



The Physicians Advocacy Institute's
Medicare Quality Payment Program (QPP)
Physician Education Initiative

Comparison of QPP Accountable Care
Organization (ACO) Alternative
Payment Models (APMs)



MEDICARE QPP PHYSICIAN EDUCATION INITIATIVE

Comparison of QPP Accountable Care Organization (ACO) Alternative Payment Models (APMs)

This resource provides a comparison of a subset of 2017 Quality Payment Program (QPP) Alternative Payment Model (APMs), focusing on Accountable Care Organization (ACO) APMs, including: Medicare Shared Savings Program (MSSP) Track 1, 1+, 2, 3 ACOs, and Next Generation ACOs. For a more comprehensive overview on Advanced APMs, please see the QPP Advanced APM Overview resource, as well as overview resources on the specific 2017 Advanced APMs, available on [PAI's website](#) under the Advanced APM Pathway page.¹

Overview of QPP ACO APMs

The Center for Medicare and Medicaid Services (CMS) established the Medicare Shared Savings Program (MSSP) under the authority of the Affordable Care Act (ACA). The purpose of MSSP is to “promote accountability for a patient population and coordinate items and services under [Medicare] parts A and B, and encourage investment in infrastructure and redesigned care processes for high quality and efficient service delivery.” In the process of achieving these goals, it is believed that ACOs will be able to improve outcomes, decrease costs, and produce savings for Medicare that can be shared with participating ACOs.

As of April 2017, the program has four different “tracks:” 1, 1+, 2, and 3. Participation in Track 1+ begins in 2018. The different tracks correspond to the potential level of risk and shared savings an ACO may receive. As this potential for sharing in savings due to increased efficiencies and improved outcomes increases (“shared savings”), the model requires that some ACOs also maintain a certain level of financial responsibility for when costs increase (“shared losses”) beyond a determined cost benchmark.²

¹ Other resources include individual overviews on the following Advanced APMs: MSSP Tracks 1-3; Comprehensive Primary Care Plus; Oncology Care Model; and the Next Generation ACO model.

² The concepts of risk and shared savings are explained in additional resources available on the PAI QPP website.

MSSP Tracks 1, 2, and 3 Overview

Purpose	ACO Participants	ACO Characteristics	Overview of Payments
<ul style="list-style-type: none"> • Allow doctors, hospitals, and other health care providers to better coordinate care for Medicare patients through Accountable Care Organizations (ACOs) • Goals: <ul style="list-style-type: none"> • Better care for patients • Better health for communities • Lower Medicare fee-for-service (FFS) costs through improvements for the health care system 	<ul style="list-style-type: none"> • ACO professionals (physicians, physician assistants, nurse practitioners, and clinical nurse specialists) in group practice arrangements • Networks of individual ACO professionals • Partnerships or joint ventures between ACO professionals and hospitals • Hospitals employing ACO Professionals • Certified Critical Access Hospitals (CAHs) • Federally qualified health centers (FQHCs) • Rural health clinics (RHCs) 	<ul style="list-style-type: none"> • Must serve at least 5,000 Medicare FFS beneficiaries • Participate in the program for at least 3 years • ACO must establish a governing body representing ACO participants and Medicare beneficiaries • ACO is responsible for routine self-assessment, monitoring, and reporting of the care it delivers • Track 1 <ul style="list-style-type: none"> • One-sided risk model • May receive “shared savings” but not liable for “shared losses” • Can be in Track 1 for up to 6 years • Tracks 2 and 3 <ul style="list-style-type: none"> • Two-sided risk model • May receive “shared savings” AND liable for “shared losses” 	<ul style="list-style-type: none"> • Providers continue to receive Medicare FFS payments for covered items and services • “Shared savings” • Meet or exceed a minimum savings rate (MSR) • Satisfy minimum quality performance standards • Maintain eligibility to participate in Shared Savings program • Up to 50% for Track 1, not to exceed 10% of ACO benchmark; 60% for Track 2, not to exceed 15% of ACO benchmark; 70% for Track 3, not to exceed 20% of ACO benchmark • Liable for “shared losses” (Tracks 2 and 3): <ul style="list-style-type: none"> • ACO meets or exceeds a minimum loss rate (MLR) it must repay a portion of the losses it generates • Capped at 5% for Track 2 Year 1, 7.5% for Track 2 Year 2, and 110% for Track 2 Year 3, and 15% for Track 3

