

# Next Generation ACO Program financial results for 2016

CMS releases program results for the first time

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Eleven Next Generation accountable care organizations (ACOs) had savings and seven Next Generation ACOs had losses in 2016.

On October 13, 2017, the Centers for Medicare and Medicaid Services (CMS) released 2016 financial results for each of the Next Generation Accountable Care Organizations (NGACOs).<sup>1</sup> Since the NGACO program began in 2016, this is the first time that CMS has publicly released the program's financial results. This paper describes those financial results, which may influence key decisions that each NGACO needs to make very soon regarding the magnitude of their risk parameters for 2018 (e.g., their rates of risk sharing, their caps on savings/losses, and whether they want individual stop-loss).

## Summary of financial results

Each NGACO's financial performance was measured by comparing their actual 2016 fee-for-service payments for their aligned beneficiaries to their 2016 benchmarks. The table in Figure 1 summarizes all 18 NGACOs across their aggregate benchmarks and expenditures as well as their aggregate gross savings (or losses) and shared savings (or losses). Gross savings (or losses) are the difference between the benchmark and the expenditure. Shared savings (or losses) are the portion of gross savings that is the NGACOs' responsibility.

Across all NGACOs in 2016, the program had \$48 million in gross savings and \$38 million in shared savings. Shared savings are the net amounts paid by CMS to the NGACOs. If we separate the NGACOs into those that had savings and those that had losses (as shown in Figure 1), we see that the former had \$58 million in shared savings and the latter \$20 million in shared losses.

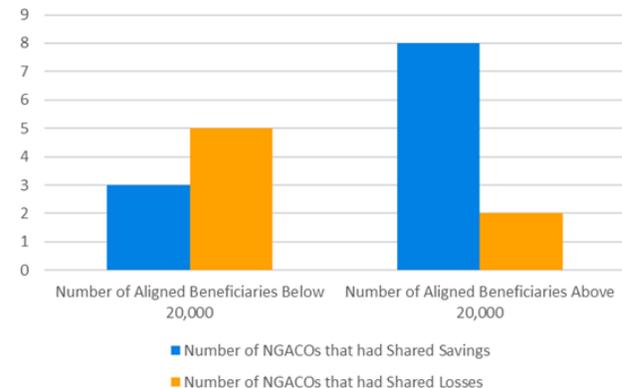
FIGURE 1: NGACO PERFORMANCES

	NGACOS WITH SHARED SAVINGS	NGACOS WITH SHARED LOSSES	ALL NGACOS
NUMBER OF NGACOS	11	7	18
ALIGNED BENEFICIARIES	333,111	138,623	471,734
AGGREGATE BENCHMARKS	\$3,720M	\$1,429M	\$5,149M
AGGREGATE EXPENDITURES	\$3,648M	\$1,452M	\$5,101M
GROSS SAVINGS (LOSSES)	\$72M	(\$23M)	\$48M
SHARED SAVINGS (LOSSES)	\$58M	(\$20M)	\$38M
SHARED SAVINGS (LOSSES) AS A PERCENTAGE OF BENCHMARKS	1.6%	-1.4%	0.7%

Note: The benchmarks, expenditures, and savings/losses are in millions of dollars.

Larger ACOs were much more likely than smaller ACOs to have shared savings. Only 38% of NGACOs with fewer than 20,000 aligned beneficiaries had shared savings, while 80% of NGACOs with more than 20,000 aligned beneficiaries had shared savings, as shown in Figure 2.

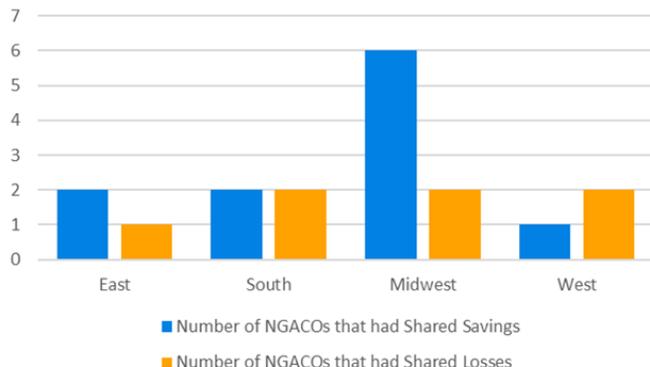
FIGURE 2: NUMBER OF NGACOS WITH SHARED SAVINGS AND LOSSES IN 2016 FOR SMALLER VS. LARGER NGACOS



<sup>1</sup> CMS. Medicare Next Generation Accountable Care Organization Model Performance Year 1 (2016) Results. Retrieved October 24, 2017, from <https://innovation.cms.gov/Files/x/nextgen-fncl-py1.xlsx> (Excel spreadsheet download).

Regionally, the Midwest had the most NGACOs and the highest percentage of NGACOs with shared savings, 75% (Figure 3).<sup>2</sup>

**FIGURE 3: NUMBER OF NGACOS WITH SHARED SAVINGS AND LOSSES IN 2016 BY REGION**



## Considerations for NGACOs

NGACOs have until late December to select their risk parameters for 2018, which are:

- The cap on sharing gains and losses: An NGACO chooses a number between 5% and 15% of the benchmark.
- The risk-sharing rate: An NGACO can choose 80% or 100% of gross savings/(losses).
- Whether to have individual stop-loss (capped claims) or not (uncapped claims).

Additionally, NGACOs have until February 2018 to decide whether or not to continue in the program for 2018. In evaluating that decision, NGACOs should consider:

- Cost-saving opportunities: Has the NGACO implemented measures that are expected to produce cost savings since

the benchmark period (2014)? Is it planning to implement new ones in 2018?

- Utilization of NGACO providers: What portion of services provided to NGACO beneficiaries was provided by NGACO providers? Is that expected to change over time?
- Provider roster changes: Has the NGACO made changes to its provider roster (i.e., Participants and/or Preferred) since the baseline or earlier performance years (2016 and 2017)? As the performance year becomes further removed from the baseline year, the impact of roster changes is magnified because the number of beneficiaries used to develop the benchmark (and its resulting credibility) decreases each year even without roster changes.

## Future information from CMS

Next year, 2018, marks the final year of the initial three-year period of the NGACO program. CMS may add a year 4 (2019) and year 5 (2020) to the program.<sup>3</sup> CMS has not yet proposed the program parameters for these two years, but we would expect them to do so some time in the near future. Among other things, we would expect CMS to propose a methodology for “re-basing” the expense benchmark (for years 2016 through 2018, the benchmark is based upon claims incurred in 2014).

Additionally, CMS has not yet announced any new NGACOs for 2018. Given that CMS announced the new 2017 NGACOs in January 2017, we would expect to see an announcement of new NGACOs for 2018 soon.

<sup>2</sup> 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.

<https://www.cms.gov/Medicare/Coding/ICD10/CMS-Regional-Offices.html>

<sup>3</sup> CMS (January 18, 2017). Request for Applications – 2018 Model Starters. Next Generation ACO Model. Retrieved October 24, 2017, from <https://innovation.cms.gov/Files/x/nextgenaco-rfa2018.pdf>.



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