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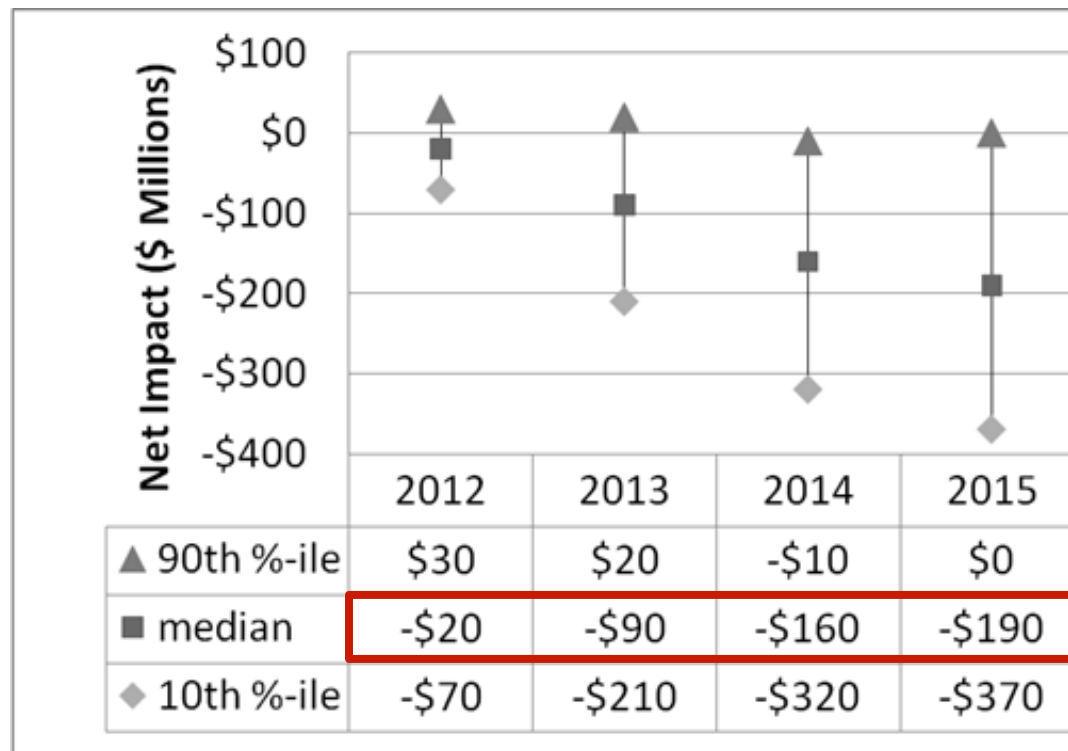
CMS Shared Savings Program: Key Issues and Financial Considerations



ACO Congress
Los Angeles, California
November 1, 2011

CMS Estimates Impact of ACOs – on Federal Costs

Stochastic Distribution For Estimated Federal Net Savings (-) or Costs (+), CYs 2012 Through 2015 (\$ millions)



→ Total Savings
\$460M

Source: The Office of the Federal Register, 11/2/2011

CMS Estimates of ACO ROI

CMS Estimates of ACO ROI (In Millions)

	2012	2013	2014	2015	Total
Median Bonus Payments	\$100	\$280	\$410	\$520	\$1,310
Estimated Costs ⁽¹⁾					\$451
Benefit/Cost Ratio					2.9

[https://sharepoint.thecamdengroup.com/Clients/CAPG/ACO_Hospital_Model/\[CMS_ACO_Return.xlsx\]Sheet1](https://sharepoint.thecamdengroup.com/Clients/CAPG/ACO_Hospital_Model/[CMS_ACO_Return.xlsx]Sheet1)

Source: ACO Final Rule

⁽¹⁾ Assumes between 50-270 ACOs and average start-up costs of \$580,000 and annual operating costs of \$1.27M

■ Assumptions:

- ▶ Between 50 and 270 ACOs
- ▶ Average start-up costs of \$580,000
- ▶ Average annual ACO operating costs of \$1.27M

The Question Is...What Will Your Return Be?

Key Considerations

- Size of your ACO (providers, population)
- Composition of your ACO (integrated delivery system; group vs IPA)
- Health plan or experience with risk (capitation)
- Access to capital and reserves
- Current level of EHR deployment and use
- Experience with measuring, monitoring, and improving outcomes (with IT systems to do so)
 - ▶ Pay-for-performance (“P4P”) experience
- Care management resources and approach to population health
- Experience with establishing, maintaining, and rewarding (\$\$) a network of providers (hospitals and physicians)
- Level of physician engagement with their patients – and the patients’ engagement with your physicians!

First Glance: Shared Savings Program (“SSP”) vs. Pioneer ACO

	SSP Final ACO Regs	Pioneer ACO
Number of ACOs	Between 50 and 270 (expected)	~30 organizations
Minimum Beneficiaries	5,000 Medicare FFS	15,000 Medicare FFS (5,000 rural)
Governing Body	75 percent representation from participating members plus beneficiary representative	Similar to SSP, plus consumer advocate
Patient Assignment	<ul style="list-style-type: none"> ■ Preliminary prospective assignment with final retrospective reconciliation (updated quarterly) ■ Prospective assignment: Patients initially assigned through physicians who directly rendered primary care services in most recent 12 months 	<ul style="list-style-type: none"> ■ Prospective and retrospective ■ Prospective assignment: Based on last three years of FFS claims data, weighted for the most recent year Patients can opt in
Eligible Specialties	<ul style="list-style-type: none"> ■ PCPs (first step), any physician, or NP/PA/CNS based on who provided the plurality of allowed charges for primary care services (based on HCPCS codes) 	<ul style="list-style-type: none"> ■ PCPs plus nephrology, oncology, rheumatology, endocrinology, pulmonology, neurology, and cardiology (for patients with allowable E & M charges of <10 percent)
Expected Start Date	Potential start dates (minimum 3 year term): <ul style="list-style-type: none"> ■ April 1, 2012 (3 years and 9 months) ■ July 1, 2012 (3 years and 6 months) ■ January 1 of 2013 and later years 	Q4 of CY 2011 or Q1 2012

First Glance: Shared Savings Program vs. Pioneer ACO

	SSP Final ACO Regs	Pioneer ACO
Quality Measures	33 measures - Overlap with PQRS and other existing quality reporting measures	
Risk Adjustment	Adjusted by HCC scores (initial benchmark plus new individuals)	Adjusted by Age/Sex on matched cohort
Length of Agreement	Three years or longer	Up to five years if ACO meets certain conditions first two years; otherwise terminated after three
IT Eligibility Requirements	<ul style="list-style-type: none"> Meaningful use compliance not a requirement of participation EHR measure included in quality data reporting (weighted) 	At least 50 percent of PCPs must meet requirements for meaningful use of EHR for receipt of payments through the Medicare and Medicaid EHR Incentive Programs.
Physician Exclusivity	Physicians with dependent beneficiary assignments must be exclusive.	Physicians with dependent beneficiary assignments must be exclusive.
Payment Arrangement	<ul style="list-style-type: none"> Shared savings, Years 1-3 One-sided option: Shared savings only Two-sided option: Shared savings and losses Share in first dollar savings/losses after minimums met FFS payment only 	<ul style="list-style-type: none"> Shared savings with two-sided risk in period 1-2, partial population-based payment in period 3 If minimum savings thresholds are achieved in Periods 1 and 2, transition from FFS to population-based payment in Period 3. Share in first dollar savings/losses after minimums met
Limits on Financial Risk	Exclude beneficiary expenditures above the 99 th percentile national per capita expenditures	

