

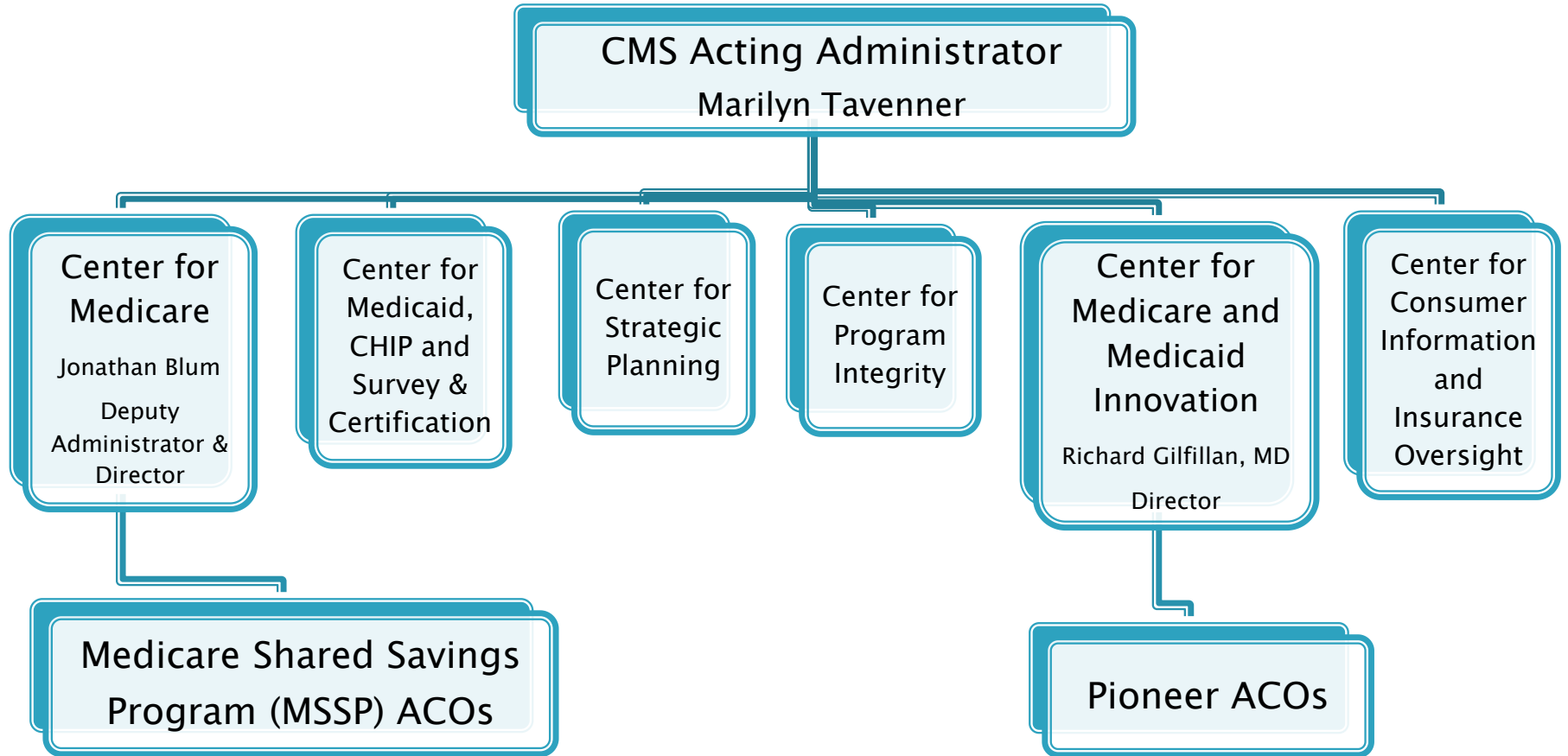
Comparison of Medicare ACO Payment Models

DMHC Financial Solvency Standards Board
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Two Separate ACO Programs Through CMS*



SOURCE: Akin Gump Strauss Hauer & Feld
LLP/SNR Denton

**Centers for Medicare and Medicaid Services*



ACO Program Financial Elements

▶ MSSP ACO

- ACO selects one of two participation models
 - Track 1 – Upside only
 - Track 2 – Upside and downside
- Claims are paid by CMS

▶ Pioneer ACO

- ACO selects one of five participation models
 - 3 “Core” models and 2 “Alternative” models
- All claims paid by CMS for first 2 years
- All 5 models have partial prepayment or “population-based payment” for ACO providers only in Year 3
 - CMS will always pay claims for providers outside the ACO



Financial Guarantees

▶ MSSP ACO

- Must demonstrate adequate reserves or ability to repay losses of at least 1% of total Parts A & B expenditures
 - Reinsurance; Escrow Account; Surety Bond; LOC
 - Must demonstrate this capability annually before the start of the performance year

▶ Pioneer ACO

- 25% of the potential total financial exposure must be guaranteed through an acceptable instrument
 - Irrevocable Letter of Credit (LOC); Escrow Account; Surety Bond
- Developing a method to recoup shared losses through reductions in future fee-for-service payments



