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MEDICARE ACCOUNTABLE CARE ORGANIZATIONS HAVE INCREASED FEDERAL SPENDING CONTRARY TO PROJECTIONS THAT THEY WOULD PRODUCE NET SAVINGS

Incentive payments in upside-only Medicare ACOs have increased federal costs, but data suggest that ACO experience and adoption of two-sided risk could constrain future Medicare costs

New analysis from Avalere finds that the Medicare Shared Savings Program (MSSP) has performed considerably below the financial estimates from the Congressional Budget Office (CBO) made in 2010 when the MSSP was enacted as part of the Affordable Care Act. This has raised questions about the long-term financial success of Medicare's largest alternative payment model (APM). The MSSP has grown from 27 ACO participants in 2012 to 561 in 2018. Most MSSP accountable care organizations (ACOs) continue to select the upside-only Track 1, which does not require participants to repay the Centers for Medicare & Medicaid Services (CMS) for spending above their target.

Avalere's research shows that the actual ACO net savings have fallen short of initial CBO projections by more than $2 billion (Figure 1). In 2010, the CBO projected that the MSSP would produce $1.7 billion in net savings to the federal government from 2013 to 2016. However, the MSSP increased federal spending by $384 million over that same period, a difference of more than $2 billion.

Figure 1: MSSP Performance Year Results vs CBO Projections (Millions), PY 2013 – PY 2019

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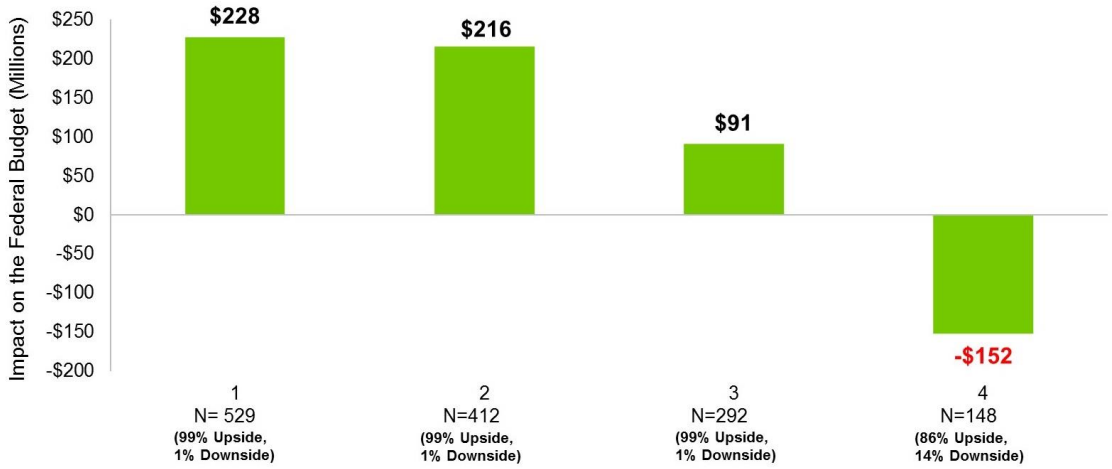
“The Medicare ACO program has not achieved the savings that CBO predicted because most ACOs have chosen the bonus-only model,” said Josh Seidman, senior vice president at Avalere.

While the MSSP overall was a net cost to CMS in 2016, there is evidence that individual ACO performance may improve as they gain years of experience with the program. Avalere found that MSSP ACOs in their fourth performance year produce net savings to the federal budget, totaling $152 million (Figure 2). These results suggest that CBO’s initial projections may not have taken into account the time it takes for ACOs to gain experience with the program and to start to produce consistent savings.

Figure 2: MSSP ACO Performance Results by ACO’s Year in Program, Net Savings to CMS (Millions), PY 2013 – PY 2016



Avalere’s analysis also shows that the downside-risk models in the MSSP (Tracks 2 and 3) have experienced more positive financial results overall, indicating the potential for greater savings to CMS over time as the number of downside-risk ACOs increase. The upside-only model (MSSP Track 1) increased federal spending by $444 million compared to the downside-risk ACOs (MSSP Tracks 2 and 3) that reduced federal spending by $60 million over 5 years.

“While data do suggest that more experienced ACOs and those accepting two-sided risk may help the program to turn the corner in the future, the long-term sustainability of savings in the MSSP is unclear. ACOs continue to be measured against their past performance, which makes it harder for successful ACOs to continue to achieve savings over time,” said John Feore, director at Avalere Health.

Lastly, Avalere's research finds that MSSP ACOs have produced $1.6 billion in program savings compared to benchmark projections over the life of the program, increasing the savings each year. Avalere experts note that despite the MSSP increasing federal spending, ACOs are still reducing spending compared to projected benchmarks.

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METHODOLOGY

Using the CMS Medicare ACO participation and performance data, Avalere estimated the aggregate net savings to CMS from the Medicare Shared Savings Program (MSSP). "Net savings to CMS" or "net savings to Medicare" refers to the aggregate impact of shared savings, performance bonuses, or penalties, combined with the program savings. This reflects the ultimate financial impact to the federal budget. Avalere then compared this financial impact to the CBO combined score of the Patient Protection and Affordable Care Act and Health Care and Education Reconciliation Act of 2010 (together, the "Affordable Care Act").

Specifically, Avalere used 2012-2016 MSSP ACO participation and performance data. To estimate the aggregate net savings to CMS for each ACO, Avalere subtracted the aggregate program savings from the aggregate participant earned savings. "Program savings" refers to the amount of Medicare spending below (or above) the target amount and "participant earned savings" refers to the amount of shared savings or reconciliation payments that were earned by such participants.

To estimate the net savings to CMS from upside-risk versus downside-risk ACOs, Avalere segmented the calculation into "upside" (i.e., MSSP Track 1), "downside" (i.e., MSSP Track 2, MSSP Track 3), and the combined total from performance years 2012-2016. Then, Avalere subtracted ACO program savings from ACO participant earned savings for each ACO in its respective risk category. The total net savings to CMS was estimated by combining both upside-risk and downside-risk ACOs.

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