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Medicare Savings Program Changes Could Ease Industry Concern (2)

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- Medicare program will allow higher shared savings
- New definition for distinguishing types of ACOs

Changes to a final rule for a coordinated care savings program will give groups a chance at a higher amount of shared savings from the Medicare agency and could alleviate the industry's concerns that groups would leave the program.

The Centers for Medicare & Medicaid Services finalized a rule (RINs: 0938-AT45, 0938-AT51) that would make structural changes to the Medicare Shared Savings Program (MSSP), where groups of doctors, hospitals, and other health-care providers coordinate care for patients and share in financial risk for their patients' health-care spending to receive savings.

Participants in this program, known as accountable care organizations (ACOs), were concerned the changes could result in fewer providers joining the program or that some would even leave.

"CMS was definitely responding to concerns about ACOs feeling like there was potentially less incentive for them to engage in MSSP," Josh Seidman, senior vice president at health-care policy consulting firm Avalere Health, said in an interview.

"The changes don't go all the way to alleviating those concerns, but they probably do enough to get ACOs who would want to participate ... to keep moving along that pathway," Seidman said.

These groups share in financial risk for their patients' health-care spending to receive savings, and the CMS will allow ACOs to receive up to 40 percent of the shared savings, instead of the 25 percent it initially proposed.

Higher Savings Still Not Enough

Providers expressed some displeasure that the program didn't go far enough to reward them for cost savings they generate though more effective care. However, they said the final rule is better than the proposed rule at preventing a mass exodus of providers fleeing the program.

ACOs could receive up to 50 percent of savings under the original structure of the program. The proposed changes would have lowered that to 25 percent, and the final rule will allow them to receive up to 40 percent of the shared savings.

"What is in the final rule is less draconian than [what was] in the proposed rule," Katherine Schneider, chair of the National Association of ACOs board of directors, said, but 40 percent savings is "still a step backwards from where we've been." Schneider is also the president and CEO of the Delaware Valley ACO.

Finalizing the rule with 40 percent shared savings is "certainly an improvement," but the Medical Group Management Association and other groups advocated for 50 percent savings, Mollie Gelburd, associate director of government affairs at the MGMA, said in an interview.

"A 25-percent savings rate would have been a nonstarter," Schneider said. "Pretty much everyone I know and have spoken to would not have entered the program under those conditions."

The CMS estimated that 109 fewer ACOs would have participated in the program over the next decade in the proposed rule, but the changes they've made in the final rule bring that down to 36 fewer.

"Any loss in participation should be concerning," Gelburd said. "We should be implementing policies that should encourage and increase participation" in value-based payment arrangements.

The finalized rule also estimates a savings of $950 million in claims over the next decade, up from the $510 million in the proposed rule.

"The ACO program has clearly demonstrated improved quality and actually [created] significant savings," Schneider said in an interview. "What's unfortunate is that, even with these changes, it is clearly being made a less attractive program, and will have less spread."

There are 561 ACOs in the savings program, and all would be affected by this rule, according to the CMS. Those ACOs serve 10.5 million Medicare beneficiaries. The proposed rule estimates that Medicare would save $2.9 billion.

The MSSP was set up under the Affordable Care Act and is an alternative payment model, a type of payment system where providers earn rewards for delivering high quality and cost-efficient care in exchange for taking on risk. Accountable care organizations are rewarded for providing high-quality care while creating savings for Medicare, and can share in the savings to Medicare if they meet certain quality standards.

Changes for Low-Revenue ACOs

The finalized rule will also change how quickly ACOs are required to take on financial risk. It requires high-revenue ACOs to take on risk more quickly than low-revenue ACOs, and defines that as the total Medicare ACO revenue from its ACO population to the total expenditures of the beneficiaries it coordinates care for.

Low-revenue ACOs will now be defined as those whose Medicare ACO revenue is less than 35 percent of their total expenditures, up from the 10 percent in the proposed rule.

New low-revenue ACOs will also be able to participate in the program for three years without taking on financial risk, instead of the two years the proposed rule had. This is still a shorter amount of time than the original program, which allowed them to take on no risk for up to six years.

Aisha Pittman, senior director of payment policy at Premier Inc., is "incredibly disappointed" with the "arbitrary" distinction of ACOs as being high revenue vs. low revenue, she said in an interview.

Indicator of Program Success

Ninety percent of eligible ACOs are extending their agreement periods six months, until June 30, according to the CMS. Schneider said this doesn't prove there will be no mass exodus from the program; rather it just shows ACOs are kicking the can down the road of making a decision to stay in the program.

It's "good that [ACOs are] taking the time to consider and wait out and find out what the policies actually were," Gelburd said, but that doesn't mean there will be sustained participation in the program.

The most important indicator of what these changes mean for the program is how many ACOs join the program in the next few years, Schneider said, not just what happens in 2019.

(Updates with additional reporting throughout.)

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