus was $5,942.

> By our estimates, bonuses totaled $678 million in payment year 2025, which is less than the $840 million that CMS reported paying out in 2024. The decrease is largely due to a reduction in the size of the bonus payment percentage from 5 percent of qualifying clinicians' Medicare fee schedule revenue in 2024 to 3.5 percent in 2025.

> All clinicians in advanced payment models are also eligible for payments available through these models (e.g., shared savings payments), which are not included here.