HEALTH CAPITAL Topics
Volume 14
Issue 11
November 2021
Jessica L. Bailey-Wheaton, Esq., Editor
Todd A. Zigrang MBA, MHA, CVA, ASA, FACHE, Publisher

Federal ACO Performance Results for 2020 Released

The 2020 performance year (PY) results for two of Medicare's accountable care organization (ACO) programs, the Medicare Shared Savings Program (MSSP) and the Next Generation ACO (NGACO) model, have been released. This Health Capital Topics article will examine the key highlights of the 2020 MSSP and NGACO model performance results.

The MSSP was established by the Centers for Medicare & Medicaid Services (CMS) to achieve savings in how providers delivered healthcare services while maintaining the quality of those services. Providers could share in those savings by participating in the MSSP through an ACO, i.e., a group of healthcare providers who come together to provide coordinated high-quality care to patients.[1] Established in 2012, the MSSP was fundamentally changed in 2018 based on the program's first six years of experience. Under this new "Pathways to Success" model, all ACOs (both new and current) had to choose between the new Basic Track and Enhanced Track.[2] Under the Basic Track, which is further divided into five levels – A, B, C, D, and E – an ACO is automatically advanced to the next track level at the start of each subsequent performance year.[3] While levels A and B are one-sided risk models, levels C, D, and E are two-sided risk models, which progressively increase in risk (as well as in potential shared savings) up to 50% of savings and 30% of losses.[4] The Enhanced Track is a two-sided model with much higher financial risk – up to 75% of shared savings or losses.[5] For each ACO, CMS sets annual financial targets (termed benchmarks) under which the ACO must fall in order to be eligible for shared savings. The MSSP is the largest alternative payment model offered by CMS, with 513 participating ACOs reaching approximately 10.6 million patients in 2020.[6]

The NGACO model was built upon CMS's experience from previous ACO initiatives such as the MSSP. Established in 2016, this model sought to set predictable financial targets, give providers more opportunities to coordinate care to beneficiaries, and ensure high quality care and examine whether the combination of financial incentives coupled with increased patient care interaction/management can lower expenditures for fee-for-service recipients.[7] Toward that end, the NGACO model allows physicians to take on higher financial risks than the MSSP. There were only 37 NGACOs in the program in 2020, serving 1.1 million patients.[8]

CMS's report on the MSSP's performance results for 2020 (the program's eighth performance year) found that participating ACOs generated savings of approximately $4.145 billion above their benchmarks, the highest amount of program savings to date.[9] This resulted in the participants receiving a total shared savings of $2.3 billion, and Medicare experiencing net savings of approximately $1.9 billion; this was Medicare's fourth consecutive year of net savings.[10] In fact, 83% of all MSSP ACOs reduced spending relative to their own benchmarks (a record high), and 67% reduced their spending sufficient to achieve shared savings.[11] Only six MSSP ACOs qualified for shared losses (which were waived in light of the COVID-19 public health emergency).[12] Notably, ACO benchmarks declined in 2020, requiring participants to spend less to potentially achieve savings, rendering these record-breaking figures all the more notable.[13]

CMS performance data showed that ACOs that take on financial risk are more likely to reduce costs and achieve savings. The grand majority (88%) of MSSP ACOs that operated under two-sided risk models (wherein they are on the hook for any losses) achieved shared savings, while just over half (55%) of one-sided risk models earned shared savings.[14] Further, two-sided risk models saved Medicare $211 per beneficiary, while one-sided risk models saved $152 per beneficiary (38% less).[15]

The data also indicated that more experienced ACOs are more likely to achieve savings. Approximately 80% of mature ACO participants (i.e., those who entered the program between 2012 and 2014) earned shared savings in 2020, compared to 59% of newer ACO participants (i.e., those who entered the program between 2018 and 2020).[16] This confirms that implementing the processes required to reduce costs and achieve shared savings is a years-long process.[17]

Further, the data showed that the type of provider leading the ACO may result in more savings. Physician-led ACOs saved Medicare $218 per beneficiary in 2020, compared to hospital-led ACOs, which saved $168 per beneficiary.[18] Interestingly, ACOs led by both physicians and hospitals saved even less – only $145 per beneficiary.[19] This dichotomy may indicate increased savings for Medicare going forward, as more and more ACOs are being led by physician groups.[20]

(Continued on next page)

It is important to note that, despite streamlining costs, MSSP ACOs maintained high quality care, receiving an average quality score of 97.8%, the best score to date.[21] The 2020 MSSP performance results indicate that ACOs continue to have an impact in improving healthcare quality while lowering costs.[22] The report findings also suggest that MSSP ACOs might be better positioned to deliver care than other providers during public health emergencies and advance valuable healthcare delivery trends such as telehealth.[23]

