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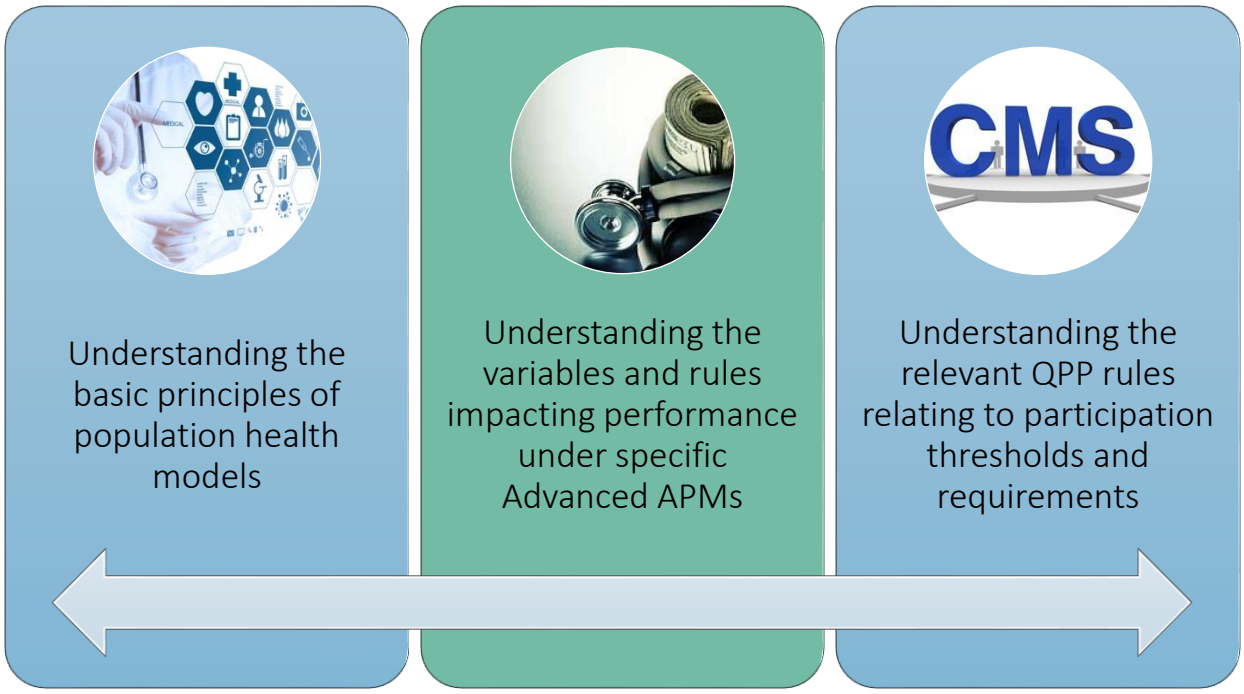
Medicare Quality Payment Program (QPP)
Physician Education Initiative

Next Generation Accountable Care Organization (ACO) Model Overview

MEDICARE QPP PHYSICIAN EDUCATION INITIATIVE

Next Generation Accountable Care Organization (ACO) Model Overview

An Advanced Alternative Payment Model (APM) is one of two pathways physicians can choose under the Quality Payment Program (QPP), which was established as part of the Medicare Access and CHIP Reauthorization Act (MACRA). Under the Advanced APM pathway, physicians may be exempt from participation in the Merit-based Incentive Payment System (MIPS) and be eligible to receive a 5% incentive payment. For successful participation in an Advanced APM, physicians need to consider three core building blocks:



This resource focuses on the second of these three building blocks: understanding the variables and rules impacting performance under specific Advanced APMs, specifically the Next Generation Accountable Care Organization (Next Gen ACO) model.

The Next Gen ACO model allows ACOs to assume higher levels of financial risk and reward than under the traditional Medicare Shared Savings Program (MSSP) Tracks 1, 1+, 2, and 3 ACOs, and allows for first dollar shared savings but also first dollar shared losses. The following is an overview that summarizes key features of the Next Gen ACO model and includes a description of the application process and current timeline, who can apply to be a Next Gen ACO, the types of risk arrangements allowed, the payment mechanisms participants can choose from, and other unique features of this model. Additional details and resources are available on the CMS Next Gen ACO website.[1]

Goal of the Next Gen ACO Model

The goal of ACOs, generally, is to help allow physicians, hospitals, and other health care providers better coordinate care for Medicare patients. The Next Gen ACO model is to determine whether stronger financial incentives for ACOs, coupled with better patient care management and engagement can improve health outcomes and decrease Medicare costs.