Key Changes to the Final Regulations

- **ACO Start Dates** - pushed back from January 2012 to April 2012 and July 2012
 - ▶ ACOs starting April 2012 will have 21 months in their first performance year
 - ▶ ACOs starting July 2012 will have 18 months in their first performance year
- **Physician Exclusivity**
 - ▶ ACO defined by TIN (tax identification number) not NPI, which means those individual physicians who do their own or have a different organization doing the billing can join multiple ACOs.
 - ▶ However, for all practical purposes, it is likely that physicians will migrate to one ACO for its IT, standard protocols, etc.
- **Eligible ACO Professionals**
 - ▶ PCPs (first step) and any physician (no restriction on specialty) or NP/PA/CNS who provided the plurality of allowed charges from primary care services

Key Changes to the Final Regulations

■ Patient Assignment

- ▶ Assigns patients based on historical claims. Participating ACOs will get a preliminary list of the beneficiaries to be covered by the ACO with quarterly data updates and reconciliation at year end
- ▶ Two step process: 1) PCPs who provided plurality of allowed charges for primary care services and then 2) Other physician or NP/PA/CNS

■ Operations

- ▶ Removed the meaningful use requirements.
- ▶ Allows traditional marketing guideline protocol. CMS will allow the “file and use” procedure
- ▶ Provides limited flexibility in an ACO’s governance structure. Maintains requirement for 75 percent of an ACO’s board consists of ACO participants, but appears to provide some flexibility for existing ACOs to meet these criteria

■ Data Sharing

- ▶ Monthly updates of data utilization
- ▶ Quarterly updates of ACO beneficiary membership

Key Changes to the Final Regulations

- **Incentives.** ACOs will be eligible to receive a shared savings payment if their actual spending is below the applicable benchmark:
 - ▶ **Allows all ACOs to share in first dollar savings**
 - ▶ **Eliminates down-side risk for track one (low-risk) ACOs**
 - ▶ **Removes indirect medical education (“IME”) and disproportionate share hospital (“DSH”) payments from spending estimates**
 - ▶ **Removes withhold of any portion of an ACO’s earned bonus**
 - ▶ **Does not increase sharing rates** Max of 50 percent for Model 1, 60 Percent for Model 2
 - ▶ **Does not decrease savings threshold** Smaller ACOs (fewer patients) have a higher likelihood of increased variation; are subject to higher savings thresholds – up to 3.9 percent
 - ▶ **Only adjusts downward for patient severity during the performance period** Risk-adjustment for new patients added to the ACO; only adjust existing population downward to reflect changes in risk scores and demographic characteristics (age, sex, Medicaid status, and Medicare entitlement status)
 - ▶ **Performance measurement will be phased-in** Year 1: pay-for-reporting (all 33 measures); Year 2, P4P on 25 of 33 measures; Year 3, P4P on 32 of 33 measures. Actually 23 scored measures (some are scored twice (EHR), others (diabetes, CAD) are a single “all/nothing” measure)

Changes that Affect Cash Flow

- No withhold!
- Three-month claims run-out (instead of 6)
- First \$\$ payment after meeting the minimum savings rate (“MSR”)
- Aligns with PQRS and EHR/e-prescribing incentives
- Advanced payment model option through CMMI



Proposed ACO Regulations: Financial Requirements

- ACOs are to establish a self-executing method for repaying losses to the Medicare program by indicating that:
 - ▶ Funds may be recouped from Medicare payments to the ACO's participants
 - ▶ Obtaining reinsurance
 - ▶ Placing funds in escrow
 - ▶ Obtaining surety bonds
 - ▶ Establishing a line of credit
 - ▶ Or establishing another repayment mechanism
- Must meet state regulatory requirements and interpretation by state insurance commissioners (although shared savings deemed not to involve insurance risk)



Beneficiary Assignment/Alignment: Prospective

- Preliminary Prospective: Population assigned quarterly with final reconciliation each performance year based on patients served by the ACO
 - ▶ Data sharing for all patients on the prospective list; beneficiaries given prior notification and can opt out
 - ▶ Notify beneficiaries at point of care that providers are ACO participants or alternatively can notify patients using a standard CMS notice
- Initially based on Medicare FFS Claims Data or FQHC/ RHC claims data or attestation for most recent twelve months
- Assignment is stepwise: assigned to primary care physicians first, then specialists or physician extenders if no PCP can be attributed
 - Exclude beneficiaries who:
 - ▶ Are in Medicare Advantage any time in the performance period
 - ▶ Moved to an area that is not adjacent to the ACO
 - ▶ Had more than 50 percent of primary care out of area

