

Medicare Shared Savings Program 2016 Track 3 financial results

First-year Track 3 ACOs eligible for an aggregated \$55 million of Earned Shared Savings

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Under the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA), healthcare providers that participate in a Medicare Shared Savings Program (MSSP) as Track 3 accountable care organizations (ACOs) may qualify for the advanced Alternative Payment Model (APM) 5% bonus.¹ This potential bonus has increased interest among some providers in participating in this program.

On October 27, 2017, the Centers for Medicare and Medicaid Services (CMS) released 2016 financial results for each of the MSSP ACOs.² Because 2016 was the first year Track 3 was offered, this is the first opportunity to evaluate their financial results. This paper discusses first year Track 3 performance and possible drivers of success.

Summary of MSSP Track 3 Financial Results

Each of the 16 MSSP Track 3 ACO's financial performance was measured by comparing their actual 2016 fee-for-service (FFS) payments for their assigned beneficiaries to their 2016 benchmarks. Each Track 3 ACO prospectively chooses a Minimum Savings/Loss Rate (MSR/MLR, as detailed in Appendices 1 and 2). In order to have "Generated Total Savings (or Losses)," the difference between the ACO's benchmark and its actual expenditures must be greater than the minimum shared savings/loss thresholds, calculated by multiplying the benchmark by the MSR and MLR.

- If a Track 3 ACO has a difference between the actual expenditure and benchmark that is between the minimum shared savings thresholds, it is not eligible for savings or at risk for losses. There are three ACOs in 2016 in this risk-free corridor.

¹ CMS. Alternative Payment Models in the Quality Payment Program. Retrieved December 19, 2017, from <https://www.cms.gov/Medicare/Quality-Payment-Program/Resource-Library/Comprehensive-List-of-APMs.pdf>.

² CMS. The 2016 Performance Year Shared Savings Program ACO PUF. Retrieved October 27, 2017, from https://www.cms.gov/Research-Statistics-Data-and-Systems/Downloadable-Public-Use-Files/SSPACO/Downloads/2016_SSP_ACO_PUF.zip.

- If a Track 3 ACO has Generated Total Savings/Losses, then its "Earned Shared Savings (or Losses)" are calculated based on the risk-sharing parameters detailed in Appendix 1. There are 13 such ACOs in 2016. Because all 2016 ACOs have high quality scores, they all have Earned Shared Savings that are close to the 75% maximum (or losses that are at the 40% minimum) after the quality adjustment.

FIGURE 1: 2016 TRACK 3 PERFORMANCE BY GENERATED TOTAL SAVINGS OR LOSSES

	ACOs With Generated Total Savings	ACOs in Risk- Free Corridor	ACOs With Generated Total Losses	Total ACOs
Number of ACOs	9	3	4	16
Aligned Beneficiaries	209,758	81,185	81,152	372,095
Aggregate Benchmarks	\$2,284M	\$797M	\$889M	\$3,971M
Aggregate Expenditures	\$2,195M	\$794M	\$913M	\$3,902M
Generated Total Savings (Losses)	\$89M	\$0	(\$23M)	\$66M
Earned Shared Savings (Losses)				
Total Dollars	\$64M	\$0	(\$9M)	\$55M
As a Percentage of Benchmarks - Average	2.8%	0.0%	-1.0%	1.4%
As a Percentage of Benchmarks - Range	0.3% to 8.6%	n/a	-0.8% to -1.3%	-1.3% to 8.6%

Possible drivers of Track 3 performance

Because there were only 16 Track 3 ACOs in 2016, it is premature to draw final conclusions from these financial results. However, in the first year Generated Total Savings (or Losses) appear to be correlated with several variables, including:

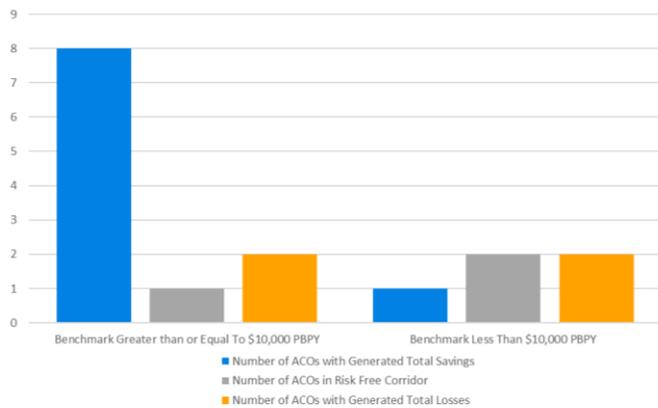
- Size of the 2016 benchmark
- Previous participation in MSSP program
- Geographic variation

We explore these ACO attributes further below.

