Alternative Payment Arrangements for the Pioneer ACO Model

Background

The Pioneer ACO Model Request for Applications encouraged applicants to suggest alternative payment arrangements that would be more suitable to their ACOs than the Core Payment Arrangement specified in the RFA. CMS committed to synthesizing the most promising suggestions and offering alternative payment arrangements from which all Pioneer ACOs could choose. CMS explicitly sought alternative arrangements that were qualitatively different from the Core Arrangement, included escalating financial accountability throughout the Agreement period, and that would not diminish the expected savings of the Pioneer ACO Model under the Core Arrangement.

CMS identified the major themes in applicants' suggestions and offers two alternative payment arrangements to address those suggestions.

- Some applicants wanted to bear less financial risk in the first year, but sought to have risk accelerate in later years; and,
- Other applicants wanted to bear more risk and/or receive more population-based payment than in the Core Payment Arrangement

Alternative Payment Arrangements

Alternative #1: This alternative provides significantly less risk in the first performance year. A Pioneer ACO could earn 50% of first-dollar shared savings but no shared losses, if savings surpass a minimum savings rate (MSR) that varies between 2% and 2.7% based on the size of the Pioneer ACO's aligned beneficiary population. In the second performance year, the Pioneer ACO could earn 70% first-dollar shared savings or shared losses, if savings surpass a 1% MSR.

In Year 3, a Pioneer ACO would receive a population-based payment for up to the full amount of its expected revenues for part B services billed by the Pioneer ACO's Providers/Suppliers. At settlement, the Pioneer ACO would be held to a fixed benchmark (budget) for 100% of Part B services (regardless of whether the services were provided by ACO or non-ACO providers and suppliers), less a guaranteed discount for Medicare ranging from 3% to 6%. The guaranteed discount would vary based on the Pioneer ACO's quality score, as described in Table 1. A Pioneer ACO could additionally earn 70% shared savings or losses for Part A expenditures relative to a Part A-specific benchmark. Because of the wide variability in Part A expenditures from year to year, savings would have to exceed an MSR of 2% before a Pioneer ACO could earn first-dollar shared savings.

In order to qualify for population-based payments in Year 3, a Pioneer ACO would have to generate an annual savings rate (averaged over the first two performance years) of at least 2%. If a Pioneer ACO does not meet this requirement, the Year 3 financial arrangement will be the same as the Year 2 arrangement, and CMS may terminate the Pioneer ACO's Agreement after the third performance year. A Pioneer ACO that qualifies for population-based payments may extend its Agreement for an additional two performance years (for a total of five). A Pioneer ACO would be required to continue submitting encounter claims for all Part B services that its providers and suppliers deliver under this arrangement.

Alternative #2: In this alternative, the first two years are similar to the Core Payment Arrangement, but subsequent performance years involve payment and risk that closely resembles a full-risk capitation arrangement. Beginning in the third performance year, a Pioneer ACO would receive a population-based payment up to the full amount of its expected revenues for both Part A and Part B services billed by its Providers/Suppliers. At settlement, a Pioneer ACOs would be held to a fixed budget (benchmark) for 100% of Part A and Part B services combined, less a guaranteed discount for Medicare ranging from 3% to 6% (depending on the Pioneer ACO's quality score).

In order to qualify for population based payments in Year 3, a Pioneer ACO would have to generate an annual savings rate (averaged over the first two performance years) of at least 2%. If a Pioneer ACO does not meet this requirement, the Year 3 financial arrangement will be the same as the Year 2 arrangement, and CMS may terminate the Pioneer ACO's Agreement after the third performance year. A Pioneer ACO that qualifies for population based payments may extend its Agreement for an additional two performance years (for a total of five). A Pioneer ACO would be required to continue submitting encounter claims for all Part A and B services that its providers and suppliers deliver under this arrangement.

Table 1 summarizes parameters for all the payment arrangements offered in the Pioneer ACO Model.