Stop Loss Protections

- ▶ MSSP ACO
 - Beneficiary-level expenditures exceeding the 99th percentile are automatically truncated to minimize variation from catastrophic claims
- ▶ Pioneer ACO
 - ACO can elect to have Beneficiary-level expenditures “capped” at the 99th percentile
 - If option not selected, ACO must purchase equivalent protection



MSSP Final Rule – Two Participation Models

Track 1	Year 1	Year 2	Year 3
Shared Savings*	50% upside only	50%	50%
Min. Savings Rate (MSR)**	2 – 3.9% (size-based)	2 – 3.9%	2 – 3.9%
Payment Limit***	10% of Benchmark	10%	10%
Loss Limit	N/A	N/A	N/A

Track 2	Year 1	Year 2	Year 3
Shared Savings/Losses*	60% up/downside	60%	60%
MSR (+/-)**	2% (+/-)	2%	2%
Payment Limit***	15% of Benchmark	15%	15%
Loss Limit***	5% of Benchmark	7.5%	10%

* Shared Savings are adjusted based on the Quality Score

** Savings revert to 1st dollar after MSR met, losses must exceed MSR

*** Benchmark based on Parts A & B expenditures



Pioneer ACO Financial Models – *CORE*

	Performance Period 1	Performance Period 2	Performance Periods 3, 4***, 5
Pioneer Core	<ul style="list-style-type: none"> •Up to 60% shared savings & losses* •5–10% sharing/loss cap** •1% Minimum Savings/Loss Rate (MSR)** 	<ul style="list-style-type: none"> •Up to 70% shared savings & losses* •>5–15% sharing/loss cap** •1% MSR** 	<p>Monthly Population-based payment: 50% of ACO's projected A & B revenue**</p> <ul style="list-style-type: none"> •70% shared savings & losses* •>6–15% sharing/loss cap** •1% MSR**
Core Option A	<ul style="list-style-type: none"> •Up to 50% shared savings & losses* •5% sharing/loss cap** •1% MSR** 	<ul style="list-style-type: none"> •Up to 60% shared savings & losses* •>5–10% sharing/loss cap** •1% MSR** 	<p>Monthly Population-based payment: 50% of ACO's projected A & B revenue**</p> <ul style="list-style-type: none"> •70% shared savings & losses* •>6–15% sharing/loss cap** •1% MSR**
Core Option B	<ul style="list-style-type: none"> •Up to 70% shared savings & losses* •5–15% sharing/loss cap** •1% Minimum Savings Rate (MSR)** 	<ul style="list-style-type: none"> •Up to 75% shared savings & losses* •>5–15% sharing/loss cap** •1% MSR** 	<p>Monthly Population-based payment: 50% of ACO's projected A & B revenue**</p> <ul style="list-style-type: none"> •75% shared savings & losses* •>6–15% sharing/loss cap** •1% MSR**

Varies with Quality Score **Based on Total Parts A & B Budget *Year 4 is Rebased*



Pioneer Financial Model – *Alternative 1*

	Performance Period 1	Performance Period 2	Performance Periods 3, 4***, 5
Payment	Up to 50% shared savings* UPSIDE ONLY	Up to 70% shared savings & losses* UP/DOWNSIDE	Monthly Population-based payment: <u>Part B</u> – 100% of ACO’s own expected revenue (ACO providers only) <i>Less 3% discount*</i> Risk: <u>Part B</u> – Full risk <i>less 3–6% discount*</i> . <u>Part A</u> – Up to 70% 2-sided risk*.
Sharing/ Loss Cap	5% sharing cap**	> 5–15% sharing/loss cap**	Part B: Full Risk after discount Part A: >6–15% sharing/loss cap
Minimum Savings Rate (MSR)	2% – 2.7% MSR** based on number of aligned beneficiaries	1% MSR**	Part B: No MSR Part A: 2% MSR

Varies with Quality Score **Based on Total Parts A & B Budget *Year 4 is Rebased*



Pioneer Financial Model – *Alternative 2*

	Performance Period 1	Performance Period 2	Performance Periods 3, 4***, 5
Payment	Up to 60% shared savings & losses* UP/DOWNSIDE	Up to 70% shared savings & losses* UP/DOWNSIDE	Monthly Population-based payment: <u>Parts A & B</u> – 100% of ACO's own expected revenue (ACO providers only) <i>Less 3% discount*</i> Risk: <u>Parts A & B</u> – Full risk <i>Less 3-6% discount*</i>
Sharing/ Loss Cap	5-10% sharing/loss cap**	>5-15% sharing/loss cap**	No Cap
Minimum Savings Rate (MSR)	1% MSR**	1% MSR**	No MSR Must have $\geq 2\%$ average savings in Years 1-2 to qualify

Varies with Quality Score **Based on Total Parts A & B Budget *Year 4 is Rebased*