Pioneer ACO Payment Arrangement

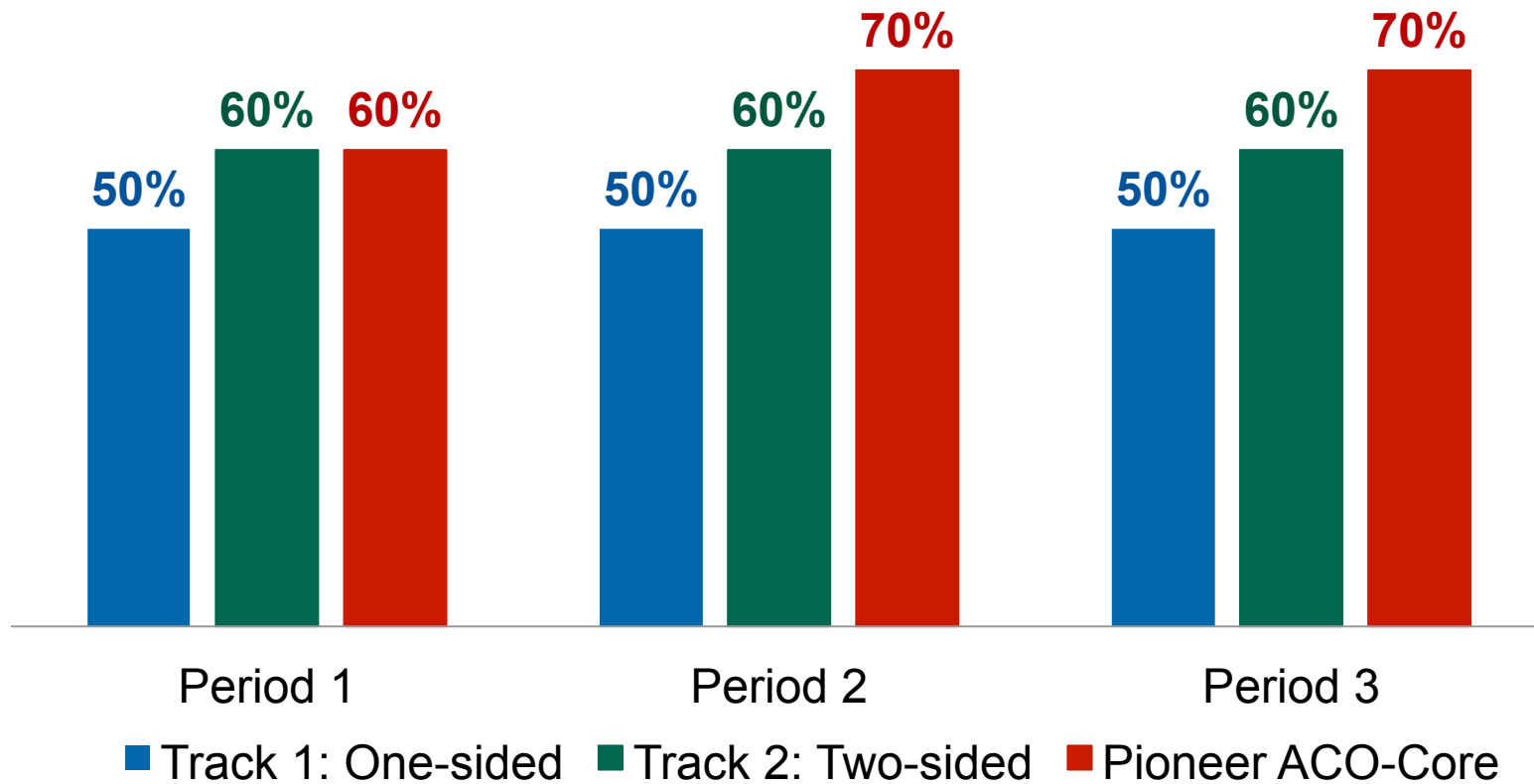
Performance Period	Shared Savings/Losses		
	Core	Option A	Option B
1	60% 10% Max	50% 5% Max	70% 15% Max
2	70% 15% Max	60% 10% Max	75% 15% Max
3* (4, 5)	Population-based 70% 15% Max	Same as Core	Population-based 75% 15% Max