Establishing a New Next Gen ACO -- Application Process

The Round 3 application process for new Next Gen ACOs to begin January 1, 2018 has closed.

The application process included submitting a letter of intent (LOI). The Round 3 Request for Applications (RFA) with specific details on each part of the application process is here.[2]

There are currently 44 ACOs participating in the Next Gen ACO model for 2017.[3] Physicians could contact one of these existing ACOs and inquire about joining the ACO for the 2018 performance year.

Eligibility of Providers/Suppliers

Next Gen ACOs may be formed by "Next Generation Participants" that can be structured as:

- Physicians or other practitioners in group practice arrangements;
- Networks of individual practices of physicians or other practitioners;
- Hospitals employing physicians or other practitioners;
- Partnerships or joint venture arrangements between hospitals and physicians or other practitioners;
- Federally Qualified Health Centers (FQHCs);

[1] https://innovation.cms.gov/initiatives/Next-Generation-ACO-Model/
[2] https://innovation.cms.gov/Files/x/nextgenaco-rfa2018.pdf
[3] https://data.cms.gov/Special-Programs-Initiatives-Speed-Adoption-of-Bes/Next-Generation-ACO-Models/tn2j-iqcf

- Rural Health Clinics (RHCs); or
- Critical Access Hospitals (CAHs).

Other Medicare-enrolled providers or suppliers may also participate in an ACO formed by one or more of the above entities, provided they meet the other requirements defined for Next Generation Participants.[4]

Next Gen ACOs must serve a minimum of 10,000 Medicare beneficiaries or a minimum of 7,500 Medicare beneficiaries if the Next Gen ACO is deemed to be a Rural ACO.

Additionally, Medicare-enrolled providers and suppliers can act as "Preferred Providers" by entering into an agreement with the Next Gen ACO. Whereas Next Generation Participants are the core providers/suppliers in the Next Gen ACO, Preferred Providers contribute to the goals of the ACO by extending and facilitating care relationships beyond the Next Gen ACO.

Table 1: Types of Providers/Suppliers and Associated Functions[1]

Provider Type	Alignment	Quality Reporting Through ACO	Eligible for ACO Shared Savings	PBP	All-Inclusive PBP	Coordinated Care Reward	Telehealth	3-Day SNF Rule	Post-Discharge Home Visit
Next Generation Participant	X	X	X	X	X	X	X	X	X
Preferred Provider			X	X	X	X	X	X	X

[1] This table is a simplified depiction of key design elements with respect to Next Generation Participant and Preferred Provider roles. It does not necessarily imply that this list is exhaustive with regards to possible ACO relationships and activities.

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[4] In the 2018 Next Gen ACO RFA, a Next Generation Participant is defined as an individual or entity that: (1) is a Medicare-enrolled provider (as defined at 42 C.F.R. § 400.202) or supplier (as defined at 42 C.F.R. § 400.202); (2) is identified on the ACO's list of Next Generation Participants by name, National Provider Identifier (NPI), TIN, Legacy TIN (if applicable), and CMS Certification Number (CCN) (if applicable); (3) bills for items and services it furnishes to Medicare FFS beneficiaries under a Medicare billing number assigned to a TIN in accordance with applicable Medicare regulations; (4) is not a Preferred Provider; (5) is not a Prohibited Participant; and (6) pursuant to a written agreement with the ACO, has agreed to participate in the Model, to report quality data through the ACO, and to comply with care improvement objectives and Model quality performance standards.

[5] Source: 2018 Next Gen ACO RFA: https://innovation.cms.gov/Files/x/nextgenaco-rfa2018.pdf.

Beneficiary Attribution and Alignment

Under the Next Gen ACO model, beneficiaries are aligned prospectively, based on historical claims data. A voluntary alignment option is also available to beneficiaries, allowing them to elect that they be aligned with the Next Gen ACO for the subsequent performance year. Although beneficiaries are aligned prospectively, it is important to note that beneficiaries generally do not have a direct incentive to stick with the providers in the ACO and, even though they are "aligned" with the Next Gen ACO, they may elect to receive care from providers outside of the Next Gen ACO.