SIZE OF THE 2016 BENCHMARK

ACOs with higher benchmark costs were much more likely than ACOs with lower benchmark costs to have Generated Total Savings. Only 20% the ACOs with benchmarks lower than \$10,000 per beneficiary per year (PBPY) have Generated Total Savings, while 70% of the ACOs with benchmarks higher than \$10,000 PBPY have Generated Total Savings. One possible reason is that the higher costs are indicative of lower management levels in the baseline.

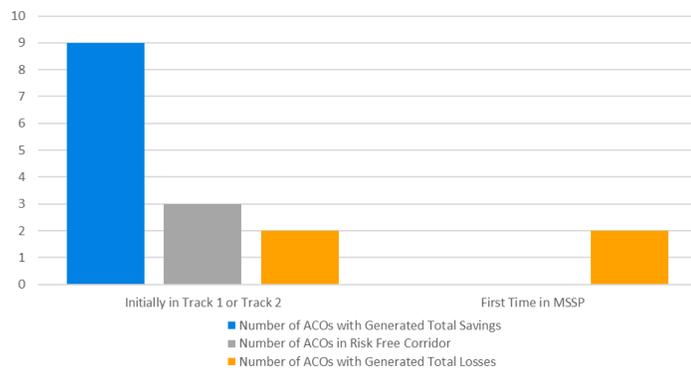
FIGURE 2: 2016 TRACK 3 PERFORMANCE BY SIZE OF BENCHMARK



PREVIOUS PARTICIPATION IN MSSP PROGRAM

Most Track 3 ACOs (14 of 16) participated in the MSSP prior to 2016 as a Track 1 or Track 2 ACO (Figure 3). In 2016, a majority of these ACOs had Generated Total Savings under Track 3. Both of the Track 3 ACOs that were new to the MSSP had Generated Total Losses. It would not be surprising to find that prior ACO experience was beneficial to future results.

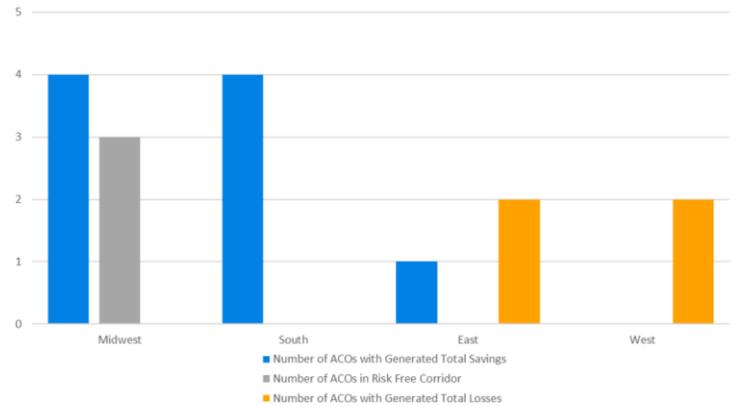
FIGURE 3: 2016 TRACK 3 PERFORMANCE BY PRIOR MSSP EXPERIENCE



GEOGRAPHIC VARIATION

All Track 3 MSSP ACOs in the Southern region and more than half of the ACOs in the Midwest region have Generated Total Savings in 2016 (Figure 4).³ This trend seems to be consistent with two separate prior studies on MSSP financial performance.^{4,5}

FIGURE 4: 2016 TRACK 3 PERFORMANCE BY REGION



Considerations for Track 3 ACO participation

Any provider organization interested in entering the MSSP Track 3 program should consider the following items in addition to the possible drivers listed above.

