

Fact sheets: Accountable Care Organization (ACO) Investment Model Fact Sheet

Date 2014-10-15

Title Accountable Care Organization (ACO) Investment Model Fact Sheet

For Immediate Release Wednesday, October 15, 2014

Contact press@cms.hhs.gov

Accountable Care Organization (ACO) Investment Model Fact Sheet

Overview

Accountable Care Organizations (ACOs) are groups of doctors, hospitals, and other health care providers, who come together voluntarily to provide coordinated, high-quality care to their Medicare patients to help them deliver better care at lower cost.

The goal of coordinated care is to ensure that patients, especially people with chronic conditions, get the right care at the right time, while avoiding unnecessary duplication of services and preventing medical errors.

ACOs represent one part of a comprehensive series of initiatives in the Affordable Care Act that are designed to lower costs and improve care. When an ACO succeeds in both delivering high-quality care and spending health care dollars more wisely, it will share in the savings it achieves for the Medicare program.

Medicare currently offers several ACO initiatives:

- Medicare Shared Savings Program
- Pioneer ACO Model
- Advance Payment ACO Model
- Comprehensive End Stage Renal Disease (ESRD) Care Initiative

This fact sheet provides a general description of a new ACO model being offered to support the Medicare Shared Savings Program ACOs, the ACO Investment Model.

Summary of the ACO Investment Model

The ACO Investment Model is an initiative developed by the Center for Medicare & Medicaid Innovation (Innovation Center) designed for organizations participating as ACOs in the Medicare Shared Savings Program (Shared Savings Program). The ACO Investment Model is a new model of pre-paid shared savings that builds on the experience with the Advance Payment Model to encourage new ACOs to form in rural and underserved areas and current Medicare Shared Savings Program ACOs to transition to arrangements with greater financial risk.

The ACO Investment Model will be available to:

1. New Shared Savings Program ACOs joining in 2016. The ACO Investment Model seeks to encourage uptake of coordinated, accountable care in rural geographies and areas where there has been little ACO activity, by offering pre-payment of shared savings in both upfront and ongoing per beneficiary per month payments. CMS believes that encouraging participation in areas of low ACO penetration may spur new markets to focus on improving care outcomes for Medicare beneficiaries.
2. ACOs that joined the Shared Savings Program starting in 2012, 2013 or 2014. Here, the ACO Investment Model will help ACOs succeed in the Shared Savings Program and encourage progression to higher levels of financial risk, ultimately improving care for beneficiaries and generating Medicare savings.

Background

CMS is encouraging providers to participate in ACOs through the Medicare Shared Savings Program, which creates financial incentives for ACOs that lower growth in health care costs while meeting performance standards on quality of care and putting Medicare beneficiaries first.

The Innovation Center

The Innovation Center was created by the Affordable Care Act to test innovative payment and service delivery models to reduce program expenditures while preserving or enhancing the quality of care. It is committed to transforming the Medicare, Medicaid and CHIP programs and is expected to help deliver better care for individuals, better health for populations, and lower growth in expenditures for Medicare, Medicaid and Children's Health Insurance Program (CHIP) beneficiaries.

Working in concert with the Shared Savings Program, the Innovation Center is testing the ACO Investment Model and the Pioneer ACO Model, and has sponsored learning activities that help providers form ACOs and improve their results. More information on all of these initiatives is available on the Innovation Center website at <http://innovation.cms.gov>.

The ACO Investment Model was developed in response to concerns and available research suggesting that some providers lack adequate access to the capital needed to invest in infrastructure necessary to successfully implement population care management.

Structure of Payments

New ACOs

Under the ACO Investment Model, ACOs that will begin participating in the Medicare Shared Savings Program on January 1, 2016 will receive three types of payments:

- *An upfront, fixed payment:* Each ACO receives a fixed payment.
- *An upfront, variable payment:* Each ACO receives a payment based on the number of its preliminarily prospectively-assigned beneficiaries.

- *A monthly payment of varying amount depending on the size of the ACO:* Each ACO receives a monthly payment based on the number of its preliminarily prospectively-assigned beneficiaries.
The structure of these payments addresses both the fixed and variable costs associated with forming an ACO.