Prospective Attribution

- Assigns beneficiaries based on historical claims data
- Allows patient and physician notification
- Assumes that most patients will use the same physicians in the future as they have in the past
- Advantage: quality and cost reports available on a timely basis

Voluntary Beneficiary Alignment

- Beneficiaries are allowed to voluntarily align themselves with a Next Gen ACO for a subsequent performance year

Requirements for a beneficiary to be assignment-eligible

- Had at least one paid claim for a Qualified Evaluation and Management (QEM) service during the alignment period for the given base- or performance-year
- Is covered under Part A in January of the base- or performance-year and in every month of the base- or performance-year in which the beneficiary is alive
- Has no months of coverage under only Part A
- Has no months of coverage under only Part B
- Has no months of coverage under a Medicare Advantage or other Medicare managed care plans
- Has no months in which Medicare was the secondary payer
- Is a resident of the United States

Payment Mechanisms

ACOs participating in the Next Gen ACO model will have the flexibility to choose their payment method for their shared savings/losses. It is important to note that the underlying risk arrangement (discussed above) will remain the same, but the participating organizations can select one of the following four different payment mechanisms.

Normal FFS payments	**Normal FFS payment + per-beneficiary per-month (PBPM)** Infrastructure payment recouped against shared savings or in addition to losses
Population-based payments (PBP) which is a PBPM Providers/suppliers have FFS claims reduced and ACO receives a monthly payment equal to the FFS reduction percentage	**All-inclusive population-based payment (AIPBP)** A capitated payment by which the ACO receives a PBPM and is responsible for paying claims for ACO providers

For examples of how payments would be calculated under the different mechanisms, please refer to Appendix D here.[6]

Risk Arrangements

Participating ACOs will be able to choose from two forms of risk arrangements—Arrangements A or Arrangement B—to determine the level of potential savings or losses. However, CMS will cap individual beneficiary expenditures at the 99th percentile of expenditures and will cap aggregate savings or losses to up to 15% of the benchmark in both arrangements. This means that the Next Gen ACO can share savings up to the amount that is 15% of the benchmark, and is responsible for losses up to the amount that is 15% of the benchmark. Additionally, each Next Gen ACO must have an ACO funding approach that demonstrates a credible plan for ensuring repayment to Medicare of the ACO's share of losses relative to the benchmark.

[6] https://innovation.cms.gov/Files/x/nextgenaco-rfa2018.pdf

Table 2: Risk Arrangements in the Next Generation Model

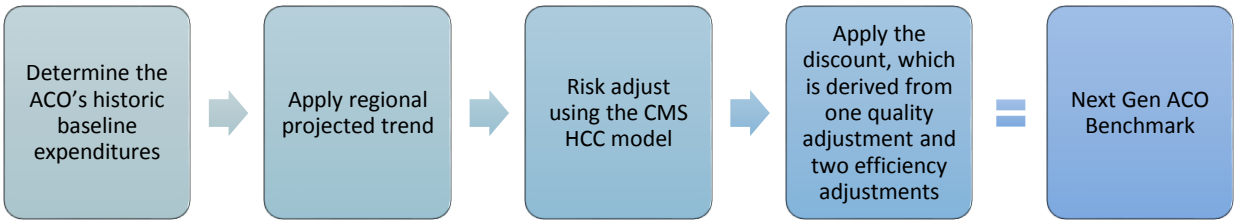
Arrangement A: Increased Shared Risk	Arrangement B: Full Performance Risk
Parts A and B Shared Risk • 80% sharing rate (PY1-3 of the Model) • 85% sharing rate (PY4-5 of the Model) • 5-15% savings/losses cap (elected annually by each ACO)	100% Risk for Part A and B • 5-15% savings/losses cap (elected annually by each ACO)

[7]

Note: in the Next Gen ACO model CMS makes a distinction between the risk arrangement and payment mechanism. The risk arrangement is used to determine shared savings/losses, but participants can select their payment method (discussed above).

Benchmark Calculation

Prior to the beginning of each performance year, CMS will develop a benchmark for each Next Gen ACO against which the ACO's performance is measured to assess whether the ACO generates savings or losses. The benchmark calculation for Next Gen ACOs is particularly unique in that it is calculated on a prospective basis. A Next Gen ACO's benchmark is calculated by using a one-year historic baseline trended forward by a projected regional trend. The benchmark calculation also includes a discount that incorporates quality and efficiency adjustments which reward both attainment and improvement.



Unlike MSSP Tracks 2 and 3 ACO models, the Next Gen ACO model does not utilize a minimum savings rate (MSR) or minimum loss rate (MLR). Instead, Next Gen ACOs can achieve first dollar savings if spending is below is the benchmark, and are accountable for first dollar losses if spending is above the benchmark. Their specific sharing rate and loss rate depends on the risk arrangement they select.