Approximately two months after CMS released the MSSP performance report, the agency released 2020 performance data related to the NGACO model's fourth performance year. Similar to the MSSP, NGACOs also saved CMS money in 2020, with 35 of the 37 NGACOs generating savings compared to their benchmark.[24] NGACOs generated $637 million in gross savings, but Medicare netted only $230 million after doling out shared savings payments; both of these amounts were higher than a year prior.[25] Even while reducing spending, NGACOs provided high quality care, receiving an average quality score of 96.5% (a slightly lower average score than the MSSP ACOs).[26]

Further, the nonpartisan and objective research organization (NORC) at the University of Chicago utilized the 2020 NGACO data in evaluating the overall performance of the NGACO model in its first four years.[27] Its recently-released report found that NGACOs reduced acute care hospital stays and spending, with acute care spending declining by 0.9%.[28] Importantly, NGACOs' total Medicare spending reductions were substantially larger for patients with eight or more chronic conditions (a reduction of approximately $755 per beneficiary) and for patients with prior hospitalizations (a reduction of approximately $410 per beneficiary), highlighting the success of the model's focus on care coordination.[29]

Despite this seemingly positive news (and the savings generated in 2020), the NGACO model has not been successful at reducing Medicare spending in aggregate. After accounting for the shared savings and coordinated care reward[30] payments of $909.6 million over the last four years, the NORC report found that the NGACO model actually *increased* net Medicare spending by 0.4% during the first four performance years.[31]

The results of the 2020 performance year for MSSP ACOs were overwhelmingly positive, despite having a difficult year in 2020 due to the COVID-19 pandemic. However, despite gross savings and a generally positive year, the short-lived NGACO model ultimately increased Medicare spending during its four-year program. This lack of aggregate savings is largely the reason for the model ending at the conclusion of 2021.[32] The model was originally set to end in 2020, but extended it for an additional year due to the pandemic, in order to give NGACO model participants sufficient time to transition to another two-sided risk payment model; in particular, CMS is encouraging NGACOs to transition to the Direct Contracting model.[33] The Direct Contracting Model is a voluntary, five-year Medicare ACO model that aims to reduce administrative burden though partially- and fully-capitated payments for Medicare Part A and B services.[34] Given the cancellation of the NGACO model, it is increasingly likely that CMS and its Center for Medicare and Medicaid Innovation (CMMI) could introduce a new advanced payment model for 2023, or at least significantly "tweak" the Medicare Direct Contracting model.[35]

---

1 "About the Program" Centers for Medicare & Medicaid Services, July 22, 2021, https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/sharedsavingsprogram/about (Accessed 11/8/21); "Accountable Care Organizations (ACOs)" Centers for Medicare & Medicaid Services, March 4, 2021, https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/ACO (Accessed 11/15/21).

2 "2019 MSSP Performance Results Shows Promise for Pathways to Success Model" Health Capital Topics, Vol. 13, No. 10 (October 2020), https://www.healthcapital.com/hcc/newsletter/10_20/HTML/MSSP/convert_2019-mssp-performance_second_10.23.20.php (Accessed 11/8/21).

3 "Medicare Program; Medicare Shared Savings Program; Accountable Care Organizations—Pathways to Success and Extreme and Uncontrollable Circumstances Policies for Performance Year 2017" Federal Register, Vol. 84, No. 249 (December 31, 2018), p. 67844.

4 Health Capital Topics, Vol. 13, No. 10 (October 2020).

5 "What is the Medicare Pathways to Success Program" Aledade, January 29, 2020, https://resources.aledade.com/blogs/what-is-the-medicare-pathways-to-success-program (Accessed 11/10/21).

6 "Highlights of the 2020 Medicare ACO Program Results" National Association of ACOs, https://www.naacos.com/highlights-of-the-2020-medicare-aco-program-results (Accessed 11/8/21).

7 "Next Generation ACO Model" Centers for Medicare & Medicaid Services, https://innovation.cms.gov/innovation-models/next-generation-aco-model (Accessed 11/8/21).

8 "Highlights of the 2020 Medicare ACO Program Results" National Association of ACOs, https://www.naacos.com/highlights-of-the-2020-medicare-aco-program-results (Accessed 11/8/21).

9 *Ibid*.