Existing ACOs

Under the ACO Investment Model, ACOs that began participating in the Medicare Shared Savings Program on April 1, 2012, July 1, 2012, January 1, 2013, or January 1, 2014 will receive two types of payments:

- *An upfront, variable payment:* Each ACO receives a payment based on the number of its preliminarily prospectively-assigned beneficiaries.
- *A monthly payment of varying amount depending on the size of the ACO:* Each ACO receives a monthly payment based on the number of its preliminarily prospectively-assigned beneficiaries.

The structure of these payments addresses both the fixed and variable costs associated with making ongoing investments to improve care coordination for existing ACOs.

Recovery of ACO Investment Model Payments

For ACOs already participating in the Shared Savings Program, CMS will recover the ACO Investment Model payments through an offset of an ACO's earned shared savings. ACOs selected to receive ACO Investment Model payments will enter into an agreement with CMS that details the obligation to repay ACO Investment Model payments.

If the ACO does not generate sufficient savings to repay the ACO Investment Model payments as of the first settlement for the Shared Savings Program, CMS will continue to offset shared savings in subsequent performance years and any future agreement periods, or pursue recovery where appropriate.

For ACOs new to the Shared Savings Program in 2016, CMS will recover payments from earned shared savings for as long as the participant remains in the Shared Savings Program ACO. Should an ACO not earn sufficient shared savings in the first Shared Savings Program agreement period to fully repay pre-payments, and should the ACO not enter a second Shared Savings Program agreement period, then CMS will not pursue full recovery of remaining pre-payments from that ACO. CMS will recover all pre-payments up to the total shared savings earned by the ACO, but will not pursue amounts in excess of the earned shared savings. CMS will pursue full recovery of pre-paid shared savings from any ACO that does not complete its initial Shared Savings Program agreement period or the full term of the ACO Investment Model agreement.

Eligibility/Selection

The ACO Investment Model is expected to help provide support to organizations whose ability to invest in infrastructure and redesigned care processes would be improved with additional access to capital.

In order to be eligible for the ACO Investment Model, an ACO already participating in the Shared Savings Program must meet the following criteria:

1. The ACO must be accepted into and participate in the Shared Savings Program. The ACO's first performance period in the Medicare Shared Savings Program must have started in either 2012, 2013 or 2014 or will start in 2016.
2. The ACO has completely and accurately reported quality measures to the Medicare Shared Savings Program in the most recent performance year, if the ACO started in the Medicare Shared Savings Program in 2012, 2013 or 2014, excluding ACOs that will start in 2016.
3. The ACO has a preliminary prospective beneficiary assignment of 10,000 or fewer beneficiaries for the most recent quarter, as determined in accordance with the Shared Savings Program regulations.
4. The ACO does not include a hospital as an ACO participant or an ACO provider/supplier (as defined by the Shared Savings Program regulations), unless the hospital is a critical access hospital (CAH) or inpatient prospective payment system (IPPS) hospital with 100 or fewer beds.
5. The ACO is not owned or operated in whole or in part by a health plan.
6. The ACO did not participate in the Advance Payment Model.

During the selection process, the ACO Investment Model will target new ACOs serving rural areas and areas of low ACO penetration and existing ACOs committed to moving to higher risk tracks. CMS will also give preference to ACOs that provide high quality of care, ACOs that achieved their financial benchmark, ACOs that demonstrate exceptional financial need, and those that submit compelling proposals for how they will invest both their own funds and CMS funds.

Application Process

CMS will be accepting applications for the ACO Investment Model between October 15 and December 1 for ACOs that started in the Medicare Shared Savings Program in 2012 or 2013. The application period for ACOs that started in 2014 or will start in 2016 will open in the summer of 2015.

CMS staff will review applications for the applicant organization's ability to meet criteria identified in the solicitation. All applicants are also required to be accepted into the Shared Savings Program, in accordance with program rules.

Additional Resources

More information about the ACO Investment Model, including the Request for Application, is available on the Innovation Center website at <http://innovation.cms.gov/initiatives/ACO-Investment-Model/>. Any questions about the program can be directed to AIM@cms.hhs.gov

For information about the Shared Savings Program, please see: www.cms.hhs.gov/sharedsavingsprogram/.