

Alternative Payment Arrangements for the Pioneer ACO Model

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Background

The Pioneer ACO Model Request for Applications encouraged applicants to suggest alternative payment arrangements that would be more suitable to their ACOs than the Core Payment Arrangement specified in the RFA. CMS committed to synthesizing the most promising suggestions and offering alternative payment arrangements from which all Pioneer ACOs could choose. CMS explicitly sought alternative arrangements that were qualitatively different from the Core Arrangement, included escalating financial accountability throughout the Agreement period, and that would not diminish the expected savings of the Pioneer ACO Model under the Core Arrangement.

CMS identified the major themes in applicants' suggestions and offers two alternative payment arrangements to address those suggestions.

- Some applicants wanted to bear less financial risk in the first year, but sought to have risk accelerate in later years; and,
- Other applicants wanted to bear more risk and/or receive more population-based payment than in the Core Payment Arrangement

Alternative Payment Arrangements

Alternative #1: This alternative provides significantly less risk in the first performance year. A Pioneer ACO could earn 50% of first-dollar shared savings but no shared losses, if savings surpass a minimum savings rate (MSR) that varies between 2% and 2.7% based on the size of the Pioneer ACO's aligned beneficiary population. In the second performance year, the Pioneer ACO could earn 70% first-dollar shared savings or shared losses, if savings surpass a 1% MSR.

In Year 3, a Pioneer ACO would receive a population-based payment for the full amount of its expected revenues for part B services billed by the Pioneer ACO's providers and suppliers. At settlement, the Pioneer ACO would be held to a fixed benchmark (budget) for 100% of part B services (regardless of whether the services were provided by ACO or non-ACO providers and suppliers), less a guaranteed discount for Medicare ranging from 3% to 6%. The guaranteed discount would vary based on the Pioneer ACO's quality score, as described in Table 1. A Pioneer ACO could additionally earn 70% shared savings or losses for Part A expenditures relative to a Part A-specific benchmark. Because of the wide variability in Part A expenditures from year to year, savings would have to exceed an MSR of 2% before a Pioneer ACO could earn first-dollar shared savings.

In order to qualify for population-based payments in Year 3, a Pioneer ACO would have to generate an annual savings rate (averaged over the first two performance years) of at least 2%. If a Pioneer ACO does not meet this requirement, the Year 3 financial arrangement will be the same as the Year 2 arrangement, and CMS may

terminate the Pioneer ACO's Agreement after the third performance year. A Pioneer ACO that qualifies for population-based payments may extend its Agreement for an additional two performance years (for a total of five). A Pioneer ACO would be required to continue submitting encounter claims for all Part B services that its providers and suppliers deliver under this arrangement.

Alternative #2: In this alternative, the first two years are similar to the Core Payment Arrangement, but subsequent performance years involve payment and risk that closely resembles a full-risk capitation arrangement. Beginning in the third performance year, a Pioneer ACO would receive a population-based payment for the full amount of its expected revenues for both Part A and Part B services billed by its providers and suppliers. At settlement, a Pioneer ACOs would be held to a fixed budget (benchmark) for 100% of Part A and Part B services combined, less a guaranteed discount for Medicare ranging from 3% to 6% (depending on the Pioneer ACO's quality score).

In order to qualify for population based payments in Year 3, a Pioneer ACO would have to generate an annual savings rate (averaged over the first two performance years) of at least 2%. If a Pioneer ACO does not meet this requirement, the Year 3 financial arrangement will be the same as the Year 2 arrangement, and CMS may terminate the Pioneer ACO's Agreement after the third performance year. A Pioneer ACO that qualifies for population based payments may extend its Agreement for an additional two performance years (for a total of five). A Pioneer ACO would be required to continue submitting encounter claims for all Part A and B services that its providers and suppliers deliver under this arrangement.

Table 1 summarizes parameters for all the payment arrangements offered in the Pioneer ACO Model.