[7] Source: 2018 Next Gen ACO RFA: https://innovation.cms.gov/Files/x/nextgenaco-rfa2018.pdf.

Quality Measures

In terms of quality measures, the Next Gen ACO model follows the MSSP set of quality measures except for the electronic health record measure. Next Gen ACO physicians and other providers must report on a total of 33 quality measures, including the patient satisfaction measures through the Consumer Assessment of Healthcare Providers and Systems (CAHPS) Survey for ACOs. Under the Next Gen ACO model, the quality performance standard initially begins as pay-for-reporting during an ACO's first performance year, and then transitions to pay-for-performance for certain measures in subsequent performance years.

A list of the Next Gen ACO measures can be found in Appendix E of the Next Gen ACO RFA.[8]

It is important to note that the quality score is taken into account during the benchmark discount calculation, and a higher quality score would result in a smaller, more favorable discount of the benchmark, while a poorer quality score would result in a larger, less favorable discount of the benchmark.

Benefit Enhancements and Waivers

The model features three optional benefit enhancements.

Waivers	Next Gen
SNF 3-day Rule Waiver[9]	• 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. • SNF must have a quality rating of 3+ stars.
Telehealth Waiver[10]	• 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.

[8] https://innovation.cms.gov/Files/x/nextgenaco-rfa2018.pdf
[9] https://innovation.cms.gov/Files/x/pioneeraco-snfwaiver.pdf
[10] https://innovation.cms.gov/Files/x/nextgenaco-telehealthwaiver.pdf

Waivers	Next Gen
Post-Discharge Home Visit Waiver[11]	• 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	• 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

Next Gen ACOs and the Quality Payment Program

Under the QPP, physicians and other eligible clinicians who are in a Next Gen ACO are considered to be participating in an Advanced APM. Physicians and other eligible clinicians[12] on the Participant List for Next Gen ACOs can receive one of three Advanced APM determinations for their participation.

Qualifying Advanced APM Participant (QP)	Partially Qualifying Advanced APM Participant (PQ)	Neither a QP or PQ
•Eligible to receive a 5% incentive payment •Exempt from MIPS	•Not eligible to receive a 5% incentive payment •Exempt from MIPS (however, the APM Entity could elect to participate in MIPS using the MIPS APM scoring standard and be eligible to receive a positive payment adjustment)	•Subject to MIPS participation using the MIPS APM scoring standard

[11] https://innovation.cms.gov/Files/x/nextgenaco-pdhomevisitwaiver.pdf

[12] For 2017, eligible clinicians are defined as physicians, physician assistants, nurse practitioners, clinical nurse specialists, and certified nurse anesthetists.

Unlike QPs, PQs would not be eligible to receive a 5% incentive payment for their participation, but they would be exempt from MIPS participation. However, the Next Gen ACO may elect to participate in MIPS using the MIPS APM scoring method. Under the MIPS APM scoring method option, all physicians and other eligible clinicians in the Next Gen ACO would be evaluated as a group in three of the four MIPS categories: quality would be 50% of the MIPS score, advancing care information would be 30% of the MIPS score, and improvement activities would be 20% of the MIPS score. The cost category is reweighted to 0% because physicians are already subject to cost performance assessment under the Next Gen ACO model.

To learn more about the MIPS APM scoring methodology, please see PAI QPP tutorial #5 on MIPS APMs, available on PAI's website.

While the QP and PQ determinations apply at the individual level, they are determined at the APM Entity level. In this case the APM Entity is the Next Gen ACO, and all physicians and other eligible clinicians on the Next Gen ACO's Participant List must collectively meet the thresholds for becoming a QP or PQ.

Qualifying Advanced APM Participant (QP)	Partially Qualifying Advanced APM Participant (PQ)	Neither a QP or PQ
•Receive 25% of their Medicare Part B payments through the Advanced APM, OR •See 20% of their Medicare Part B patients through the Advanced APM	•Receive 20% of their Medicare Part B payments through the Advanced APM, OR •See 10% of their Medicare Part B patients through the Advanced APM	•Receive less than 20% of their Medicare Part B payments through the Advanced APM, AND •See less than 10% of their Medicare Part B patients through the Advanced APM

Where can I go for more information?

For additional information on the QPP requirements for Advanced APM participation please see the QPP Advanced APM Overview resource, available on PAI's website under the Advanced APM Pathway page, as well as PAI QPP Tutorial #4 on Advanced APMs available on the video library page.

Additional resources are available on CMMI's Next Gen ACO website: https://innovation.cms.gov/initiatives/Next-Generation-ACO-Model/.