MSSP Track 1+ Overview

Purpose	ACO Participants	ACO Characteristics	Overview of Payments
<ul style="list-style-type: none"> • Allow doctors, hospitals, and other health care providers to better coordinate care for Medicare patients through Accountable Care Organizations (ACOs) without ownership or operation by a health plan • Goals: <ul style="list-style-type: none"> • Better care for patients • Better health for communities • Lower Medicare FFS costs through improvements for the health care system 	<ul style="list-style-type: none"> • Same as Tracks 1, 2, 3 with the additional criteria that the ACO cannot be owned or operated by a health plan 	<ul style="list-style-type: none"> • Must serve at least 5,000 Medicare FFS beneficiaries <ul style="list-style-type: none"> • Prospective assignment for reports, quality reporting, and financial reconciliation • Existing Track 1 or renewing agreement if previous Track 1 or 1+ • No option to return to Track 1 for subsequent periods • ACO must establish a governing body representing ACO participants and Medicare beneficiaries • ACO is responsible for routine self-assessment, monitoring, and reporting of the care it delivers • Two-sided risk model <ul style="list-style-type: none"> • May receive “shared savings” AND liable for “shared losses” 	<ul style="list-style-type: none"> • Providers continue to receive Medicare FFS payments for covered items and services • “Shared savings” • Meet or exceed a minimum savings rate (MSR) <ul style="list-style-type: none"> • Satisfy minimum quality performance standards • Maintain eligibility to participate in Shared Savings program • Up to 50%, not to exceed 10% of ACO benchmark • Liable for “shared losses” <ul style="list-style-type: none"> • ACO meets or exceeds a minimum loss rate (MLR) it must repay a fixed 30% of the losses it generates regardless of quality performance • Revenue-based loss sharing limit: 8% of ACO participant FFS revenue in 2018; Benchmark-based loss sharing limit: 4% of ACO’s updated historical benchmark

The Next Generation Accountable Care Organization (Next Gen ACO) model builds off the Pioneer ACO model, and was announced by CMS in March of 2015. The Next Gen ACO model allows ACOs to assume higher levels of financial risk and reward than under MSSP Tracks 1, 1+, 2, and 3, and allows for first dollar shared savings as well as first dollar shared losses.

Next Gen ACO Overview

Purpose	Participants	Next Gen ACO Characteristics	Overview of Payments
<ul style="list-style-type: none"> • Model for experienced ACOs to allow them to assume higher levels of financial risk and reward than under MSSP • To determine whether stronger financial incentives for ACOs, coupled with better patient engagement and care management, can improve health outcomes and reduce Medicare FFS expenditures 	<ul style="list-style-type: none"> • Total of 45 Next Gen ACO Models in 2017 across the US • Same as Tracks 1, 2, & 3 • Preferred Providers (Not Next Gen Providers/Suppliers) • Providers/suppliers who may offer benefit enhancements to Next Gen Beneficiaries and participate in APMs; services furnished will count toward each beneficiary calculation in ACO score 	<ul style="list-style-type: none"> • Must serve at least 10,000 beneficiaries (7,500 if a RHC) • Prospective Benchmarks • Two Risk Arrangements: <ul style="list-style-type: none"> • Arrangement A – shared savings and losses of up to 80% • Arrangement B – shared savings and losses of up to 100% • First dollar shared savings for spending below the benchmark and accountable for first dollar shared losses for spending above the benchmark • Benefit Enhancement Tools <ul style="list-style-type: none"> • Greater access to post-discharge home visits and telehealth and SNF services • Opportunities for beneficiaries to receive rewards for receiving care from ACO and affiliated providers • Process that allows beneficiaries to confirm their care relationship with ACO providers • Greater collaboration between CMS and ACOs in relation to their care 	<ul style="list-style-type: none"> • Prospective Benchmarks • Four Payment Options: <ul style="list-style-type: none"> • Normal FFS • Normal FFS + per-beneficiary per-month (PBPM) recouped against shared savings or in addition to losses • Population-based payments, providers/suppliers have FFS claims reduced and ACO receives a monthly payment equal to the FFS reduction percentage • Capitation, ACO receive monthly PBPM capitation payments and is responsible for paying claims for ACO providers • First dollar savings and losses paid to ACO

