Advance Payment Solicitation

Advance Payment Model

As a complement to CMS' Shared Savings Program, the Innovation Center is sponsoring the Advance Payment Model to test whether and how pre-paying a portion of future shared saving could increase participation in the Medicare Shared Savings Program. Increasing participation in the Shared Savings Program may also thereby increase the amount of and speed at which ACOs can improve care for beneficiaries and generate Medicare savings. Some providers have expressed a concern about their lack of ready access to the capital needed to invest in infrastructure and staff for care coordination. Through the Advance Payment Model, selected organizations will receive an advance on the shared savings they are expected to earn. Part of this advance will be distributed as a lump sum in the first month of their performance period, and the rest as monthly payments for each assigned Medicare beneficiary. This solicitation is not available to participants in the Pioneer ACO Model. ACOs will submit a spend plan for using these funds to build care coordination capabilities, and meet other organizational criteria. Advance payments will be recouped through the ACOs' earned shared savings in the Shared Savings Program.

The Innovation Center released a request for public comment on the concept of an Advance Payment Model earlier this year. Many public comments regarding advance payments were also received in response to the Notice of Proposed Rulemaking for the Shared Savings Program. All of those comments were considered in developing this model.

According to comments, many organizations seeking to participate in the Shared Savings Program will need to make new investments to rapidly improve care and generate Medicare savings. For example, ACOs may need to invest in data warehouses to generate patient registries. In addition, even ACOs with some experience in population-based care management may need to invest in new nurse care coordinators to expand care management services to additional Medicare beneficiaries. New ACOs need a sustainable business model as they transition to payment systems that reward outcomes rather than volume. Given the time lag between when ACOs will likely make these investments and when ACOs would receive shared savings payments, organizations with less access to capital may be less likely to participate in the Shared Savings Program.

The eligibility and selection criteria described later in this document are designed to target Advance Payments to those ACOs with the least access to capital, particularly ACOs that are physician-based (e.g., do not include inpatient facilities) and ACOs in which the only inpatient facilities are relatively small and located in rural areas.

The Innovation Center intends to partner with up to 50 ACOs in the Shared Savings Program to receive advance payments, although the exact number will depend on the availability of funding. ACOs will be able to apply for advance payments regardless of which track in Shared Savings Program they select and regardless of which 2012 start date they choose (April or July).

Available Funding

The Innovation Center is committing up to $170 million to the Advance Payment Model. Of that amount, 60 percent will be available for ACOs whose Shared Savings Program agreement period begins April 2012, and 40 percent will be available for ACOs whose agreement period begins in July 2012. If available funding for the first application deadline exceeds the number of eligible applicants, the remaining funding will be rolled over to the second application deadline.

Payments
Payments to selected ACOs will begin at the start of the first performance period and end at the settlement of shared savings scheduled to occur in June 2014.

Selected ACOs will receive three types of payments:

- *An upfront, fixed payment*: Each ACO will receive a $250,000 payment in the first month of the Shared Savings Program.
- *An upfront, variable payment*: Each ACO will receive a payment in the first month of the Shared Savings Program equivalent to the number of its preliminary, prospectively assigned beneficiaries times $36.
- *A monthly payment of varying amount depending on the size of the ACO*: Each ACO will receive a monthly payment equal to the number of its preliminary, prospectively assigned beneficiaries times $8.

Advance payments are structured in this manner to acknowledge that new ACOs will have both fixed and variable start-up costs. Using this methodology, an ACO that begins participation in April 2012 with 13,000 assigned beneficiaries would receive $718,000 in upfront payments and $2,808,000 in monthly payments for a total of $3,526,000 of advance payments over 27 months. An ACO with 5000 assigned beneficiaries that begins participation in July 2012 would receive an up-front payment of $430,000 and $960,000 in monthly payments for a total of $1,390,000 over 24 months.

Recoupment of Advance Payments
If the ACO does not generate sufficient savings at the time of the settlement in mid-2014 to fully repay advance payments, CMS will recoup the balance from earned shared savings in the subsequent two years, and in additional years if the ACO chooses to enter a second agreement period. Should an ACO not have earned sufficient shared savings in the first agreement period to fully repay advance payments, and should the ACO not enter a second agreement period, then CMS will not pursue full recoupment of remaining advance payments from that ACO. CMS will recoup all advance payments up to the total shared savings earned by the ACO, but will not pursue amounts in excess of the earned shared savings. ***CMS will pursue full recoupment of advance payments from any ACO that does not complete the full, initial agreement period of the Shared Savings Program***. ***CMS will terminate an Advance Payment agreement and recoup all advance payments from any ACOs that expends funds in a manner inconsistent with the approved spend plan.*** Advance Payment ACOs will be required to file periodic reports documenting their use of these funds to allow monitoring of this provision.

Eligibility and Selection
The Advance Payment Model will test whether pre-paying a portion of future shared savings will encourage participation in the Shared Savings Program by lowering the financial barrier of start-up costs and operating costs prior to the availability of shared savings thereby increasing the amount of and speed at which ACOs can improve care for beneficiaries and generate Medicare savings. The Innovation Center expects that these financial barriers will seem most prohibitive for prospective ACOs with limited access to capital. The eligibility and selection criteria below are designed to target Advance Payments to those ACOs with the least access to capital.