* ACO must generate minimum savings over Period 1 and Period 2

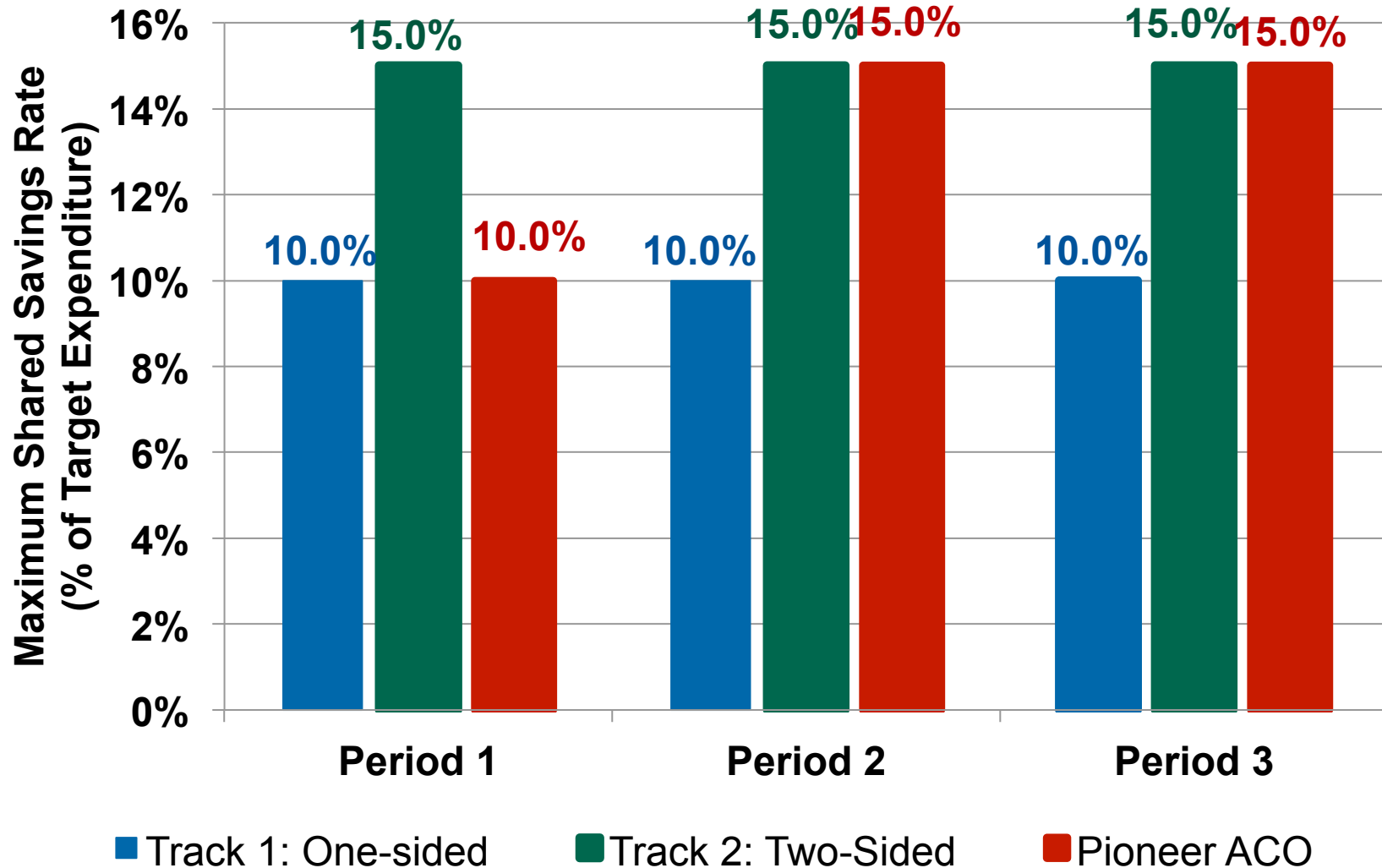
1% MSR; No Withhold

Shared Savings Percentages Comparison

Shared Savings Opportunity

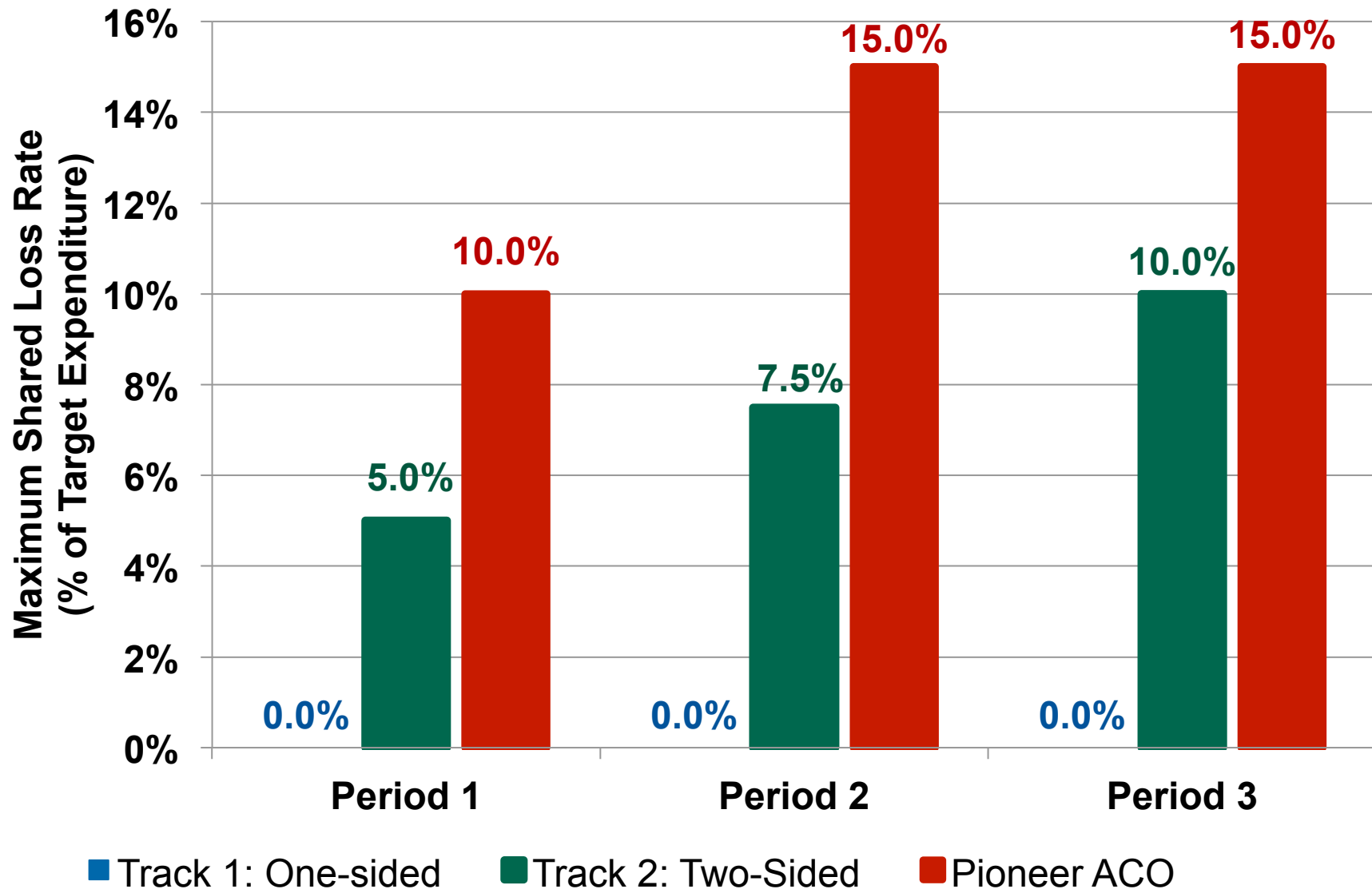


SSP vs. Pioneer ACO: Maximum Shared Savings Rates



Note: Amount of shared savings an ACO receives cannot exceed the maximum percentage of its benchmark. Period 1 performance is based off of 18 or 21 months (SSP), or 12 to 15 months (Pioneer ACO).

SSP vs. Pioneer ACO: Maximum Shared Loss Limits



Note: Amount of shared losses cannot exceed the maximum percentage of its benchmark.

SSP and Pioneer Core Maximum Savings (Year 1)

ACO Actual Expenditure Less than Target Expenditure - Shared Savings Generated (\$000s)

	Track 1: One-sided Model		Track 2: Two-sided Model		Pioneer ACO - Core	
	\$	% of Target Expenditure	\$	% of Target Expenditure	\$	% of Target Expenditure
Number of Medicare FFS Patients Assigned to ACO <i>Assumption: \$10,000 healthcare costs per patient</i>	15,000	NA	15,000	NA	15,000	NA
Target Expenditures for the ACO Population	\$150,000		\$150,000		\$150,000	
Target Expenditure, Year 1	\$150,000	100.0%	\$150,000	100.0%	\$150,000	100.0%
Actual Expenditure, Year 1	115,000	76.7%	115,000	76.7%	115,000	76.7%
Shared Savings	\$35,000	23.3%	\$35,000	23.3%	\$35,000	23.3%
Maximum Shared Savings (After Reach MSR)	\$35,000	23.3%	\$35,000	23.3%	\$35,000	23.3%
<i>Provider Share After Split with CMS</i>	50.0%		60.0%		60.0%	
ACO Shared Savings to ACO Year 1, Before Capital Expenditures, Start-up and Variable Costs	\$17,500	11.7%	\$21,000	14.0%	\$21,000	14.0%
<i>Maximum Sharing Test (% of Target benchmark)</i>	10.0%		15.0%		10.0%	
Maximum Shared Savings Cap	\$15,000	10.0%	\$22,500	15.0%	\$15,000	10.0%
ACO Shared Savings to ACO Year 1, Before Capital Expenditures, Start-up and Variable Costs	\$15,000	10.0%	\$21,000	14.0%	\$15,000	10.0%

Source: CMS ACO Final Regulations, October 27, 2011; The Camden Group

Note: Variable Cost includes care managers, hospitalists, quality tracking staff, and other costs associated with ACO

SSP and Pioneer Core Maximum Losses (Year 1)

ACO Actual Expenditure More than Target Expenditure - Shared Losses Generated (\$000s)

	Track 1: One-sided Model		Track 2: Two-sided Model		Pioneer ACO - Core	
	\$	% of Target Expenditure	\$	% of Target Expenditure	\$	% of Target Expenditure
Number of Medicare FFS Patients Assigned to ACO <i>Assumption: \$10,000 healthcare costs per patient</i>	15,000	NA	15,000	NA	15,000	NA
Target Expenditures for the ACO Population	\$150,000		\$150,000		\$150,000	
Target Expenditure, Year 1	\$150,000	100.0%	\$150,000	100.0%	\$150,000	100.0%
Actual Expenditure, Year 1	180,000	120.0%	180,000	120.0%	180,000	120.0%
Shared Losses	-\$30,000	-20.0%	-\$30,000	-20.0%	-\$30,000	-20.0%
Maximum Shared Losses	-\$30,000	-20.0%	-\$30,000	-20.0%	-\$30,000	-20.0%
<i>Provider Share After Split with CMS</i>	50.0%		60.0%		60.0%	
ACO Shared Losses to ACO Year 1, Before Capital Expenditures, Start-up and Variable Costs	-\$15,000	-10.0%	-\$18,000	-12.0%	-\$18,000	-12.0%
<i>Maximum Loss Cap Test (% of Target benchmark)</i>	0.0%		5.0%		10.0%	
Maximum Shared Losses Opportunity Cap	\$0	0.0%	-\$7,500	-5.0%	-\$15,000	-10.0%
ACO Shared Losses to ACO Year 1, Before Capital Expenditures, Start-up and Variable Costs	\$0	0.0%	-\$7,500	-5.0%	-\$15,000	-10.0%