- Previous experience in care management: Has the organization implemented measures for cost savings? What is the effect on the base year benchmark?
- Advanced data analysis and reporting capabilities: Does the organization have the capability to process CMS data, such as CMS Claims Line Feed (CCLF) claims? What financial reports can the organization use to assist decision making?
- Risk tolerance: Has the organization had aggregate stop-loss? Has the organization shared financial risks among the providers?
- Quality reporting: Has the organization had experience in reporting quality scores? What are the strategies to ensure a high-quality score?
- Other possible Advanced APMs: Existing options include Track 2 and Center for Medicare and Medicaid Innovation (CMMI) Next Generation ACOs. Track 1+ is a new 2018 MSSP track with more limited downside risk.

³ East: CMS regions 1, 2, and 3; South: CMS regions 4 and 6; Midwest: CMS regions 5, 7, and 8; West: CMS regions 9 and 10. Retrieved October 24, 2017, from <https://www.cms.gov/Medicare/Coding/ICD10/CMS-Regional-Offices.html>.

⁴ National Association of ACOs (September, 2016). Retrieved October 27, 2017, from <https://naacos.memberclicks.net/comprehensive-analysis-on-performance-year-3-results>.

⁵ Herbold, J.S., Larson, A., & Gusland, C. (September 2017). What Predictive Analytics Tells Us About Key Drivers of MSSP Results. Milliman White Paper. Retrieved December 19, 2017, from <http://www.milliman.com/uploadedFiles/insight/2017/predictive-analytics-MSSP-results.pdf>.

APPENDIX 1: MSSP TRACK 3 RISK-SHARING PARAMETERS

Generated Total Savings/Losses = Benchmark – Expenditures (when Savings/Losses are greater than the MSR/MLR X Benchmark)

Final Shared Savings Rate = 75% X Quality Performance Score (Quality Performance Score ranges from 0% to 100%)

Earned Shared Savings = Final Shared Savings Rate X Generated Total Savings (Earned Shared Savings are capped at 20% of Benchmark)

Final Shared Loss Rate = 1 – Final Shared Savings Rate (Final Shared Loss Rate limited to minimum of 40% and maximum of 75%)

Earned Shared Losses = Final Shared Loss Rate X Generated Total Losses (Earned Shared Losses are capped at 15% of Benchmark)

Minimum Savings (or Loss) Rate = x% of Benchmark where x% is selected by the ACO and can be:

1. 0%; or
2. Any number between 0.5% to 2.0% with a 0.5% increment; or
3. 2.0% to 3.9% based on number of assigned beneficiaries.

ACOs that have Generated Total Savings or Losses between the MSR and MLR are in the risk-free corridor.

In Figure 5, we show a range of different Generated Total Savings and Losses scenarios (the blue columns) from savings of \$3,000 to losses of \$3,000 per beneficiary per year. Next to each blue column, we show the resulting range of Maximum and Minimum Earned Shared Savings/Losses (based on a sample benchmark of \$10,000 per beneficiary per year). Note that Minimum Earned Shared Savings are always zero because an ACO with a 0% Quality Performance Score would not share in any savings. The illustrative risk-free corridor is shown with a 2% MSR/MLR.

FIGURE 5: ILLUSTRATIVE TRACK 3 SAVINGS/LOSSES SCENARIOS



APPENDIX 2: MSSP TRACK 3 PERFORMANCE BY CHOSEN MSR/MLR

In Figure 6 below, we have separated the 16 MSSP Track 3 ACOs into two columns: ACOs that had expenditures lower or higher than their benchmark. We have further separated each column into rows that show the magnitude of the risk-free corridor selected by each ACO.

FIGURE 6: SUMMARY OF TRACK 3 PERFORMANCE BY MSR/MLR

Minimum Savings Rate/Minimum Loss Rate	Number of ACOs With Actual Expenditures Lower Than Benchmarks (Savings)	Number of ACOs With Actual Expenditures Higher Than Benchmarks (Losses)	Total Number of ACOs
0.0%	1	1	2
0.5%	1	2	3
1.0%	2	1	3
2.0%	6	1	7
2.4%	1	0	1
Total	11	5	16



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