



## MEDICARE ACCOUNTABLE CARE ORGANIZATIONS

By: Nicole Dube, Principal Analyst

### MEDICARE ACOs

- ACOs are voluntary provider networks that coordinate care for certain Medicare patients.
- They assume medical and financial responsibility for their Medicare patients' care.
- They receive bonuses when providers coordinate care, reduce spending, and meet certain benchmarks.
- Connecticut currently has five Medicare ACOs.

### ISSUE

What are Medicare Accountable Care Organizations (ACOs)? How many are in Connecticut?

### SUMMARY

Medicare ACOs are voluntary networks of doctors, hospitals, and other health care providers that coordinate care for Medicare patients (excluding those enrolled in Medicare Advantage (Part C) private plans). The Affordable Care Act (P.L. 111-148, § 3022) authorized the use of ACOs as a way to improve patient care and reduce health care costs in the Medicare program. Providers may participate in a Medicare ACO and commercial payer ACO at the same time.

ACOs assume medical and financial responsibility for their Medicare patients' care. While they still use Medicare's traditional fee-for-service payment system, ACOs are eligible for additional payments or bonuses when providers coordinate care, reduce Medicare spending, and meet specified quality of care benchmarks. These benchmarks address (1) patient and caregiver experience; (2) care coordination; (3) patient safety; (4) preventive health; and (5) at-risk populations, which include people with diabetes, coronary artery disease, and hypertension, among others.

Providers participating in an ACO must notify their patients of their participation, and the patients can then choose to receive care from another provider if they do not want to participate. Additionally, patients may decline to have their protected health care information shared with an ACO.

Medicare currently offers three ACO programs, the most popular of which is the Medicare Shared Savings Program (MSSP). It allows participants to choose to either share in up to 50% of Medicare savings with the federal Centers for Medicare and Medicaid Services (CMS) ("Track 1") or assume greater risk and share in up to 60% of both savings and losses ("Track 2"). A new CMS proposed [rule](#) would add a third track to the MSSP that would allow participants to share in up to 75% of both savings and losses. (The proposed rule is open for public comment until February 6, 2015.)

The second program, the Advanced Payment ACO Model, is designed to help smaller health care practices and rural health care providers with less access to capital to participate in the MSSP. Program participants receive advance payments to invest in the infrastructure necessary to coordinate care.

Finally, the Pioneer ACO Model program is designed for providers already experienced in operating as an ACO or in similar arrangements. Participants enter into a shared savings payment arrangement with CMS at higher levels of savings and risk than in the MSSP. However, the program is closed to new applicants and will terminate in 2016.

There are currently five Connecticut ACOs participating in the MSSP, two of which also participate in the Advanced Payment ACO model program.

## **MEDICARE ACO PROGRAMS**

### ***MSSP***

Under the MSSP, providers must participate for three years and care for a minimum of 5,000 Medicare fee-for-service (Part A and Part B) beneficiaries. Initially, ACOs may choose to participate in (1) Track 1 and share in up to 50% of Medicare savings with CMS or (2) Track 2 and share in up to 60% of both savings and losses. After the first three years, ACOs participating in Track 1 must switch to Track 2.

However, a proposed rule by CMS would give ACOs an extra three years to participate in Track 1, thereby allowing them to continue to avoid penalties for poor performance. But, those ACOs choosing to do so can only keep up to 40% of their Medicare savings, instead of the 50% they are currently allowed to keep during the first three years.

The proposed rule also establishes a third track ("Track 3") within the MSSP that would allow participating ACOs to share in up to 75% of their Medicare savings and losses. The program is similar to the Pioneer ACO Model program (see below), a high-risk Medicare ACO program that ends in 2016.

**Program Performance.** According to CMS, during the program's first performance year, 53 out of 220 participating ACOs held spending at \$652 million below their targets and earned approximately \$300 million in shared savings payments. An additional 52 ACOs reduced health care costs compared to their benchmark but did not qualify for shared savings because they did not meet the minimum savings threshold. The program generated approximately \$345 million in savings for the Medicare Trust Funds.