Source: CMS ACO Final Regulations, October 27, 2011; The Camden Group

Note: Variable Cost includes care managers, hospitalists, quality tracking staff, and other costs associated with ACO

Shared Savings Payout Dependent on Quality Scores

$$\text{Points Earned}/66 \times \text{Shared Savings Earned} = \$ \text{Payout}$$

- Each measure has maximum of two points; some are “pass/fail”
- ACOs that fail to perform up to standard on measures may be put on “probation”

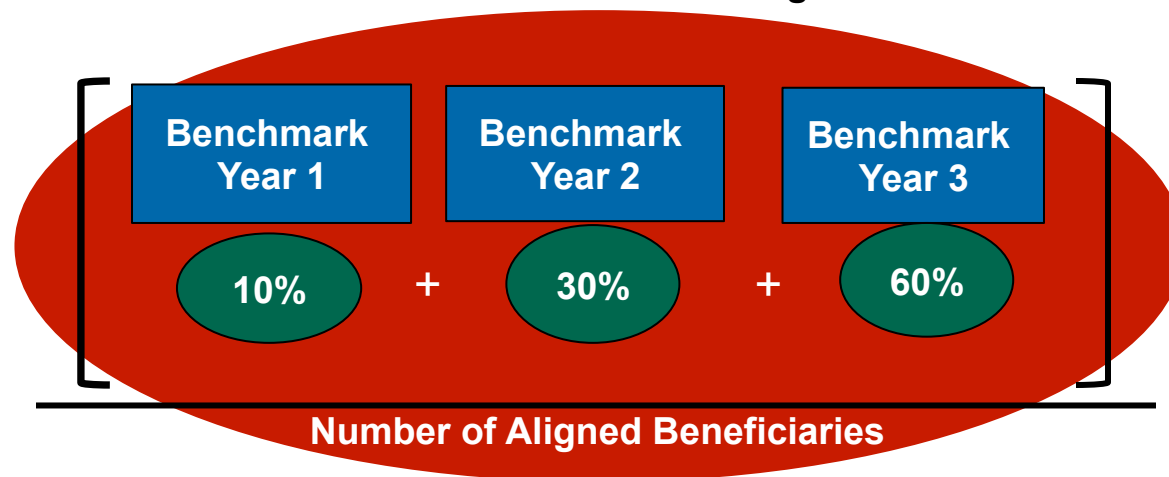
- Subject to MSR/MLR
- All ACOs share in first-dollar savings/losses if MSR achieved

- No withhold
- Increased savings/Decreased losses for higher quality performance
- If target benchmark is exceeded, subject to pay-back in Track 2 and Pioneer ACO

Target Expenditure Benchmark Determination

- Benchmark: Three-year, weighted average of aligned beneficiaries at the beginning of performance period one

Based on Medicare FFS Claims Data for Aligned Beneficiaries



- Calculated at the beginning of the first performance period, may be adjusted within the period for addition and removal of ACO participants or providers
- Compared to national “matched cohort” population
- Separate calculations for ESRD, disabled, aged/dual Medicare and Medicaid, and aged/non-dual eligible Medicare and Medicaid
- Risk adjusted using prospective HCC scores

Target Expenditure Benchmark Determination

Performance Period 1
Expenditure Benchmark

Plus Annual Update

Absolute dollar
equivalent of growth
rate in Medicare FFS
per-capita
expenditures for
matched cohort

+

Population specific
adjustments for:
ESRD, disabled, aged
dual and non-dual
eligible Medicare and
Medicaid beneficiaries

Sample Benchmark Calculation

Sample Benchmarking and Adjustment Calculation⁽³⁾

	Benchmark Years			Agreement Period		
	1	2	3	1	2	3
Per Capita Cost - Part A/B ⁽¹⁾	\$7,500	\$7,800	\$8,500			
Actual Risk Score	1.02	1.05	1.10	1.11	1.12	1.13
National Annual Growth Rate- Medicare			4%			
Re-stated for BY3						
Adjusted Per Capita Cost	\$8,112	\$8,112	\$8,500			
Adjusted Risk Index (BY/BY3)	1.08	1.05	1.00			
Adjusted Benchmark	\$8,748	\$8,498	\$8,500			
Weighting	10%	30%	60%			
Total Weighted Benchmark			\$8,524			
National Per Capita Increase (in \$s)				\$375	\$400	\$400
New Benchmark - Per Capita Cost ⁽²⁾				\$8,899	\$9,299	\$9,699

⁽¹⁾ Excludes IME and DSH hospital payments and claims > 99th national percentile costs

⁽²⁾ Assumes same population and no decrease in risk scores

⁽³⁾ Calculated separately for each beneficiary type: ESRD, Disabled, Aged/dual eligible, Aged/non-dual eligible

Group Only ACO

- Why should a medical group with a history of managing capitation form an ACO? They have the required:
 - ▶ ACO provider requirement
 - ▶ Information technology
 - EMR threshold of 50 percent
 - Ability to report on quality metrics
 - ▶ Care management capabilities
 - Evidence-based protocols
 - ▶ Organized delivery network
 - ▶ Payment systems
- They will also have the option of retaining all earned shared savings payments from CMS.

Infrastructure (Provided or Contracted ACO Operations)

- ✓ ■ Information Technology
 - ▶ EMR, CPOE, PACS
 - ▶ Data warehouse
 - ▶ Reporting
 - ▶ HIE
- ✓ ■ Care Management
 - ▶ Hospitalists and Intensivists
 - ▶ CMO
 - ▶ Disease management
 - ▶ Clinical protocols
 - ▶ Advanced analytics and modeling
 - ▶ Call center
 - ▶ Utilization management
 - ▶ Knowledge management
- ✓ ■ Health Network
 - ▶ Delivery network
- ✓ ■ Financial/Payment Systems

What's My Opportunity?

- Most of the cost savings opportunities are related to preventable inpatient admissions:

Category	Cost Reduction Opportunity
Initial Admissions	4 to 8 percent
Readmissions	2 to 5 percent
Inpatient Complications	1 to 2 percent
ER Visits	1 to 2 percent
Outpatient	2 to 3 percent

Source: 3 M Health Information Systems 2011

- There is a savings opportunity of approximately 10 to 20 percent.

How Much Will It Cost?

