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MEDICARE FINANCIAL INCENTIVES ENCOURAGE PROVIDERS TO TAKE ON GREATER FINANCIAL RISK

While clinicians have been hesitant to assume risk, bonus payments would result in 9 out of 10 ACOs and their participants achieving a net positive financial impact

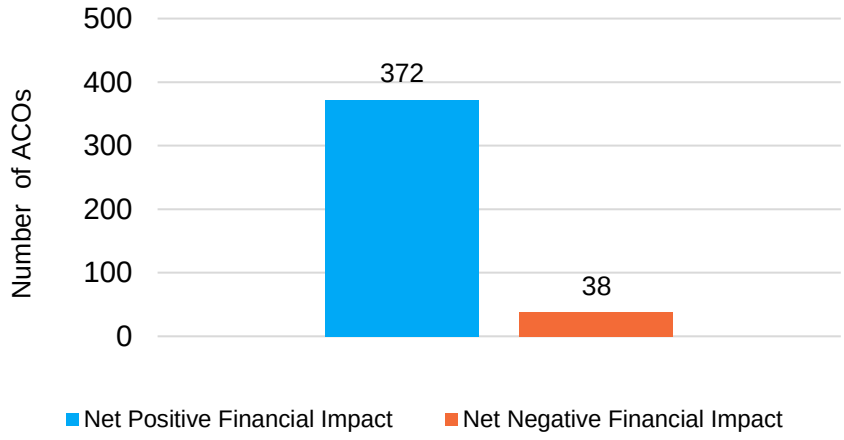
Updated research from Avalere finds that Medicare accountable care organizations (ACOs) and their physician participants would benefit from assuming greater financial risk given the new Medicare payment system. Specifically, these providers would have earned additional net payments of $966 million in 2016 if they had qualified for the 5% bonus payment now available to clinicians participating in advanced alternative payment models (AAPMs) under the Quality Payment Program (QPP).

Through the QPP, Congress created incentives to encourage clinicians to transition to ACO models that incorporate downside risk. ACOs that assume downside risk qualifies them to earn a lump-sum bonus equal to 5% of their Medicare Part B expenditures. Beginning in 2018, ACOs may participate in the new MSSP Track 1+, a hybrid model that would qualify providers for the 5% bonus, while limiting downside risk.

“The Medicare bonus payment will enable more providers to gain financially when taking on downside risk,” said Josh Seidman, senior vice president at Avalere. “As they take on more risk, Medicare beneficiaries should see their providers doing more to keep their patients healthy.”

To understand the financial implications of the 5% incentive for providers, Avalere experts simulated how Track 1 (non-risk bearing) ACOs would have performed if they had assumed risk under Track 1+, making them eligible for the 5% payment. Based on 2016 performance data, Avalere’s analysis found that 91% (372) of ACOs would have financially benefited from bearing risk and receiving the incentive payment (see Figure 1). Under the simulation, if the 5% incentive was not available, only 5% (22) of ACOs would have achieved net positive earnings.

Figure 1. Simulated Impact of Shifting from MSSP Track 1 to Track 1+ (2016 Performance Year)



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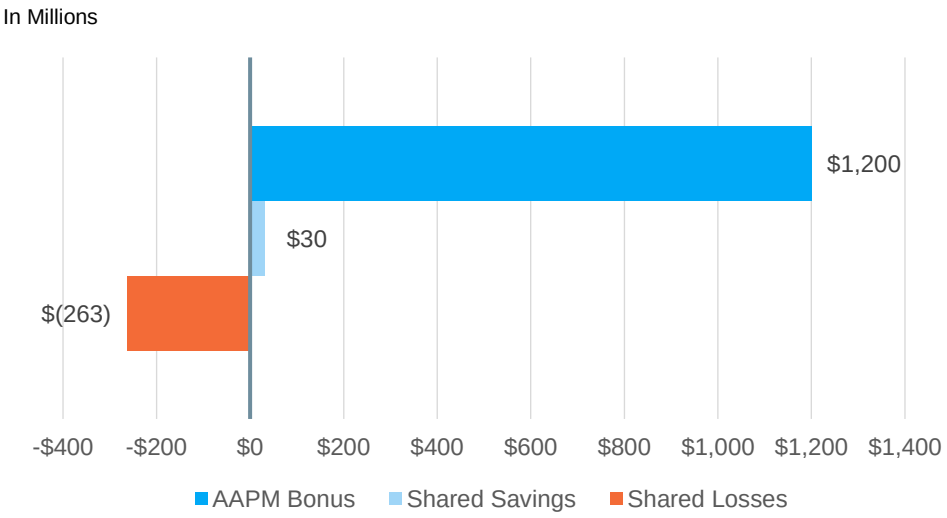
In total, the ACOs in the simulation would have seen an increase in aggregate net payments of $966 million. The 5% AAPM bonus would have accounted for an aggregate $1.2 billion incentive payment; $263 million in shared losses would have been incurred; and ACOs would receive an additional $30 million in shared savings payments (see Figure 2). Almost three-quarters of ACOs repaying shared losses to CMS would have offset their losses with the AAPM bonus payment.

Figure 2. Simulated Aggregate Savings and Losses for MSSP Track 1 ACOs Shifting to Track 1+ (2016 Performance Year)



"CMS is eager to encourage more ACOs to take on performance-based risk," said John Feore, director at Avalere. "With the incentive payments and increasing comfort with the Medicare Shared Savings Program, risk-based ACOs will continue to grow in the coming years."

Methodology

Analyzing ACO performance data under the MSSP in 2016, Avalere simulated how non-risk bearing (Track 1) ACOs would have performed if all of them had instead took on risk under the Track 1+ ACO model and were eligible for the QPP's AAPM bonus payment. Analysis includes 410 ACOs participating in the MSSP with performance data available in 2016 under Track 1 but did not include the 22 ACOs that were participating under Tracks 2 or 3.

Specifically, in shifting to Track 1+, all ACOs were assumed to have a minimum savings rate (MSR) and a minimum loss rate (MLR) of 2% and -2%, respectively. The total maximum sharing rate was set at 50% and was influenced by the ACO's quality score captured in the data set. Bonus payments under the QPP's AAPM track were determined by taking 5% of physician/supplier expenditures captured in the public use files (PUFs).

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