10 "Affordable Care Act's Shared Savings Program Continues to Improve Quality of Care While Saving Medicare Money During the COVID-19 Pandemic" Centers for Medicare & Medicaid Services, August 25, 2021, https://www.cms.gov/newsroom/press-releases/affordable-care-acts-shared-savings-program-continues-improve-quality-care-while-saving-medicare (Accessed 11/8/21); National Association of ACOs, https://www.naacos.com/highlights-of-the-2020-medicare-aco-program-results (Accessed 11/8/21).

11 "Centers for Medicare & Medicaid Services, August 25, 2021; "CMS Releases 2020 MSSP ACO Results, Marking Fourth Consecutive Year of Net Savings To Medicare," Accountable Care at Western Governors University, September 2021, https://www.accountablecarelc.org/sites/default/files/ACLC-IB-MSSP-2020-Results-0921.pdf (Accessed 11/8/21).

12 National Association of ACOs, https://www.naacos.com/highlights-of-the-2020-medicare-aco-program-results (Accessed 11/8/21).

13 *Ibid*.

14 Centers for Medicare & Medicaid Services, August 25, 2021.

15 "CMS Releases 2020 MSSP ACO Results, Marking Fourth Consecutive Year of Net Savings To Medicare" Accountable Care at Western Governors University, September 2021, https://www.accountablecarelc.org/sites/default/files/ACLC-IB-MSSP-2020-Results-0921.pdf (Accessed 11/8/21).

(Continued on next page)

16 National Association of ACOs, https://www.naacos.com/highlights-of-the-2020-medicare-aco-program-results (Accessed 11/8/21).
17 *Ibid*.
18 Accountable Care at Western Governors University, September 2021.
19 *Ibid*.
20 *Ibid*.
21 National Association of ACOs, https://www.naacos.com/highlights-of-the-2020-medicare-aco-program-results (Accessed 11/8/21).
22 Centers for Medicare & Medicaid Services, August 25, 2021.
23 "The Medicare Shared Savings Program In 2020: Positive Movement (And Uncertainty) During A Pandemic" Health Affairs, October 14, 2021, https://www.healthaffairs.org/do/10.1377/hblog20211008.785640/full/ (Accessed 11/8/21).
24 National Association of ACOs, https://www.naacos.com/highlights-of-the-2020-medicare-aco-program-results (Accessed 11/8/21).
25 National Association of ACOs, https://www.naacos.com/highlights-of-the-2020-medicare-aco-program-results (Accessed 11/8/21); "Doomed Next Gen ACO program saved Medicare $637M last year" By Robert King, Fierce Healthcare, October 22, 2021, https://www.fiercehealthcare.com/payer/doomed-next-gen-aco-program-saved-medicare-637m-last-year (Accessed 11/16/21).
26 National Association of ACOs, https://www.naacos.com/highlights-of-the-2020-medicare-aco-program-results (Accessed 11/8/21).
27 "Fourth Evaluation Report: Next Generation Accountable Care Organization (NGACO) Model Evaluation" By Kristina Lowell, NORC at the University of Chicago, Centers for Medicare & Medicaid Services, October 2021, https://innovation.cms.gov/data-and-reports/2021/nextgenaco-fourthevalrpt (Accessed 11/8/21).
28 *Ibid*.
29 *Ibid*.
30 A coordinated care reward is "a $25 payment sent directly from [CMS] to certain Medicare beneficiaries who received care from… [NGACOs] in 2017 and 2018." The payment was meant to incentivize beneficiaries to attend their annual wellness visit and "was only applicable for [annual wellness visits furnished in] 2017 and 2018." "Next Generation ACO Model Coordinated Care Reward for Annual Wellness Visits Frequently Asked Questions" Centers for Medicare & Medicaid Services, April 2019, https://innovation.cms.gov/files/x/nextgenaco-ccrfaq.pdf (Accessed 11/16/21).
31 Lowell, NORC at the University of Chicago, Centers for Medicare & Medicaid Services, October 2021.
32 "Biden admin to end Next Gen ACO model after this year" By Robert King, May 21, 2021, https://www.fiercehealthcare.com/hospitals/biden-admin-ends-next-gen-aco-model-after-year (Accessed 11/8/21).
33 *Ibid*.
34 "Direct Contracting Model: Professional and Global Options" American College of Physicians, January 2020, https://www.acponline.org/system/files/documents/practice-resources/business-resources/payment/medicare/macra/direct-contracting-model-fact-sheet.pdf (Accessed 11/8/21).
35 "3 Things to Know About the End of the Next Generation ACO Model" By Allen Miller, Cope Health Solutions, https://copehealthsolutions.com/cblog/3-things-to-know-about-the-end-of-the-next-generation-aco-model/ (Accessed 11/8/21).