Eligibility
In order to be eligible for the Advance Payment Model an applicant must be accepted into the Shared Savings Program. CMS will conduct eligibility reviews of Shared Savings Program applicants and selection of Advance Payment applicants concurrently. Those applicants who are not eligible for Shared Savings Program or choose not to join the program will not be eligible for Advance Payment. Applications from existing Shared Savings Participants (who entered that program during a previous application period) will not be considered.

Further, only two types of ACOs participating in the Shared Savings Program will be eligible for Advance Payment:

1) ACOs that do not include any inpatient facilities AND have less than $50 million in total annual revenue.
2) ACOs in which the only inpatient facilities are critical access hospitals[1] or low-volume rural hospitals[2] AND have less than $80 million in total annual revenue.

[1] A critical access hospital as defined at 42 U.S.C. 1395.
[2] A low-volume rural hospital as defined at 42 U.S.C. 1395ww.

For the purposes of the Advance Payment Model, total annual revenue means the average total annual revenue of all ACO providers and suppliers, on average, over the most recent three-year period. These revenue levels were developed using national data on average number of beneficiaries per primary care provider, the average total revenue per primary care provider, and the distribution of revenue for critical access hospitals. ACOs that are co-owned with a health plan will be ineligible for advance payment, regardless of whether they also fall into one of the above categories.

Selection

ACOs that meet the eligibility criteria above will be scored according to the rubric below, and will also be evaluated on the basis of the quality of their spend plans outlining how the ACO intends to use advance payments (see "Spend Plan" below for how spend plans will be evaluated). The scoring criteria favor ACOs with the least access to capital, ACOs that serve rural populations, and ACOs that serve a significant number of Medicaid beneficiaries.

Physician-Only ACO		**ACO with CAHs or low-volume rural hospitals**	
Total Revenue	**Points**	**Total Revenue**	**Points**
$30M to $50M	4	$60M to $80M	4
$15M to $30M	6	$45M to $60M	6
< $15M	10	< $45M	10
Medicaid Reliance % of revenue derived from Medicaid	**Points**	**Medicaid Reliance** % of revenue derived from Medicaid	**Points**
< 5%	0	< 5%	0
6 to 10%	2	6 to 10%	2
> 10 %	4	> 10 %	4
Rural Location % of providers with practice locations in either: 1. nonmetropolitan counties, or 2. in areas with RUCA[3] codes 4-10 in metropolitan counties	**Points**	**Rural Location** % of providers with practice locations in either: 1. nonmetropolitan counties, or 2. in areas with RUCA codes 4-10 in metropolitan counties	**Points**
< 65%	0	< 65%	0
65-85%	2	65-85%	2
> 85%	4	> 85%	4
Spend Plan Quality	**Points**	**Spend Plan Quality**	**Points**
Acceptable	0	Acceptable	0
Good	4	Good	4
Exceptional	8	Exceptional	8

Definition of Selection Terms:

Total Revenue

Applicants will be asked to attest to the total gross revenue (averaged over the past 3 years) of the ACO's providers and suppliers. If an ACO, or any ACO participant, provider or supplier, is directly or indirectly owned by another organization, then the revenue of that organization should be included in the calculation of the total revenue of the ACO for purposes of determining eligibility for the Advance Payment Model. Ownership will be defined as 5% or more ownership interest. The Innovation Center will also be monitoring any changes in the organizational structure of ACOs at application and during the term of the Advance Payment agreement to determine compliance with this rule.

Medicaid Reliance

Applicant ACOs will be asked to attest to the percentage of total patient revenue that is derived from Medicaid, averaged over the past three years (FFS and managed care) for all of its providers and suppliers.

Rural Location

The rural location criterion asks applicants to evaluate the locations of where providers in their ACO deliver care. This criterion assesses whether locations where patients receive care (not necessarily the mailing address of a provider) are

[3] *A RUCA (Rural Urban Commuting Area) is a metric which measures population density, urbanization, and commuting patterns. For more information: http://www.ers.usda.gov/Data/RuralUrbanCommutingAreaCodes/

located in either nonmetropolitan counties or areas within a metropolitan counties that have a RUCA code of 4-10. Applicants can use this resource to determine whether their practice locations meet these criteria.

Spend Plan Evaluation:

All eligible applications will be reviewed for spend plan soundness by CMMI staff. Spend plans will be evaluated as "Unacceptable," "Acceptable," "Good" or "Exceptional" according to the following criteria:

Procurements/activities/hiring are described in detail, along with estimated costs (e.g., type and number of staff, expected salaries, etc.)
Feasible timeframe for procurement/activities/hiring within the first 18 months of the Agreement
Compelling rationales for how each procurement/activity/hiring will support population care management, financial management, or other essential ACO functions
Explanation of how investments will build upon existing infrastructure and experience in care coordination, information management, working with community partners, and other essential ACO functions
Documentation and level of ACO's own investments in infrastructure
Overall strength of plan and business case for investment

How to Apply

To apply for the Advance Payment Model, interested parties must apply for the Shared Savings Program first and then complete the Advance Payment Model application. Applicants for the Advance Payment Model that have not submitted an application for the Shared Savings Program will not be considered. For more information about how to apply for the Shared Savings Program please visit: www.cms.gov/sharedsavingsprogram.

The Innovation Center will accept applications to participate in the Advance Payment Model in late fall 2011. Information on how to apply, including an application template, will be made available shortly.

Due dates for the Shared Savings Program application also apply to the Advance Payment Model.

Questions about the Advance Payment application, or the Advance Payment Model generally, can be sent to advpayaco@cms.hhs.gov.