CAPG
Group Only ACO: Incremental Costs
Based on 15,000 Enrollees

	Medicare Member per FTE Ratio	Estimated Incremental FTEs	Cost per FTE	Total Incremental Cost
Incremental Staff				
Case Managers	3,000	5.0	\$85,000	\$425,000
Hospitalists, SNFists*	3,000	5.0	200,000	500,000
Quality, Attribution, Communication	10,000	2.0	75,000	150,000
Decision Support, Analysis	10,000	2.0	65,000	130,000
Medical Director	N/A	1.0	275,000	275,000
Project Manager	N/A	1.0	150,000	150,000
IT	N/A	2.0	85,000	170,000
HR and Other Overhead	per 15 FTEs	2.0	75,000	150,000
Total Incremental Staff		20.0		\$1,950,000
Other Costs				
Start Up Consulting, Legal				\$150,000
Recruiting and Training for Start Up staff		3 Months of Staffing Costs		487,500
On-going Space and Overhead Expense		per FTE	\$2,000	40,000
Additional Cap Ex		per FTE	2,000	40,000
* Assumes hospitalists will generate FFS revenue equal to half of their salary/benefit costs.				

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Shared Savings, Track 1

CAPG
Group Only ACO: Shared Savings, Track 1
Years 1 - 3

	Year 1	Year 2	Year 3
Enrollees	15,000	15,000	15,000
Per Capita Medicare Costs	\$8,899	\$9,299	\$9,699
ACO Savings (in 000's)			
ACO Medical Cost Benchmark	\$133,490	\$139,490	\$145,490
<i>Cost Savings as a %</i>	5.0%	5.5%	6.0%
Cost Savings	\$6,674	\$7,672	\$8,729
<i>Quality Score</i>	100.0%	80.0%	85.0%
Shared Savings Payment	\$6,674	\$6,138	\$7,420
Distribution of Payment (in 000's)			
To CMS (50%)	\$3,337	\$3,069	\$3,710
To Group (50%)	\$3,337	\$3,069	\$3,710
<i>As a percent of Benchmark</i>	2.5%	2.2%	2.6%
Maximum Shared Savings (10%)	\$13,349	\$13,949	\$14,549

First Dollar Savings if clear 2% hurdle

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Financial Performance, Track 1

Group Only ACO: Financial Performance, Track 1 (in 000's) Start Up - Year 3

	Start Up	Year 1	Year 2	Year 3	Final Payment
ACO Shared Savings	\$0	\$3,337	\$3,069	\$3,710	
Incremental Costs					
Staffing	488	2,009	2,069	2,131	
Other Expenses	153	41	42	42	
Depreciation	-	12	20	28	
Total	641	2,061	2,130	2,201	
ACO Operating Margin	(\$641)	\$1,276	\$938	\$1,509	
Cash Flow					
Add Depreciation	\$0	\$12	\$20	\$28	
Less Cap Ex	(40)	(40)	(40)	(40)	
Shared Savings Payment Lag	-	(3,337)	(3,069)	(3,710)	
CMS Payments	-	-	3,337	3,069	3,710
Total	(\$681)	(\$2,089)	\$1,187	\$856	\$3,710
Cumulative		(\$2,770)	(\$1,583)	(\$728)	\$2,982
ROI		32%			

No more
25%
withhold
– shared
savings
payment
delayed
one year

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Shared Savings, Track 2

CAPG
Group Only ACO: Shared Savings, Track 2
Years 1 - 3

	Year 1	Year 2	Year 3
Enrollees	15,000	15,000	15,000
Per Capita Medicare Costs	\$8,899	\$9,299	\$9,699
ACO Savings ^(in 000's)			
ACO Medical Cost Benchmark	\$133,490	\$139,490	\$145,490
<i>Cost Savings as a %</i>	5.0%	5.5%	6.0%
Cost Savings	\$6,674	\$7,672	\$8,729
<i>Quality Score</i>	100.0%	80.0%	85.0%
Shared Savings Payment	\$6,674	\$6,138	\$7,420
Distribution of Payment ^(in 000's)			
To CMS (40%)	\$2,670	\$2,455	\$2,968
To Group (60%)	\$4,005	\$3,683	\$4,452
<i>As a percent of Benchmark</i>	3.0%	2.6%	3.1%
Maximum Shared Savings (15%)	\$20,023	\$20,923	\$21,823

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Financial Performance, Track 2

CAPG
Group Only ACO: Financial Performance, Track 2 (in 000's)
Start Up to Year 3

	Start Up	Year 1	Year 2	Year 3	Final Payment
ACO Shared Savings	\$0	\$4,005	\$3,683	\$4,452	
Incremental Costs					
Staffing	488	2,009	2,069	2,131	
Other Expenses	153	41	42	42	
Depreciation	-	12	20	28	
Total	641	2,061	2,130	2,201	
ACO Operating Margin	(\$641)	\$1,943	\$1,552	\$2,251	
Cash Flow					
Add Depreciation	\$0	\$12	\$20	\$28	
Less Cap Ex	(40)	(40)	(40)	(40)	
Shared Savings Payment Lag	-	(4,005)	(3,683)	(4,452)	
CMS Payments		-	4,005	3,683	4,452
Total	(\$681)	(\$2,089)	\$1,854	\$1,469	\$4,452
Cumulative		(\$2,770)	(\$916)	\$553	\$5,005
ROI	52%				

No more
25%
withhold
– shared
savings
payment
delayed
one year

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Shared Savings, Pioneer Model

CAPG
Group Only ACO: Shared Savings, Pioneer Model - Core
Years 1 - 3

	Year 1	Year 2	Year 3
Enrollees	15,000	15,000	15,000
Per Capita Medicare Costs	\$8,899	\$9,299	\$9,699
ACO Savings (in 000's)			
ACO Medical Cost Benchmark	\$133,490	\$139,490	\$145,490
<i>Cost Savings as a %</i>	5.0%	5.5%	6.0%
Cost Savings	\$6,674	\$7,672	\$8,729
<i>Quality Score</i>	100.0%	80.0%	85.0%
Shared Savings Payment	\$6,674	\$6,138	\$7,420
Distribution of Payment (in 000's)			
To CMS (30-40%)	\$2,670	\$1,841	\$2,226
To Group (60-70%)	\$4,005	\$4,296	\$5,194
<i>As a percent of Benchmark</i>	3.0%	3.1%	3.6%
Maximum Shared Savings (10%-15%)	\$13,349	\$20,923	\$21,823

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Financial Performance, Pioneer Model

CAPG
Group Only ACO: Financial Performance, Pioneer Model - Core (in 000's)
Start Up to Year 3

	Start Up	Year 1	Year 2	Year 3	Final Payment
ACO Shared Savings	\$0	\$4,005	\$4,296	\$5,194	
Incremental Costs					
Staffing	488	2,009	2,069	2,131	
Other Expenses	153	41	42	42	
Depreciation	-	12	20	28	
Total	641	2,061	2,130	2,201	
ACO Operating Margin	(\$641)	\$1,943	\$2,166	\$2,993	
Cash Flow					
Add Depreciation	\$0	\$12	\$20	\$28	
Less Cap Ex	(40)	(40)	(40)	(40)	
Total	(\$681)	\$1,915	\$2,146	\$2,981	
Cumulative		\$1,234	\$3,380	\$6,361	\$6,361
ROI	291%				

