Medicare Accountable Care Organizations Generate Savings as Experience Grows

Assuming risk appears to be a less important factor than experience in predicting ACO success

New analysis from Avalere finds that accountable care organizations (ACOs) in the Medicare Shared Savings Program (MSSP) achieve higher savings for Medicare the longer they are in the program. ACOs in the MSSP for 4 or more years were responsible for nearly all of the program’s previously reported $314 million in savings in 2017, the first year in which the program generated savings. In the same analysis, Avalere found that the assumption of downside risk does not appear to be a reliable predictor of an ACO’s success.

The MSSP is Medicare’s largest alternative payment model, as part of a broader government effort to shift its healthcare payments away from a fee-for-service model. Since 2012, the MSSP has grown from 27 ACO participants to 561 in 2018. In 2018, 10.5 million Medicare beneficiaries received care through an ACO.

Avalere’s analysis of the 2017 MSSP results finds that ACOs in the program for at least 3 years performed better than newer ACOs. ACOs with 1-2 years’ experience in the program increased Medicare spending.

Figure 1. Net Reduction in Medicare Spending per Beneficiary by ACO’s Number of Years in the Program

"These results reinforce what we have heard from accountable care organizations – that they
need time to realize the fruits of their investments,” said Gabriel Sullivan, manager at Avalere. “Experience matters in driving positive financial performance among accountable care organizations.”

In 2017, more than 90% of MSSP ACOs participated in Track 1 of the program, the only track under which ACOs are not required to assume financial risk, and thus, do not need to repay any losses to the Medicare program. The remaining ACOs participated in Tracks 2 and 3, under which ACOs must share in savings or repay Medicare losses depending on their financial performance. Avalere’s analysis found that ACOs in all 3 MSSP tracks reduced Medicare spending (Figure 2).

**Figure 2. Net Reduction in Medicare Spending by ACO Track (2017) (Millions)**

In addition to experience, the Centers for Medicare & Medicaid Services’ change to the way it calculates ACOs’ performance (i.e., benchmarks) may have contributed to the positive financial results. Specifically, in 2017 CMS began to incorporate regional spending into benchmark calculations for ACOs that participated in MSSP for a second agreement period. These ACOs (i.e., those with 4 years of experience in the program) showed the strongest financial performance in 2017.

“Provider experience in managing population health, creating data infrastructure, and changing behavior appear to be crucial factors in the success of accountable care organizations,” said John Feore, director at Avalere. “The governments’ new methodology for calculating savings may also affect financial results.”
Methodology

Using the CMS 2017 Shared Savings Program Accountable Care Organizations PUF, Avalere estimated the net impact on Medicare spending from the MSSP and aggregated the results across the program and by each ACO’s experience with the program, or performance year. “Net impact on Medicare spending” refers to the aggregate impact of program or benchmark-to-expenditure savings, shared savings payments, and shared loss payments. This reflects the financial impact to the federal budget as reported by CMS.

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