AMERICA'S PHYSICIAN GROUPS

Taking Responsibility for America's Health

A Better ACO: The Third Option

Highlights

- Physicians need additional advanced alternative payment model (APM) options for successful participation in the Medicare Access and CHIP Reauthorization Act (MACRA).
- To date, delivery system reform options have focused on the "on-ramp to risk" (e.g., shared savings based on fee-for-service reimbursement).
- A demonstration project through the CMS Innovation Center that would test a better accountable care organization (ACO) model in traditional Medicare is necessary to continue to advance the movement to value and expand APM options for sophisticated clinicians.
- The Third Option is intended to address the weaknesses of the fee-for-service ACO program and features prospective, capitated payments to physician organizations, robust quality measurement, and active beneficiary engagement.

The Role of Advanced APMs

The nation is at a pivotal moment in the evolution of our health care system. An aging and increasingly chronically ill population continues to stretch dwindling health care resources, and our current fee-for-service reimbursement system, where clinicians are paid "per click" without an eye toward quality, cost or elimination of waste is inadequate to meet these needs or manage resources well. As such, it is critical that we move towards a new, alternative payment methodology of the future that reimburses clinicians based on the quality, efficiency, and patient outcomes. Central to this goal is the creation and implementation of new advanced APMs.

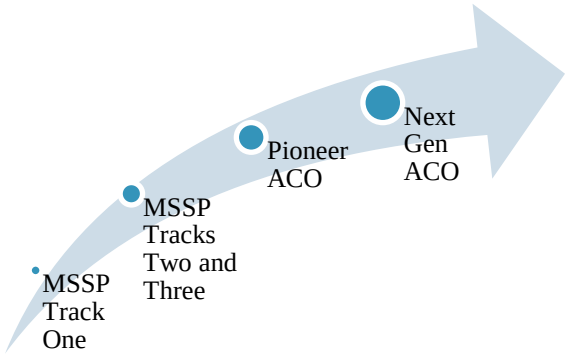
Increasing clinician access to APMs both by proliferating new models and expanding existing options is critical if we are serious about controlling costs and improving patient care. The Third Option is one such model that allows clinicians to better coordinate patient services and improve care while keeping costs in check – both for the system overall and the patient. The current fee-for-service status quo does little to incent providers to practice the patient-centered, coordinated care we know is essential to improved health outcomes. America's seniors deserve better. We can and must do more to improve our nation's health care delivery system.

The Alternative Payment Model Journey

Looking Beyond Accountable Care Organizations

ACOs were created to address the siloed nature of care delivery. Several iterations of ACOs exist today. The Track One Medicare Shared Savings Program (MSSP) ACO, for example, is built on a fee-for-service payment model but also allows participants to share in the savings they achieve. Tracks Two and Three of the MSSP offer two-sided risk arrangements with the ability to share and be at risk for both savings and certain losses. Under these models, participants would be required to pay back the federal government if the ACO overspends its target relative to a pre-established benchmark.

The Center for Medicare & Medicaid Innovation (Innovation Center) has similarly offered several options with increasing levels of risk within the ACO framework, including the Pioneer ACO model and the Next Generation ACO model, commonly referred to as the "Next Gen" ACO. By and large, all of these models are built on fee-for-service infrastructure.



Current ACO models

MACRA'S Role in Incenting APM Participation

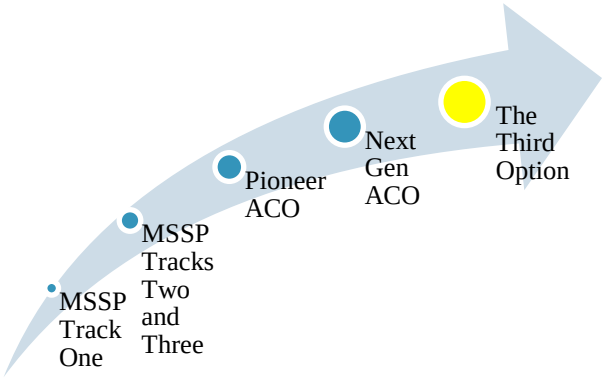
MACRA, by design, incents physicians and physician groups to participate in APMs. Certain risk-bearing advanced alternative payment models qualify for a five percent incentive payment under the law. Those physicians that do not participate in advanced APMs must participate in the Merit-based Incentive Payment System (MIPS), a pay-for-performance program in traditional Medicare. MACRA intended to incentivize the movement from a flawed, Fee for Service (FFS) reimbursement model to value-based models. Incentive payments in the advanced APM track were intended to encourage providers to move from MIPS into advanced APMs.

In order to achieve MACRA's ambitious, bipartisan goals, more advanced APMs must be available.

Recommendations

Formation of Clinically Integrated Organizations

At the core of the Third Option is the formation of physician-led, clinically integrated organizations (CIOs). A CIO is made up of participating physician group practices that provide both primary and specialty care to patients in traditional Medicare.



Current ACO models + the Third Option

Through the CIO, physicians would directly contract with CMS to negotiate prospective capitated payments for their Part A and Part B patients – a model that does not exist in Medicare today – provided that they meet

robust quality and performance standards. Under the Third Option participating practitioners are held accountable for the quality, cost, and overall care that the patients participating in their networks receive.

This new model achieves several important objectives. First, it offers an additional option for physicians that want to pursue the advanced APM option under MACRA, and tests a new, innovative model of payment. Second, it offers beneficiaries in traditional Medicare access to additional services, including care coordination, that their peers enrolled in MA or commercial plans currently enjoy. These models have been proven to increase quality and lower cost for decades.

Congress and the Administration should continue to advance new models such as the Third Option through regulation or legislation to keep moving the delivery system forward.

Congressional Support

Congressmen from all four committees of jurisdiction – House Ways & Means, House Energy & Commerce, Senate Finance, and Senate HELP – submitted a letter to CMS Administrator Seema Verma urging the agency to test a prospective, global payment ACO model that would qualify as an advanced APM under MACRA. The Congressmen submitted their comments as part of CMS's request for information on the future direction of the CMS Innovation Center.

The Congressmen maintain that such a model would, "build on the evolution of ACO programs by allowing providers to take on higher levels of risk in order to better coordinate patient care and improve health outcomes across all care settings."

Conclusion

New and innovative models are needed to fully reach the goals of MACRA – a true shift towards a value-based delivery and payment system. A global payment demonstration project would incent this, in part, by testing an important option for physician organizations who are prepared to move the ball forward. Not only would the demonstration project test a new payment model, but it would also provide the opportunity to study new attributes for successful delivery models in the future. America's Physician Groups supports such a demo.

Concurrently, we encourage Congress to pursue legislation that also incents development and testing of similar models beyond the "on-ramp" phase, where to date most of the advanced APM models have been focused.

The Third Option presents a better ACO model that addresses the flaws of existing models that are set on a fee-for-service chassis, while incorporating elements already proven to be successful, including fostering financial and clinical integration across the entire continuum of care. The Third Option allows participating clinicians to better coordinate services and practice patient-centered medical care tailored to each individual's specific needs. The tools available in this model not only keep costs in check but, more importantly, truly improve patient care and outcomes for our nation's seniors.