CMS notes that one ACO participating in the higher risk model exceeded its spending target by \$10 million and owed shared losses of \$4 million. All participants improved on 30 out of 33 quality of care measures, such as patient experience, health promotion and education, and screening for high blood pressure and tobacco use.

### ***Advanced Payment ACO Model***

The Advanced Payment ACO Model is designed to help ACOs sponsored by physicians or rural providers to participate in the MSSP. Program participants receive three types of payments:

1. an upfront, fixed payment,
2. an upfront variable payment based on the number of Medicare beneficiaries served, and
3. a monthly variable payment depending on the ACO's size.

CMS recoups these advanced payments through offset of an ACO's shared savings. Participants must enter into an agreement with CMS to repay the advanced payments.

### ***Pioneer ACO Model***

The Pioneer ACO Model is designed for health care providers already experienced in operating as an ACO or in similar arrangements. Providers must enter into a three-year agreement to care for at least 15,000 Medicare beneficiaries. CMS may extend the agreement for an additional two years based on the ACO's performance and preference.

During the first two years of the program, the ACO enters into a shared savings payment arrangement with CMS with higher levels of savings and risk than in the MSSP. Beginning in the third year, ACOs that meet certain performance benchmarks are eligible to transition away from a fee-for-service payment to a population-based payment (e.g., per-member-per-month payment) and full-risk arrangement that can continue for the remainder of their participation in the program.

According to CMS, 13 of 32 ACOs participating in the program in its first performance year in 2012 produced approximately \$33 million in savings for the Medicare Trust Funds. All 32 participants earned incentive payments for reporting improvements on all of the program's 15 quality of care benchmarks.

During the program's second performance year, Pioneer ACOs qualified for \$68 million in shared savings payments and saved the Medicare Trust Fund approximately \$41 million. According to CMS, the mean quality of care and patient experience score among Pioneer ACOs increased by 19%, from 71.8% in 2012 to 85.2% in 2013.

Nine ACOs left the program in 2013, seven of which instead applied to the MSSP. The Pioneer ACO Model program currently has 19 participants and is no longer accepting new applicants. The program will end in 2016.

### **Connecticut's Medicare ACOs**

According to the CMS website, there are currently 337 ACOs participating in the MSSP, including five in Connecticut. Two of these ACOs (MPS ACO Physicians, LLC and PriMed, LLC) also participate in the Advanced Payment ACO program. There are no Connecticut ACOs participating in the Pioneer ACO Model program. Table 1 lists Connecticut's Medicare ACOs. (This list may not be exhaustive.)

**Table 1: CONNECTICUT'S MEDICARE ACOS**

<b>NAME</b>	<b>ADDRESS</b>	<b>MEDICARE PROGRAM</b>
<b>Hartford Healthcare ACO, Inc.</b>	200 Retreat Ave. Hartford, CT	MSSP
<b>MPS ACO Physicians, LLC</b>	31 Crescent St. Middletown, CT	MSSP and Advanced Payment ACO
<b>PriMed, LLC</b>	3 Enterprise Dr., Ste. 404 Shelton, CT	MSSP and Advanced Payment ACO
<b>ProHealth Physicians ACO, LLC</b>	4 Farm Springs Rd. Farmington, CT	MSSP
<b>Saint Francis HealthCare Partners ACO, Inc.</b>	95 Woodland St., 4 <sup>th</sup> Floor Hartford, CT	MSSP

Source: CMS, <https://data.cms.gov/browse?category=ACO&utf8=>

## **RESOURCES**

CMS Fact Sheet, "Proposed Changes to the Medicare Shared Savings Program Regulations," December 2012:

<http://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2014-Fact-sheets-items/2014-12-01.html>

CMS Medicare Data: <https://data.cms.gov/browse?category=ACO&utf8=%20>

CMS Proposed Rule, "Medicare Program; Medicare Shared Savings Program: Accountable Care Organizations," December 8, 2014:

<http://www.gpo.gov/fdsys/pkg/FR-2014-12-08/pdf/2014-28388.pdf>

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