



CMS Announces Next Generation ACO Program

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On January 11, 2016, the Centers for Medicare & Medicaid Services (CMS) announced the Next Generation ACO program, along with the first group of participants. The program builds on the CMS Pioneer ACO Model and Medicare Shared Savings Program to set financial targets and expand opportunities for providers and beneficiaries to coordinate care.

Medicare Accountable Care Organizations (ACOs) bring together doctors, hospitals, and other health care providers who coordinate high-quality care at lower costs to participating patients. ACOs aim to make providers and patients partners in care decisions through keeping patients informed about their healthcare choices and encouraging providers to communicate with patients' other providers. Provider participation is voluntary, and ACOs that meet their care and spending metrics are able to share in the savings they deliver to the Medicare program. According to a CMS analysis released last year, Medicare ACOs are improving the quality of care they provide and generating more savings over time.¹

The primary difference between Next Generation ACO program and the CMS Pioneer ACO Model is the Next Generation ACO program's higher levels of risk and reward for participating provider groups.² The Pioneer ACO Model offers the option of five payment arrangements, which share savings and losses of up to 60-75%.³ The Next Generation ACO program, on the other hand, offers two risk arrangements: Risk Arrangement A offers shared savings and losses of up to 80%, and Risk Arrangement B offers shared savings and losses of up to 100%. The participating ACOs will receive their budgets prospectively so they can plan and manage care according to these targets from the beginning of the performance year.⁴

The Next Generation ACO program will also offer a variety of payment mechanisms, ranging from traditional fee-for-service (FFS) to capitation. The capitation payment mechanism will estimate "total annual expenditures for aligned beneficiaries and pa[y] that projected amount to the ACO in a per-beneficiary per-month (PBPM) payment with some money withheld to cover anticipated care by providers not participating in capitation."⁵ This payment mechanism will be available in 2017. If an ACO starts in 2017, it may immediately begin the capitation payment mechanism without participating in the lower risk arrangement first. The risk arrangement and payment mechanisms are independent in the Next Generation ACO Model.

CMS has also cited the "benefit enhancement tools" available in the new model as ways for ACOs to be more engaged with beneficiaries. Beneficiaries will have "(1) greater access to home visits, telehealth services, and skilled nursing facility services; (2) opportunities to receive a reward payment for receiving care from the ACO and certain affiliated providers; (3) a process that allows beneficiaries to confirm their care relationship with ACO providers; and (4) greater collaboration between CMS and ACOs to improve communication with beneficiaries about the characteristics and potential benefits of ACOs relation to their care."⁶

1 <http://www.agg.com/New-ACO-Data-Show-Improved-Care-Increased-Savings-in-2014-09-28-2015/>.

2 <https://innovation.cms.gov/Files/x/nextgenacofaq.pdf>.

3 <https://innovation.cms.gov/Files/fact-sheet/nextgenaco-comparefactsheet.pdf>.

4 <http://www.healthcare-informatics.com/article/breaking-news-cms-unveils-details-its-new-next-generation-aco-program>.

5 <https://innovation.cms.gov/Files/x/nextgenacofaq.pdf>.

6 <https://innovation.cms.gov/Files/x/nextgenacofaq.pdf>.

Legal Insight

The CMS announcement last week listed the 21 ACOs participating in the program for 2016.⁷ CMS will make Letters of Intent and applications available in spring 2016 for ACOs interested in participating in the model in 2017. Providers interested in the Next Generation ACO program should note that CMS will be publicly reporting the performance of these ACOs on quality metrics, including patient experience ratings, on the CMS website. The financial stakes are higher with the Next Generation ACO program, but, as CMS has reported, experienced ACOs have been able to continue generating cost and quality of care improvements over time.

⁷ <https://innovation.cms.gov/initiatives/Next-Generation-ACO-Model/>.

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