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Critical Issues in Performance Evaluation for Medicaid ACOs

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Discussion paper

- Medicaid ACO Demonstration Project in NJ
  - Technical assistance from Rutgers Center for State Health Policy (CSHP)

- Discussion paper

  Proposed Approach for Calculating Savings in the NJ Medicaid ACO Demonstration Project

- Comments to acocomments@ifh.rutgers.edu

Medicaid ACOs

- Major goals
  1. Reduce cost growth
  2. Improve healthcare quality/patient experiences
  3. Improve access to specific services

- How do we know goals are met?
  1. Rigorous academic evaluation
  2. Predetermined performance measures & rules

- Themes
  1. Don’t let the perfect be the enemy of the good
  2. Don’t let Theme #1 be the enemy of the good

     Tolerance for imperfection ≠ low standards

Key principles of ACO performance evaluation

1. Accuracy
2. Fairness
3. Simplicity
4. Transparency
5. Timely administration

- Technical decisions
- Analytic tradeoffs

Medicare Shared Savings Program (MSSP)

- Proposed rules ➔ public comment ➔ final rules

- Medicare ACO
  - Responsible for defined group of Medicare patients
  - Rewards for reducing Medicare spending (i.e., keep a share of savings generated)
  - Must meet quality standards

- Useful template for Medicaid ACOs
- Many details require modification

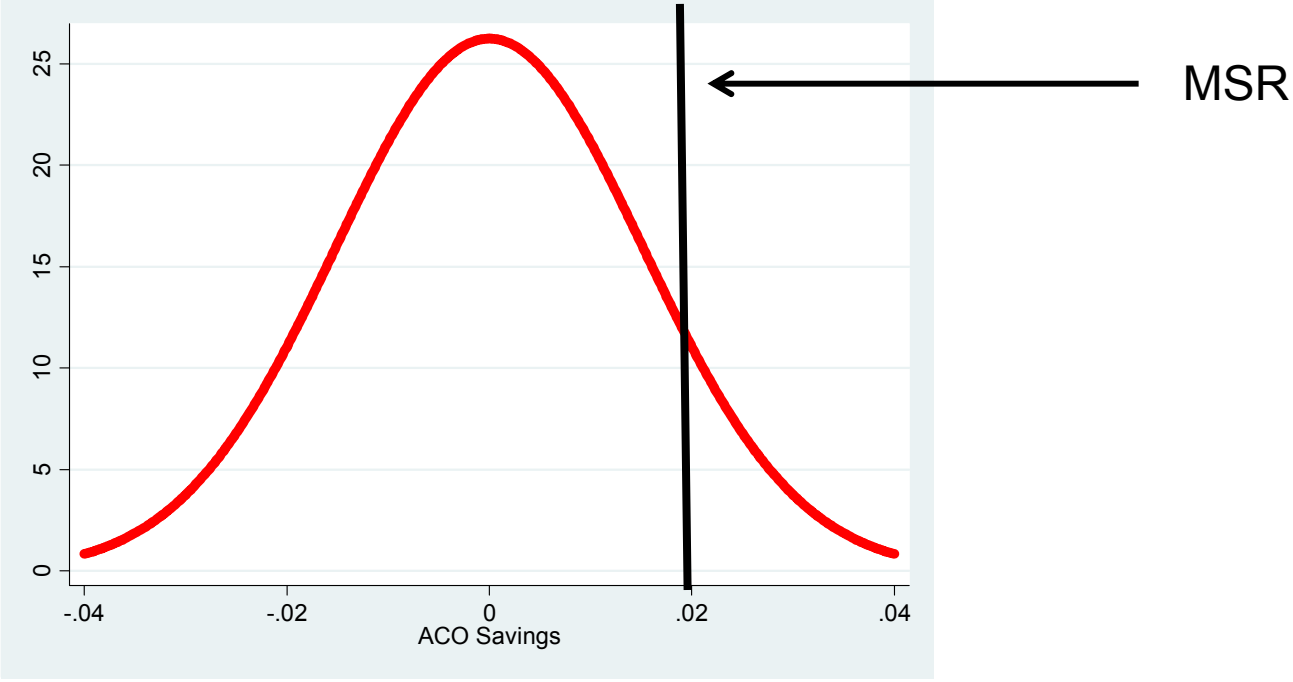
Measured savings in MSSP

- Per capita spending @ baseline for ACO patients
  - Weighted average of 3 most recent years
  - "Trended forward" for national rate medical inflation (Medicare FFS)
  - "Updated" by projected Medicare FFS spending growth nationally
- ACO savings rate (ASR)

