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NAACOS Supports ACO “Rural Glitch” Bill

Legislation Introduced Today Creates Fairer Spending Targets for ACOs

WASHINGTON – The National Association of Accountable Care Organizations (NAACOS) today declared its strong support for S. 2648, the Rural ACO Improvement Act, by joining 14 other leading healthcare organizations [in urging Congress](#) to pass the newly introduced legislation. The bill corrects a Medicare policy that unfairly penalizes ACOs when they reduce costs.

The Rural ACO Improvement Act changes how ACO benchmarks, or CMS-set spending targets, are calculated and more accurately compares an ACO’s spending to its surrounding area. Specifically, it removes an ACO’s assigned patients when calculating the costs of patients in the ACO’s region, which partially determines that ACO’s benchmark. The bill is sponsored by Sens. Catherine Cortez Masto (D-Nev.) and Pat Roberts (R-Kan.).

In 2017, CMS began incorporating spending from other providers in the ACO’s region when calculating an ACO’s benchmark. This regional adjustment rewards ACOs with costs lower than others in their surrounding area. But for ACOs who make up the bulk of their region those lower-cost ACO patients are included in the regional comparison, creating an unfair adjustment. Today’s bill will require CMS to remove an ACO’s assigned patients from the regional comparison group. The change is dubbed the “rural glitch” because it largely affects rural ACOs, although most ACOs would benefit.

“When ACOs lower their spending, Medicare spending for the entire region also falls. The Rural ACO Improvement Act corrects an unintended flaw in CMS’s work that unfairly penalizes rural providers and ACOs who make up the bulk of their market,” said Clif Gaus, Sc.D., NAACOS president and CEO. “Our health system needs to find ways to incentivize the adoption of alternative payment models like ACOs, and this bill would certainly help realize that goal.”

NAACOS was joined on the bill by Aledade, American Association of Family Physicians, American College of Physician, American Hospital Association, American Medical Association, American Medical Group Association, America's Essential Hospitals, America’s Physician Groups, Association of American Medical Colleges, Federation of American Hospitals, the Health Care Transformation Task Force, the Medical Group Management Association, National Rural Health Association and Premier. “No ACO should be placed in a less favorable financial position due to their geography alone, and design flaws that discourage ACOs from operating in rural areas should be eliminated,” the letter states.

Said Gaus: “CMS’s current policy undermines efforts to further alternative payment models in rural America. We thank Senators Cortez Masto and Roberts for their leadership on this issue.”

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About NAACOS. The National Association of ACOs (NAACOS) is the largest association of Medicare ACOs, representing more than 6 million beneficiary lives through 350 MSSP, Next Generation and Commercial ACOs. NAACOS is an ACO member-led and member-owned nonprofit organization that works on behalf of ACOs across the nation to improve the quality of care, population health and outcomes, and healthcare cost efficiency.