

PRESS RELEASE

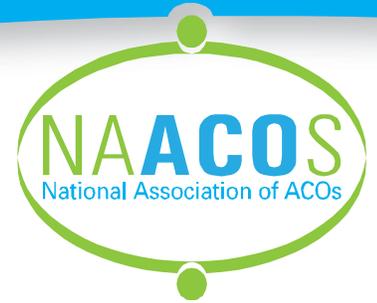
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National Association of ACOs Comments on Medicare Second Year ACO Results

The National Association of ACOs is pleased that the hard work of the nation's Accountable Care Organizations (ACOs) continues to improve quality for Medicare patients. NAACOS, however, is disappointed, but not surprised, that the financial results were not better. NAACOS is especially pleased the data show Medicare beneficiaries are almost uniformly receiving higher quality care as a result of the ACOs' work. However, only 92 of the 333 Medicare Shared Savings Program (MSSP) ACOs will receive payments for their success and recoup some portion of their investment. While the number of ACOs with positive results and the total dollar savings have increased due to the additional 100+ ACOs that were added to the program, the average savings per ACO actually declined by a significant percent. NAACOS CEO, Clif Gaus, said "Savings per ACO decreased. This is probably due to the unfair quality penalty which is so stringent that unless an ACO scores perfectly on every quality measure, their savings will be reduced. We expect ACOs to deliver better care for Medicare beneficiaries but the quality benchmark that CMS prescribes is the government example of *letting the perfect be the enemy of the good.*"

The total savings returned to 92 ACOs in 2014 was \$341 million compared to \$315 million to 52 ACOs in 2013. Hundreds of organizations with thousands of doctors, hospitals and other healthcare providers have invested over \$1.5 billion of their money in the ACO program to date but they have received only \$656 million total in return. CMS has in turn received over \$848 million in savings for a small investment. NAACOS CEO, Clif Gaus said, "This is not a sustainable business model for the long-term future. With Medicare cost growth at a record lows, now is the time for the government to invest in and support a national effort for population-based coordinated care and not just take, or be satisfied with, savings from a minority of ACOs at the risk of the majority of ACOs abandoning the program."

We are especially concerned that 89 additional ACOs actually contributed to the program savings but government rules do not allow them to share in the savings they produced.



This Minimum Savings Rate (MSR) requirement of 2-3.9% allows an even greater savings retention by CMS at the expense of the ACO.

In total, 241 ACOs will receive no return on their investment. Consequently, they will struggle to stay in the program. We estimate that 40-50 ACOs will leave the program this year. We understand the ACO program is in its infancy and redesigning healthcare is a long-term commitment that we intend to continue supporting; however, we believe CMS or the Congress needs to take major steps to improve the program. These include:

- Change the way patients are attributed to the ACO and bring stability to the population the ACO is serving;
- Strengthen the relationship of the Medicare beneficiary with their ACO physician;
- Improve the formula for risk adjusting and setting the target benchmarks;
- Account for the fact that in some communities the costs of care are well below the national average, and for them, it is even more difficult to achieve savings;
- Eliminate the “penalty-only” quality scoring and provide financial rewards for higher quality and for improving quality.

The ACO program was developed with, and continues to receive, strong bi-partisan support and is considered to be the most promising opportunity to improve patient outcomes and reduce healthcare costs. NAACOS believes there is substantial room for improvement and is committed to working with CMS and the Congress to help the program succeed. NAACOS CEO Clif Gaus, commented, “ACOs remain the most promising solution to improving quality and lowering healthcare costs and we hope to work with the Administration to make adjustments to the program so that more ACOs can financially survive and grow in number.”

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