Table 1. Comparison of payment arrangements in the Pioneer ACO Model

	Pioneer Core	Pioneer Option A	Pioneer Option B	Pioneer Alternative 1	Pioneer Alternative 2
Yr 1*	60% 2-sided, 10% sharing cap 10% loss cap 1% MSR	50% 2-sided 5% sharing cap 5% loss cap 1% MSR	70% 2-sided, 15% sharing cap 15% loss cap 1% MSR	50% 1-sided 5% sharing cap 2% to 2.7% MSR (depending on number of aligned beneficiaries)[1]	60% 2-sided, 10% sharing cap 10% loss cap 1% MSR
Yr 2	70% 2-sided 15% sharing cap 15% loss cap 1% MSR	60% 2-sided, 10% sharing cap 10% loss cap 1% MSR	75% 2-sided, 15% sharing cap 15% loss cap 1% MSR	70% 2-sided, 15% sharing cap 15% loss cap 1% MSR	70% 2-sided, 15% sharing cap 15% loss cap 1% MSR
Yr 3[2]	**Payment:** Population-based payment of up to50% of ACO's expected part A & B revenue **Risk:** 70% 2-sided, 15% sharing cap 15% loss cap 1% MSR	**Payment:** Population-based payment of up to 50% of ACO's expected part A & B revenue **Risk:** 70% 2-sided, 15% sharing cap 15% loss cap 1% MSR	**Payment:** Population-based payment of up to 50% of ACO's expected part A & B revenue **Risk:** 75% 2-sided, 15% sharing cap 15% loss cap 1% MSR	**Payment:** Population based payment of up to 100% of ACO's own expected part B revenue, less 3% discount. **Risk:** Full risk for all part B with a discount of 3% to 6% (depending on quality scores[3]) and shared risk for Part A (70% sharing rate, 15% sharing and loss cap).	**Payment:** Population based payment of up to 100% of ACO's own expected part A & B revenue, less 3% discount. **Risk:** Full risk for all part A & B revenue with a discount of 3% to 6% (depending on quality scores[4]).
Yr 4	Same as above. Rebase using 2011, 2012, 2013	Same as above. Rebase using 2011, 2012, 2013	Same as above. Rebase using 2011, 2012, 2013	Same as above. Rebase using 2011, 2012, 2013	Same as above. Rebase using 2011, 2012, 2013
Yr 5	Same as above.	Same as above.	Same as above.	Same as above.	Same as above.

*Note: for the Shared Savings Program in 2012, the first performance "year" will be either 18 or 21 months, depending on whether the ACO's start date is 4/1/2012 or 7/1/2012. After that, all performance years for all ACOs will be on a calendar year cycle for a total of 12 months.

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[1] For the first year in Alternative 1, we will apply the same MSR calculation as that used in the one-sided track in the Shared Savings Program.

[2] Note that for all payment options offering a population-based payment in year three (Pioneer Core, Pioneer Option A, Pioneer Option B, Pioneer Alternative 1, and Pioneer Alternative 2), the population-based payment is available only for those organizations that achieve a 2% average savings rate in years 1 and 2. Organizations failing to achieve this rate revert to the period 2 arrangement and the ACO's Agreement may conclude at the end of three years.

[3] The Part B discount will be adjusted to reflect quality performance. Taking the minimum 3% discount as a floor, CMS will calculate any additional discount as a percentage of the total "delta" of 3% (6% maximum – 3% minimum) That is, the discount for a given Pioneer ACO is equal to 3% floor + (1-quality score)*(3% delta). For example, a Pioneer ACO with a quality score of 100% will have a discount of 3% (equal to 3% floor + (1-1.0)*3% delta). A Pioneer ACO with a quality score of 50% will have a Part B discount of 3% floor + (1-0.5)*3% delta = 4.5% discount.

[4] The discount for full Part A and B expenditures will be adjusted to reflect quality performance. Taking the minimum 3% discount as a floor, CMS will calculate any additional discount as a percentage of the total "delta" of 3% (6% maximum – 3% minimum) That is, the discount for a given Pioneer ACO is equal to 3% floor + (1-quality score)*(3% delta). For example, a Pioneer ACO with a quality score of 100% will have a discount of 3% (equal to 3% floor + (1-1.0)*3% delta). A Pioneer ACO with a quality score of 50% will have a discount of 3% floor + (1-0.5)*3% delta = 4.5% discount.