(Continued on next page)

HCC
HEALTH CAPITAL CONSULTANTS

(800)FYI - VALU

Providing Solutions in the Era of Healthcare Reform

Founded in 1993, HCC is a nationally recognized healthcare economic financial consulting firm

- HCC Home
- Firm Profile
- HCC Services
- HCC Experts
- Clients & Projects
- HCC News
- Upcoming Events
- Contact Us
- Email Us

HCC Services

- Valuation Consulting
- Commercial Reasonableness Opinions
- Commercial Payor Reimbursement Benchmarking
- Litigation Support & Expert Witness
- Financial Feasibility Analysis & Modeling
- Intermediary Services
- Certificate of Need
- ACO Value Metrics & Capital Formation
- Strategic Consulting
- Industry Research Services

Todd A. Zigrang, MBA, MHA, CVA, ASA, FACHE, is the President of **HEALTH CAPITAL CONSULTANTS** (HCC), where he focuses on the areas of valuation and financial analysis for hospitals, physician practices, and other healthcare enterprises. Mr. Zigrang has over 25 years of experience providing valuation, financial, transaction and strategic advisory services nationwide in over 2,000 transactions and joint ventures. Mr. Zigrang is also considered an expert in the field of healthcare compensation for physicians, executives and other professionals.

Mr. Zigrang is the co-author of "*The Adviser's Guide to Healthcare – 2nd Edition*" [2015 – AICPA], numerous chapters in legal treatises and anthologies, and peer-reviewed and industry articles such as: *The Accountant's Business Manual* (AICPA); *Valuing Professional Practices and Licenses* (Aspen Publishers); *Valuation Strategies; Business Appraisal Practice*; and, *NACVA QuickRead*. In addition to his contributions as an author, Mr. Zigrang has served as faculty before professional and trade associations such as the American Society of Appraisers (ASA); American Health Lawyers Associate (AHLA); the American Bar Association (ABA); the National Association of Certified Valuators and Analysts (NACVA); Physician Hospitals of America (PHA); the Institute of Business Appraisers (IBA); the Healthcare Financial Management Association (HFMA); and, the CPA Leadership Institute.

Mr. Zigrang holds a Master of Science in Health Administration (MHA) and a Master of Business Administration (MBA) from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives (FACHE) and holds the Accredited Senior Appraiser (ASA) designation from the American Society of Appraisers, where he has served as President of the St. Louis Chapter, and is current Chair of the ASA Healthcare Special Interest Group (HSIG).

Jessica L. Bailey-Wheaton, Esq., is Senior Vice President and General Counsel of HCC. Her work focuses on the areas of Certificate of Need (CON) preparation and consulting, as well as project management and consulting services related to the impact of both federal and state regulations on healthcare transactions. In that role, Ms. Bailey-Wheaton provides research services necessary to support certified opinions of value related to the Fair Market Value and Commercial Reasonableness of transactions related to healthcare enterprises, assets, and services.

Additionally, Ms. Bailey-Wheaton heads HCC's CON and regulatory consulting service line. In this role, she prepares CON applications, including providing services such as: health planning; researching, developing, documenting, and reporting the market utilization demand and "need" for the proposed services in the subject market service area(s); researching and assisting legal counsel in meeting regulatory requirements relating to licensing and CON application development; and, providing any requested support services required in litigation challenging rules or decisions promulgated by a state agency. Ms. Bailey-Wheaton has also been engaged by both state government agencies and CON applicants to conduct an independent review of one or more CON applications and provide opinions on a variety of areas related to healthcare planning. She has been certified as an expert in healthcare planning in the State of Alabama.

Ms. Bailey-Wheaton is the co-author of numerous peer-reviewed and industry articles in publications such as: The Health Lawyer; Physician Leadership Journal; The Journal of Vascular Surgery; St. Louis Metropolitan Medicine; Chicago Medicine; The Value Examiner; and QuickRead. She has previously presented before the ABA, the NACVA, and the NSCHBC. She serves on the editorial boards of NACVA's QuickRead and AHLA's Journal of Health & Life Sciences Law.

Janvi R. Shah, MBA, MSF, serves as Senior Financial Analyst of HCC. Mrs. Shah holds a M.S. in Finance from Washington University Saint Louis. She develops fair market value and commercial reasonableness opinions related to healthcare enterprises, assets, and services. In addition she prepares, reviews and analyzes forecasted and pro forma financial statements to determine the most probable future net economic benefit related to healthcare enterprises, assets, and services and applies utilization demand and reimbursement trends to project professional medical revenue streams and ancillary services and technical component (ASTC) revenue streams.