Comparison of MSSP and Next Gen ACOs

	MSSP Track 1	MSSP Track 2	MSSP Track 3	MSSP Track 1+	Next Gen ACO
Overview	<p>The ACO consists of doctors, hospitals, and/or other health care providers who coordinate care for Medicare patients.</p> <p>The ACO is responsible for routine self-assessment, monitoring, and reporting of the care it delivers, and the participants share in savings and losses.</p>				<p>Next Gen ACO model participants will have the flexibility to choose their payment method for their shared savings/losses.</p> <p>This flexibility allows the Next Gen ACO to create “preferred provider” relationships with other providers/suppliers to incentivize greater alignment and care coordination across continuum.</p>
Payment Structure	<p>Continue to receive Medicare FFS payments for covered items and services</p> <p>Track 1 ACOs are one-sided risk models that may receive “shared savings” but not liable for “shared losses.”</p>	<p>Continue to receive Medicare FFS payments for covered items and services</p> <p>Tracks 1+, 2 and 3 ACOs are two-sided risk models that may receive “shared savings” and are responsible for “shared losses.”</p>			<p>Four Options:</p> <ul style="list-style-type: none"> • Normal FFS • Normal FFS + per-beneficiary per-month (PBPM) recouped against shared savings or in addition to losses • Population-based payment (PBP), providers/suppliers have FFS claims reduced and ACO receives a monthly payment equal to the FFS reduction percentage • All-inclusive population-based payment (AIPBP), which is a capitated payment by which the ACO receives a PBPM and is responsible for paying claims for ACO providers

	MSSP Track 1	MSSP Track 2	MSSP Track 3	MSSP Track 1+	Next Gen ACO
Beneficiary Attribution	<p>Preliminary prospective attribution with retrospective reconciliation</p> <p>Two-step attribution process for determination of plurality</p>		<p>Prospective attribution for the year</p> <p>Two-step attribution process for determination of plurality</p>		<p>Prospective attribution</p> <p>Two-step attribution process for determination of plurality</p>
Benchmark	<p>Established based on three years of historical ACO data, using risk-adjusted average per capita expenditures for Parts A and B Medicare FFS beneficiaries for these enrollment types: end-stage renal disease (ESRD), disabled, aged/dual eligible and aged/non-dual eligible</p> <p>CMS applies a national average growth rate, and beginning in 2017 a regionally adjusted growth rate, to trend forward benchmark years and account for underlying growth in medical costs. Benchmarks are also adjusted annually to reflect the risk scores of newly assigned beneficiaries (diagnosis-based risk scores for continuously assigned beneficiaries can only decrease year-to-year).</p> <p>Benchmarks may be adjusted during a performance period due to ACO participant TIN changes.</p>				<p>Established prior to each performance year and uses a hybrid approach to incorporate historical and regional costs</p> <p>Initially, the prospective benchmark is established through the following steps:</p> <ul style="list-style-type: none"> • Determine the ACO’s historic baseline expenditures; • Apply regional projected trend; • Risk adjust using the CMS Hierarchical Condition Category (HCC) model; • Apply the discount, which is derived from one quality adjustment and two efficiency adjustments