MSSP ACOs – Comparison to HMO Risk

HMO Comparison	MSSP Track 1 Years 1 – 3	MSSP Track 2 Years 1 – 3
Professional Pool (Part B)	Upside only	N/A
Hospital Pool (Part A)	Upside only	N/A
Global Pool	Upside only	Shared responsibility with CMS. Losses must exceed 2% of total budget and are limited to 10% of total budget (Year 3)



Downside Example of 15% Loss

MSSP Track 2, Year 3

Annual Amount	Per Beneficiary	@ 5,000 Benes	Global HMO
Budget (A & B)	\$10,000	\$50 M	\$50 M
Expense (A & B)	\$11,500	\$57.5 M	\$57.5 M
MSR @2%	\$ 200	\$1 M	n/a
Payment Limit @15%	\$1,500	\$7.5 M	n/a
Loss Limit @10%	\$1,000	\$5 M	n/a
Total Loss	<\$1,500>	<\$7.5 M>	<\$7.5 M>
Shared Loss (60%)	<\$900>	<\$4.5 M>	
Results	<\$900>	<\$4.5 M>	<\$7.5 M>



Downside Example of 3% Loss

MSSP Track 2, Year 3

Annual Amount	Per Beneficiary	@ 5,000 Benes	Global HMO
Budget (A & B)	\$10,000	\$50 M	\$50 M
Expense (A & B)	\$10,300	\$51.5 M	\$51.5 M
MSR @2%	\$ 200	\$1 M	n/a
Payment Limit @15%	\$1,500	\$7.5 M	n/a
Loss Limit @10%	\$1,000	\$5 M	n/a
Total Loss	<\$300>	<\$1.5 M>	<\$1.5 M>
Shared Loss (60%)	<\$180>	<\$0.9 M>	
Results	<\$180>	<\$0.9 M>	<\$1.5 M>



Pioneer ACOs – Comparison to HMO Risk

HMO Comparison	Alternative 1 Years 3 – 5	Alternative 2 Years 3 – 5
Professional Pool (Part B)	Full Risk (less 3–6%) Prepaid for own expected revenue only (less 3%)	N/A
Hospital Pool (Part A)	70% Risk (+/-) 2% MSR 15% max. sharing/loss cap	N/A
Global Pool	N/A	Full Risk (less 3–6%) Prepaid for own expected revenue only (less 3%)



Downside Example of 15% Loss

Pioneer Alternative 1, Year 3

Annual Amount	Per Beneficiary	@ 15,000 Benes	Global HMO
Budget (Part B)	\$5,000	\$75 M	\$150 M
Budget (Part A)	\$5,000	\$75 M	
Expense (Part B)	\$5,500	\$82.5 M	\$172.5 M
Expense (Part A)	\$6,000	\$90 M	
MSR @2% (A only)	\$100	\$1.5 M	n/a
Payment/Loss Limit @15% (A only)	\$750	\$11.25 M	n/a
Total Loss	<\$1,500>	<\$22.5 M>	<\$22.5 M>
Part A Loss (Shared) (70%, 2% MSR, 15% Limit)	<\$700>	<\$10.5 M>	
Part B Full Loss	<\$500>	<\$7.5 M>	
Results	<\$1,200>	<\$18 M>	<\$22.5 M>



Downside Example of 3% Loss

Pioneer Alternative 1, Year 3

Annual Amount	Per Beneficiary	@ 15,000 Benes	Global HMO
Budget (Part B)	\$5,000	\$75 M	\$150 M
Budget (Part A)	\$5,000	\$75 M	
Expense (Part B)	\$5,100	\$76.5 M	\$154.5 M
Expense (Part A)	\$5,200	78 M	
MSR @2% (A only)	\$100	\$1.5 M	n/a
Payment/Loss Limit @15% (A only)	\$750	\$11.25 M	n/a
Total Loss	<\$300>	<\$4.5 M>	<\$4.5 M>
Part A Loss (Shared) (70%, 2% MSR, 15% Limit)	<\$140>	<\$2.1 M>	
Part B Full Loss	<\$100>	<\$1.5 M>	
Results	<\$240>	<\$3.6 M>	<\$4.5 M>



Downside Example of 15% Loss

Pioneer Alternative 2, Year 3

Annual Amount	Per Beneficiary	@ 15,000 Benes	Global HMO
Budget (Part B)	\$10,000	\$150 M	\$150 M
Budget (Part A)			
Expense (Part B)	\$11,500	\$172.5 M	\$172.5 M
Expense (Part A)			
Total Loss	<\$1,500>	<\$22.5 M>	<\$22.5 M>
Results	<\$1,500>	<\$22.5 M>	<\$22.5 M>



Downside Example of 3% Loss

Pioneer Alternative 2, Year 3

Annual Amount	Per Beneficiary	@ 15,000 Benes	Global HMO
Budget (Part B)	\$10,000	\$150 M	\$150 M
Budget (Part A)			
Expense (Part B)	\$10,300	\$154.5 M	\$154.5 M
Expense (Part A)			
Total Loss	<\$300>	<\$4.5 M>	<\$4.5 M>
Results	<\$300>	<\$4.5 M>	<\$4.5 M>