Table 1. Comparison of payment arrangements in the Pioneer ACO Model

	Pioneer Core	Pioneer Core Option A	Pioneer Core Option B	Alternative 1	Alternative 2
Year 1	60% 2-sided, varies with quality score ¹ 10% sharing/loss cap 1% MSR	50% 2-sided, varies with quality score ¹ 5% sharing/loss cap 1% MSR	70% 2-sided, varies with quality score ¹ 15% sharing/loss cap 1% MSR	50% 1-sided, varies with quality score ² 5% sharing cap 2% - 2.7% MSR	60% 2-sided, varies with quality score ¹ 10% sharing/loss cap 1% MSR
Year 2	70% 2-sided, varies with quality score ¹ 15% sharing/loss cap 1% MSR	60% 2-sided, varies with quality score ¹ 10% sharing/loss cap 1% MSR	75% 2-sided, varies with quality score ¹ 15% sharing/loss cap 1% MSR	70% 2-sided, varies with quality score ¹ 15% sharing/loss cap 1% MSR	70% 2-sided, varies with quality score ¹ 15% sharing/loss cap 1% MSR
Year 3	Payment: Population-based payment for 50% of ACO's projected Part and B revenue. Risk: 70% 2-sided, 15% sharing/loss cap 1% MSR	Payment: Population-based payment for 50% of ACO's projected Part and B revenue. Risk: 70% 2-sided, 15% sharing/loss cap 1% MSR	Payment: Population-based payment for 50% of ACO's projected Part and B revenue. Risk: 70% 2-sided, 15% sharing/loss cap 1% MSR	Payment: Population based payment = 100% of ACO's expected Part B revenue after a provisional 3% discount is subtracted from the benchmark. At reconciliation, the actual discount will be calculated on the ACO's quality performance. The ACO will receive no payment for Part B claims submitted for aligned beneficiaries, but will be required to continue submitting those claims (to be zero'ed out by the MACs)	Payment: Population based payment at 100% of ACO's own expected Part A & B revenue, after a provisional 3% discount is subtracted from the benchmark. At reconciliation, the actual discount will be calculated based on the ACO's quality performance. The ACO will receive no payment for Part A or B claims submitted for aligned beneficiaries, but will be required to continue to submit those claims (to be

¹ In any year in which the sharing percentage equals 60%, the calculation for shared losses will follow rules in the Medicare Shared Savings Program. In a year in which the sharing percentage exceeds 60%, the calculation of shared losses will be as follows: 40% + (unadjusted sharing percentage – quality-adjusted sharing percentage). For example, if the sharing percentage were 70% and the ACO's quality score were 80%, the shared loss percentage would be 40% + (70% - 70%*80%) = 40% + 14% = 54%. The purpose of this is to ensure that higher sharing percentages are also accompanied by higher downside risk. In all cases, 40% will be the minimum shared loss percentage and shared losses will be no greater than the sharing percentage.

² For the first year in Alternative 1, we will apply the same quality adjustment method used for the one-sided track in the Shared Savings Program.

Risk: Full risk for Part B with a discount of 3% to 6% (depending on quality score)³ and shared risk for Part A (70% 2-sided). To qualify, need to achieve min annual savings of 2%. No MSR for Part B, No cap on Part B 2% MSR for Part A, 15% sharing/loss cap on Part A.

zero'ed out by the MACs)
Risk: Guaranteed discounts of 3% to 6% (depending on quality scores).⁴ To qualify, must have >=2% avg. savings in Years 1 & 2. No MSR. No cap

Year 4	Same as above. Rebase using 2011, 2012, 2013	Same as above. Rebase using 2011, 2012, 2013	Same as above. Rebase using 2011, 2012, 2013	Same as above. Rebase using 2011, 2012, 2013
Year 5	Same as Year 4	Same as Year 4	Same as Year 4	Same as Year 4

³ The Part B discount will be adjusted to reflect quality performance. Taking the minimum 3% discount as a floor, CMS will calculate any additional discount as a percentage of the total "delta" of 3% (6% maximum - 3% minimum) That is, the discount for a given Pioneer ACO is equal to 3% floor + (1-quality score)*(3% delta). For example, a Pioneer ACO with a quality score of 100% will have a discount of 3% (equal to 3% floor + (1-1.0)*3% delta). A Pioneer ACO with a quality score of 50% will have a Part B discount of 3% floor + (1-0.5)*3% delta = 4.5% discount.

⁴ The discount for full Part A and B expenditures will be adjusted to reflect quality performance. Taking the minimum 3% discount as a floor, CMS will calculate any additional discount as a percentage of the total "delta" of 3% (6% maximum - 3% minimum) That is, the discount for a given Pioneer ACO is equal to 3% floor + (1-quality score)*(3% delta). For example, a Pioneer ACO with a quality score of 100% will have a discount of 3% (equal to 3% floor + (1-1.0)*3% delta). A Pioneer ACO with a quality score of 50% will have a discount of 3% floor + (1-0.5)*3% delta = 4.5% discount.