[https://sharepoint.thecamden.com/Clients/CAPG/ACO_Hospital_Model/\[Financial_Model_Group_Final.xlsx\]Summary](https://sharepoint.thecamden.com/Clients/CAPG/ACO_Hospital_Model/[Financial_Model_Group_Final.xlsx]Summary)

Contribution, SSP Track 1

CAPG
Group Only ACO: Annual Contribution (in 000's)
Track 1 (Average Years 1 and 2), Assuming 15,000 Enrollees

Higher maximum sharing rate of 10% means higher payout for successful ACOs

Cost Savings as a % of Benchmark	Quality Score					
	50.0%	60.0%	70.0%	80.0%	90.0%	100.0%
20.0%	\$4,729	\$6,094	\$7,458	\$8,823	\$10,188	\$11,553
18.0%	4,046	5,275	6,503	7,731	8,960	10,188
16.0%	3,364	4,456	5,548	6,640	7,731	8,823
14.0%	2,681	3,637	4,592	5,548	6,503	7,458
12.0%	1,999	2,818	3,637	4,456	5,275	6,094
10.0%	1,316	1,999	2,681	3,364	4,046	4,729
8.0%	634	1,180	1,726	2,272	2,818	3,364
6.0%	(48)	361	770	1,180	1,589	1,999
4.0%	(731)	(458)	(185)	88	361	634

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Contribution, SSP Track 2

CAPG
Group Only ACO: Annual Contribution (in 000's)
Track 2 (Average Years 1 and 2), Assuming 15,000 Enrollees

Higher maximum sharing rate of 15% means higher payout for successful ACOs

Cost Savings as a % of Benchmark	Quality Score					
	50.0%	60.0%	70.0%	80.0%	90.0%	100.0%
20.0%	\$6,094	\$7,731	\$9,369	\$11,007	\$12,645	\$14,283
18.0%	5,275	6,749	8,223	9,697	11,171	12,645
16.0%	4,456	5,766	7,076	8,387	9,697	11,007
14.0%	3,637	4,783	5,930	7,076	8,223	9,369
12.0%	2,818	3,801	4,783	5,766	6,749	7,731
10.0%	1,999	2,818	3,637	4,456	5,275	6,094
8.0%	1,180	1,835	2,490	3,145	3,801	4,456
6.0%	361	852	1,344	1,835	2,326	2,818
4.0%	(458)	(130)	197	525	852	1,180

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Contribution, Pioneer Model - Core

CAPG

Group Only ACO: Annual Contribution (in 000's)
 Pioneer Model Core (Average Years 1 and 2), Assuming 15,000 Enrollees

Margins Only Slightly Better than Track 2

Cost Savings as a % of Benchmark	Quality Score					
	50.0%	60.0%	70.0%	80.0%	90.0%	100.0%
20.0%	\$6,791	\$8,568	\$10,346	\$12,123	\$13,366	\$14,343
18.0%	5,902	7,502	9,102	10,701	12,301	13,366
16.0%	5,014	6,436	7,857	9,279	10,701	12,123
14.0%	4,125	5,369	6,613	7,857	9,102	10,346
12.0%	3,236	4,303	5,369	6,436	7,502	8,568
10.0%	2,348	3,236	4,125	5,014	5,902	6,791
8.0%	1,459	2,170	2,881	3,592	4,303	5,014
6.0%	570	1,103	1,637	2,170	2,703	3,236
4.0%	(318)	37	392	748	1,103	1,459

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Contribution, Pioneer Model – Option A

CAPG

Group Only ACO: Annual Contribution (in 000's)
 Pioneer Model Option A (Average Years 1 and 2), Assuming 15,000 Enrollees

Margins Worse
 Sharing Drops to
 50/60%

Cost Savings as a % of Benchmark	Quality Score					
	50.0%	60.0%	70.0%	80.0%	90.0%	100.0%
20.0%	\$5,426	\$6,263	\$7,100	\$7,937	\$8,216	\$8,216
18.0%	4,674	5,761	6,514	7,267	8,021	8,216
16.0%	3,922	5,125	5,928	6,598	7,267	7,937
14.0%	3,170	4,223	5,276	5,928	6,514	7,100
12.0%	2,417	3,320	4,223	5,125	5,761	6,263
10.0%	1,665	2,417	3,170	3,922	4,674	5,426
8.0%	913	1,515	2,116	2,718	3,320	3,922
6.0%	161	612	1,063	1,515	1,966	2,417
4.0%	(591)	(291)	10	311	612	913

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Contribution, Pioneer Model – Option B

CAPG

Group Only ACO: Annual Contribution (in 000's)
 Pioneer Model Option B (Average Years 1 and 2), Assuming 15,000 Enrollees

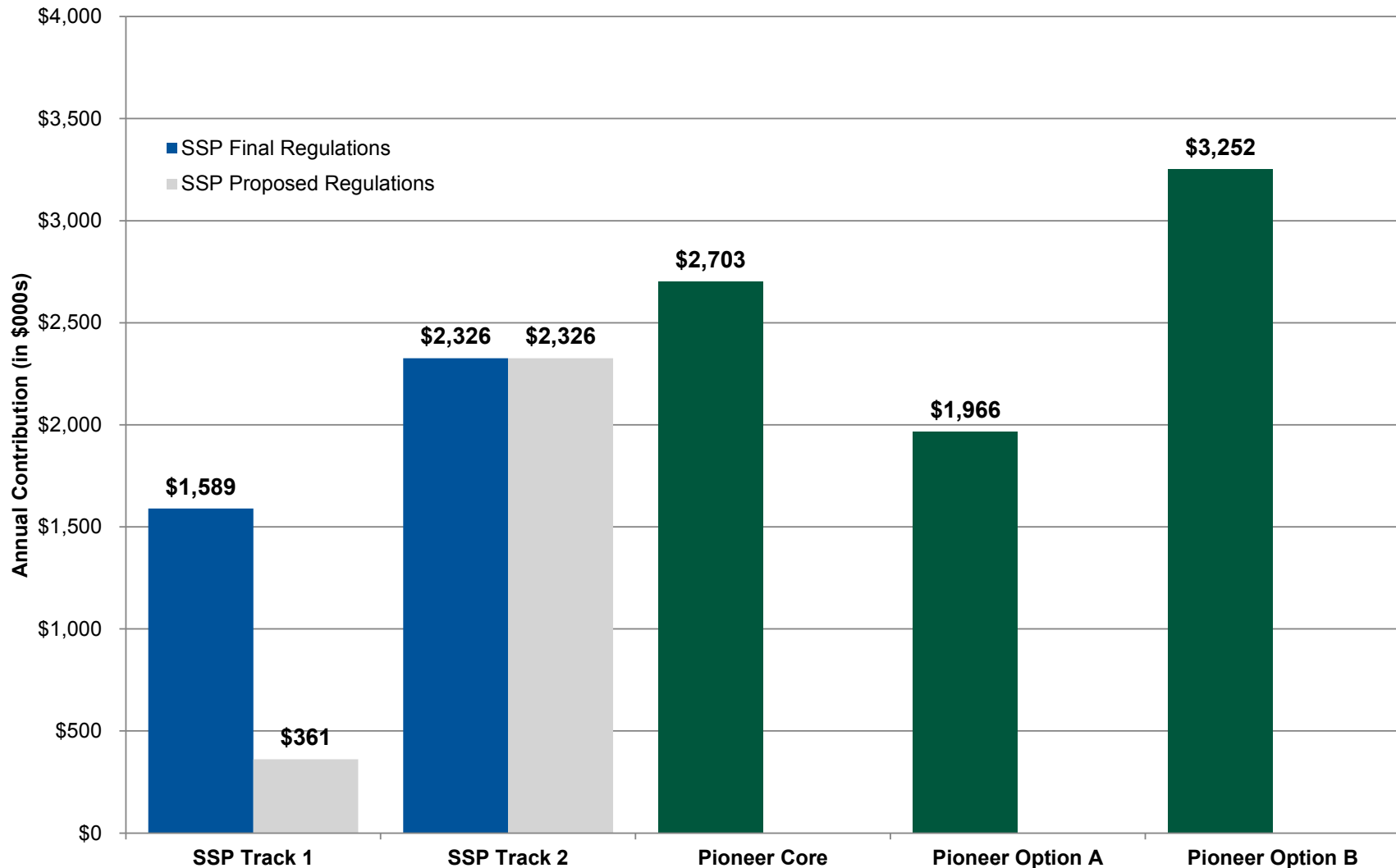
Possible margins
 Improve
 Sharing at 70/75%

