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NEWS RELEASE

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Proposed Rule Likely To Drive Exodus of Medicare Accountable Care Organizations (ACOs)

WASHINGTON, D.C.—A misguided government proposal to redo the Medicare Shared Savings Program (MSSP) will upend the ACO movement by creating havoc with a significant overhaul introducing many untested and troubling policies.

“The administration’s proposed changes to the ACO program will halt transformation to a higher quality, more affordable, patient-centered health care industry, stunting efforts to improve and coordinate care for millions of Medicare beneficiaries.” said NAACOS President and CEO Clif Gaus.

ACOs—groups of local physicians, hospitals and other providers that work together and take responsibility for the quality and cost of patient care—have grown rapidly in recent years and are at the forefront of transforming the health care system’s focus from volume to value. Under the Centers for Medicare & Medicaid Services (CMS) proposed rule issued [today](#), CMS would retire the current Track 1 and 2 options and replace them with a new model, the “BASIC” model, under which ACOs would be forced to risk after two years and would see the percent of their maximum savings cut in half from current levels. The downside financial risk for patient care would be on top of the significant financial investments ACOs already make, according to Gaus, jeopardizing years of effort and investment to improve care coordination and slow cost growth. Gaus comments, “CMS discusses creating stability for ACOs by moving to five-year agreements, but they are pulling the rug out from ACOs by redoing the program in a short timeframe with untested and troubling policies.” CMS predicts fewer ACOs participating in the future, beginning with the 2019 performance year.

NAACOS repeatedly has voiced concerns about forcing ACOs to take downside financial risk before they are ready, [advocating](#) instead that ACOs that demonstrate certain cost and quality achievements may remain in the one-sided model. A NAACOS [survey](#) earlier this year of ACOs required to move to an ACO model with downside financial risk in 2019 showed that more than 70 percent of responding ACOs are likely to leave the program if forced to assume financial risk. Given the proposals put forth today, 70 percent could be an underestimate, with even more ACOs leaving the program.

“It’s naïve to think that ACOs that aren’t ready can be forced to take on risk, given that the program is voluntary. The more likely outcome will be that many ACOs quit the program, divest their care coordination resources and return to payment models that emphasize volume over value,” Gaus said. “This would be a significant setback for Medicare payment reform efforts and would undermine implementation of the overwhelmingly bipartisan Medicare Access and CHIP Reauthorization Act (MACRA), which is designed to move providers into alternative payment models such as ACOs.”

“The best scientific evidence shows that the Medicare Track 1 ACOs overall are returning millions of dollars of savings to Medicare and improving the quality of care for millions of beneficiaries,” Gaus said. “To shrink and disable this leading alternative payment model in its early stages defies logic.”

Under the proposed rule, CMS would shorten the time an ACO can remain in a shared savings only model from six years to two years. Currently, MSSP Track 1 ACOs share savings with the government if they meet certain quality and other targets but are not at risk for increased Medicare spending for patient care. This one-sided model allows ACOs to invest in infrastructure and other changes to improve care delivery without fear of suffering financial losses beyond their own investments. Track 1 is where the vast majority of ACOs begin, and ACOs with more experience managing financial risk can participate in a two-sided risk model, where they share in savings but also are liable for a portion of spending above certain thresholds. The proposed CMS rule can be accessed [here](#), along with a related CMS [factsheet](#).

Instead of forcing ACOs to assume risk too soon, NAACOS urges CMS to modernize the Medicare ACO program by improving program policies and creating accurate benchmarks that truly reflect ACO performance. CMS also needs to streamline program requirements across ACOs and Medicare Advantage and to emphasize program stability and patient engagement.

Notable changes in the proposed rule would:

- Modify the participation options by retiring Track 1 and Track 2 and introducing a new BASIC track which includes a gradual shift to risk. The glide path to risk in the BASIC track includes 5 levels, with a one-sided model available only for the first two years to eligible ACOs
- Retain Track 3, which would be renamed as the ENHANCED track, to encourage ACOs that are able to accept higher levels of potential risk and reward to drive the most significant systematic change in providers’ and suppliers’ behavior
- Modify agreement periods from 3-years to 5-years
- Establish policies to deter gaming by limiting more experienced ACOs to higher-risk participation options
- Modify methodologies related to benchmarking and risk adjustment
- Implement provisions of the Bipartisan Budget Act (BBA) which allow for certain telehealth waivers and beneficiary incentive programs and broadening access to the current SNF 3-day waiver for risk bearing ACOs
- Seek feedback on changes to quality measurement approaches for ACOs

NAACOS will submit detailed comments to CMS in response to the proposed rule.

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About NAACOS. The National Association of ACOs (NAACOS) is the largest association of Medicare ACOs, representing more than 5 million beneficiary lives through 330 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 health care cost efficiency.