	MSSP Track 1	MSSP Track 2	MSSP Track 3	MSSP Track 1+	Next Gen ACO
Shared Savings	Shared savings once a minimum savings rate (MSR) is met or exceeded <ul style="list-style-type: none"> • Up to 50% for Track 1 and 1+, not to exceed 10% of ACO benchmark; • Up to 60% for Track 2, not to exceed 15% of ACO benchmark; • Up to 70% for Track 3, not to exceed 20% of ACO benchmark 				Shared savings are determined by comparing Total Medicare Parts A and B spending for beneficiaries compared to the benchmark Two Risk Arrangements: <ul style="list-style-type: none"> • Arrangement A – shared savings of up to 80% • Arrangement B – shared savings of up to 100% First dollar shared savings for spending below the benchmark. CMS caps aggregate savings up to 15% of the benchmark in both arrangements.
Shared Losses	N/A	Shared losses once minimum loss rate (MLR) is met or exceeded Capped at 5% for Track 2 Year 1 Capped at 7.5% for Track 2 Year 2, and Capped at 10% for Track 2 Year 3	Shared losses once MLR is met or exceed, capped at 15%	ACO must repay 30% of losses, regardless of quality performance, once MLR met or exceeded. <ul style="list-style-type: none"> • Revenue-based loss sharing limit: 8% of ACO participant FFS revenue in 2018. • Benchmark-based loss sharing limit: 4% of ACO's updated historical benchmark. 	Shared losses are determined by comparing Total Medicare Parts A and B spending for beneficiaries compared to the benchmark Two Risk Arrangements: <ul style="list-style-type: none"> • Arrangement A – shared losses of up to 80% • Arrangement B – shared losses of up to 100% First dollar shared losses for spending above the benchmark. CMS caps aggregate losses up to 15% of the benchmark in both arrangements.

MSSP Track 3 and Next Gen ACO Waivers

Waivers	Track 3	Next Gen
<u>SNF 3-day Rule Waiver</u> ³	<p>Beginning no earlier than 2017</p> <p>During initial application, may apply for a waiver of the SNF 3-Day Rule.</p> <p>Only for assigned beneficiaries that receive otherwise covered post-hospital extended care services furnished by an eligible SNF that has entered into a written agreement with the ACO for purposes of this waiver.</p> <p>SNF must have a quality rating of 3+ stars.</p>	<p>Allows beneficiaries to be admitted directly to a SNF from their home, a physician's office, an observation status of the ER, or when they have been in the hospital for fewer than three days.</p> <p>SNF must have a quality rating of 3+ stars.</p>
<u>Telehealth Waiver</u> ⁴	<p>No earlier than 2017, CMS may begin to phase-in a waiver of certain billing and payment requirements for telehealth services, but only after testing occurs by CMMI.</p>	<p>Waiver of the requirement that beneficiaries be located in a rural area and at a specified type of originating site when telehealth services provided by providers/suppliers or preferred providers to aligned beneficiaries in specific facilities or at their residence.</p>

³ <https://innovation.cms.gov/Files/x/pioneeraco-snfwaiver.pdf>

⁴ <https://innovation.cms.gov/Files/x/nextgenaco-telehealthwaiver.pdf>

Waivers	Track 3	Next Gen
<u>Post-Discharge Home Visit Waiver</u> ⁵	No	Waiver permits "incident to" claims for home visits to non-homebound aligned beneficiaries by licensed clinicians under the general supervision of providers/suppliers or preferred providers, following discharge from an inpatient facility. Benefit limited to one visit in the first 10 days following discharge and one additional visit in the subsequent 20 days.
Coordinated Care Reward	No	CMS will make a \$25 payment as a Coordinated Care Reward when a beneficiary receives an Annual Wellness Visit from their Next Gen ACO doctor.

Where can I go for more information?

For specific details on the MSSP Tracks 1-3 and Next Gen ACO models, please see the overview resources available on PIA's website under the Advanced APM Pathway page. Additional details are available on CMMI's website:

- [Medicare Shared Savings Program](#)⁶
- [Next Generation ACO Model](#)⁷
- [Medicare ACO Track 1+](#)⁸

⁵ <https://innovation.cms.gov/Files/x/nextgenaco-pdhomevisitwaiver.pdf>

⁶ <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/sharedsavingsprogram/index.html?redirect=/sharedsavingsprogram>

⁷ <https://innovation.cms.gov/initiatives/Next-Generation-ACO-Model/>

⁸ <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/sharedsavingsprogram/Downloads/New-Accountable-Care-Organization-Model-Opportunity-Fact-Sheet.pdf>