Cost Savings as a % of Benchmark	Quality Score					
	50.0%	60.0%	70.0%	80.0%	90.0%	100.0%
20.0%	\$7,807	\$9,788	\$11,768	\$13,749	\$15,730	\$17,710
18.0%	6,817	8,599	10,382	12,164	13,947	15,730
16.0%	5,827	7,411	8,996	10,580	12,164	13,749
14.0%	4,836	6,223	7,609	8,996	10,382	11,768
12.0%	3,846	5,034	6,223	7,411	8,599	9,788
10.0%	2,856	3,846	4,836	5,827	6,817	7,807
8.0%	1,865	2,658	3,450	4,242	5,034	5,827
6.0%	875	1,469	2,063	2,658	3,252	3,846
4.0%	(115)	281	677	1,073	1,469	1,865

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Contribution from SSP and Pioneer ACO Tracks/Options

**Group Only ACO: Annual Contribution (Average Years 1 and 2)
Assuming 15,000 Enrollees
90% Quality Score and 6% Cost Savings**



Termination of ACO Agreements (SSP Versus Pioneer)

	SSP Final ACO Regs	Pioneer ACO
Volume	<ul style="list-style-type: none"> Beneficiaries fall below 5,000 for more than one period 	<ul style="list-style-type: none"> Beneficiaries fall below 15,000 for more than one period
Quality	<ul style="list-style-type: none"> Violates eligibility requirements for data infrastructure, process, and reporting for more than one performance period 	<ul style="list-style-type: none"> Does not meet quality performance thresholds in either of the first two performance periods
Payers	<ul style="list-style-type: none"> No requirement. 	<ul style="list-style-type: none"> Does not have outcomes-based contracts with commercial and state purchasers representing > 50 percent by end of period two
Anti-Trust	<ul style="list-style-type: none"> Fails to comply with anti-trust, anti-kickback, or civil monetary penalty laws 	<ul style="list-style-type: none"> Fails to comply with anti-trust, anti-kickback, or civil monetary penalty laws
Beneficiaries	<ul style="list-style-type: none"> Restricts access to care for beneficiaries 	<ul style="list-style-type: none"> Restricts access to care for beneficiaries

Note: For SSP, ACOs may be terminated for violating of any eligibility requirement for more than one performance period.

Advance Payment Initiative - CMMI

- Available to organizations participating as ACOs in the SSP to fund infrastructure, favoring ACOs with the least access to capital, serve rural populations, and serve a significant number of Medicaid beneficiaries
- CMMI committing \$170M:
 - ▶ \$100 (60 percent) to ACOs starting April 2012
 - ▶ \$70M (40 percent) to ACOs starting July 2012
 - ▶ Up to 50 ACOs
- Eligibility limited to:
 - ▶ ACOs with no inpatient facilities and less than \$50 million in total annual revenue
 - ▶ ACOs with critical access hospitals and/or Medicare low-volume rural hospitals and less than \$80 million in total annual revenue
- Applicants must:
 - ▶ Enter the SSP in April 2012 or July 2012
 - ▶ Apply to both SSP and Advance Payment ACO model programs

Advanced Payment Model - Payments

Advanced Payments

- Three types of payments:
 - ▶ \$250,000 at first month of MSSP
 - ▶ \$26 times the number of prospectively assigned beneficiaries (month 1 of MSSP)
 - ▶ \$8 per prospectively assigned beneficiaries per month

Payback

- Reconcile at time of settlement for first performance period (June 2014)
 - ▶ If ACO has not generated savings, CMS will recoup balance from shared savings in subsequent two years
 - ▶ CMS will pursue full repayment if ACO does not complete the full initial agreement period

Advanced Payment -- Sample

Advanced Payment Model - Sample Calculation

		Total Advanced Payment
Beneficiaries	15,000	
Start Date	Apr-12	
Number of Months	27	
Fixed Payment	\$250,000	\$250,000
Initial PMPM	\$36	540,000
Monthly PMPM	\$8	3,240,000
Total		\$4,030,000

Comparison of SSP Tracks and Pioneer ACO

	SSP Track 1	SSP Track 2	Pioneer ACO
Who Participates	<ul style="list-style-type: none"> ACO has little to no experience managing risk, managed care 	<ul style="list-style-type: none"> ACO has moderate experience managing risk and managed care 	<ul style="list-style-type: none"> ACO has experience successfully managing risk, reducing costs, and improving care
To-Dos	<ul style="list-style-type: none"> Use SSP Track 1 participation to introduce the concept of managed, accountable care Use up-side only financial model to align incentives throughout the system Consider Advanced Payment model if qualify 	<ul style="list-style-type: none"> Use SSP Track 2 participation to further develop discipline of linking utilization and costs Use up-side/down-side financial model to spur culture change and care transformation 	<ul style="list-style-type: none"> Continue to refine experience and success in patient engagement, care coordination along the care continuum (post-acute care included) Assure that decision support is adequately resourced to monitor performance and provide timely feedback

Final Thoughts – Financial Considerations

- Objective business and operational planning to determine resource and capabilities gaps to enable success
- Cash flow analysis to project various scenarios of success
 - ▶ Consider “downstream” effects of implementing ACO activities (e.g., reducing hospital length-of-stay and readmits AND ED visits)
 - ▶ Implications to individual physicians
- Determine capabilities to achieve quality reporting and outcome standards – saving costs is just part of the “triple aim”
- Assure that provider participation requirements and incentives will drive the behavior (and results) you need and want!