  ASR = (Baseline - Performance year)/(Baseline)
- All spending $ risk adjusted using Hierarchical Condition Categories (Currently used in Medicare Advantage)
- Separate trending & updating by eligibility category
- Medicare ACOs must report & meet quality standards
  - 33 measures
  - If not, shared savings payments to ACO adjusted downward

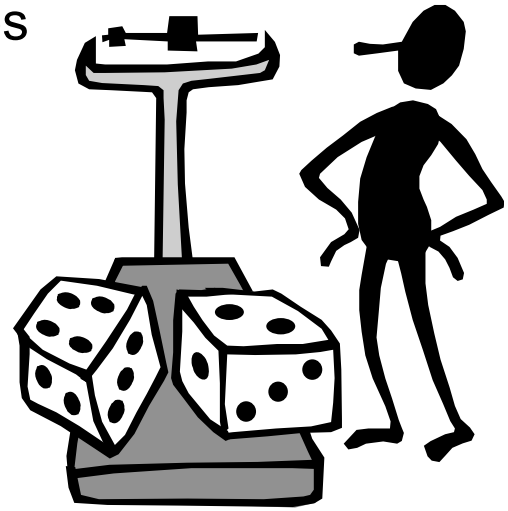
The problem of "normal variation"

- ACO spending could ↑ or ↓ due to random factors
  - MSSP protects Medicare from "false savings" (↓)
  - ACOs not protected from "false spending increases" (↑)
- Establish **minimum savings rate (MSR)** for savings to "count"



Risk bearing in the MSSP

- One-sided model
  - ACO keeps part of savings generated
  - ≤ 50% depending on quality & other standards
  - No risk of financial loss for spending increases



- Two-sided model
  - ACO keeps part of savings generated
  - ≤ 60% depending on quality & other standards
  - Penalties for spending increases: (100-savings%)
  - ACOs opting for one-sided model must switch to two-sided model after 1st contracting period (3 years)

Adapting the Medicare Approach for Medicaid ACOs

Technical issues for Medicaid ACO evaluation - 1

- Data requirements
  - Medicaid FFS claims (Similar to MSSP)

- Data from managed care organizations
  - MSSP excludes managed care
  - Won't work for Medicaid
  - Encounter data (capitation payments)

- Trending & updating ACO baseline spending
  - State-level Medicaid trends & projections (Similar to MSSP)
  - Potential eligibility strata: duals; aged, blind, disabled; etc.

Technical issues for Medicaid ACO evaluation - 2

- Risk adjustment
  - Chronic Illness & Disability Payment System (CDPS) common in Medicaid MCOs
  - Not applicable to all patients
  - Modified adjusters needed
- Expansion population in 2014
  - No baseline Medicaid history
  - Need to create one from existing data (current enrollees, hospital charity care, etc.)
- Enrollment churning
  - Calculations on monthly rather than annual basis

Policy/technical issues for Medicaid ACOs

- Risk bearing & MSR threshold
  - May discourage participation
  - "Overpayments" may be reinvested into care improvements
- Cost outliers
  - MSSP truncates @ 99th percentile
  - What about "super-users"?
- Interaction w/MCOs
  - Part of care management ==> shared savings
  - Free-rider problems ==> adjustment of plan rates
- Medicaid-specific quality measures
  - Different patients (pregnancy outcomes, behavioral health)
  - Quality improvement vs. quality maintenance
  - Link to distribution of shared savings (all/nothing vs. sliding scale)

QUESTIONS?

Questions later: ddelia@ifh.rutgers.edu