

CMS Doubles Down On Value-Based Care

ACO Reach report Card & Outlook, VBC Program Growth Anticipated

- **CMS released a progress update on accountable care initiatives ([here](#)).** CMMI has a stated goal of placing 100% of beneficiaries with traditional Medicare in an accountable relationship with a health care provider by 2030.
- **The bottom line:** CMS provided statistics this week on its value-based care initiatives: MSSP dipped, ACO REACH participation climbed. We expect CMMI to release a specialty physician model, per blog posts and messaging from the agency in 2022. That pilot will enable CMS to claim that a higher % of beneficiaries are in a 'patient-centric model' if a chronically ill beneficiary is primarily being seen by his/her specialist as a first line of care. CMS also projects MSSP participation climbing based on policies in the final 2023 physician fee schedule, incentivizing care for rural and other underserved populations.

CMS VALUE-BASED CARE (VBC) UPDATES

- **In 2023, we calculate ~22% of Medicare beneficiaries will be enrolled in accountable care.** This excludes MA, as we know MA accounts for 50% penetration. As a reminder, the CMS vision is for all ~58.6 M to be in a patient-centric model by 2030. Accountable care organizations (ACOs) are projected to care for 13.2 M+ Medicare beneficiaries in 2023, with 700,000+ providers and organizations participating.
- **ACO REACH participation increases [OSH, AGL, HUM, ONEM/AMZN, CNC, CI, WBA/VILLAGEMD],** after surviving the darkness of program revamp 1Q 2022, the program still represents a tiny % of the overall Medicare population. The model started Jan 1, 2023, and is the updated version of Direct Contracting. ACO REACH enhances access to care in underserved communities. Benchmark adjustments shift payments to better support care for enhanced benefits, e.g., homecare. For 2023 the ACO REACH model has 132 ACOs with 131,772 healthcare providers to an estimated 2.1 M beneficiaries. This is an increase from 99 ACOs in 2022. ACO REACH will have 824 Federally Qualified Health Centers, Rural Health Centers, and Critical Access Hospitals participating (this is more than twice the number in 2022). 55%+ of REACH ACOs are provider organizations for 2023 (versus payers).
- **Medicare Shared Savings Program (MSSP) participation dips [PRVA, ALEDADE, CVS/SGFY].** This could be due to the requirement to take on risk faster after peaking in 2018. Other participants include MaineHealth (AGL), U of Michigan, and Northwell in NY. Established by ACA, MSSP is permanent, the largest VBC program in Medicare. In 2023, MSSP has 456 ACOs and 10.9 M assigned beneficiaries. This is a slight decrease from the 483 ACOs participating in 2022. The 2023 Medicare physician fee schedule final rule projects an increase in participation by up to ~4 M [here](#). MSSP participants [here](#).
- **Kidney Care Choices (KCC) [DVA, FMS] chugs along.** KCC focuses on coordinating care for Medicare beneficiaries with chronic kidney disease stages 4 and 5 and end-stage renal disease. 54 practices and kidney contracting entities (KCEs) are joining in 2023, with 76 total participants continuing from last year, bringing the total up to 130 participants this year.

ACO REACH & FEDERAL VBC OUTLOOK

- **AGL, ONEM/AMZN, WBA/VILLAGEMD, HUM generated savings.** The savings range, announced last November, was 4.5%-6.5%. HUM was at the high end of the range. It is harder to parse out AGL and VillageMD progress, given individual practices are listed versus data by parent organization. All of the above received 100% quality scores in patient satisfaction and readmission metrics. See results from GPDC performance year 2021 [here](#). 53 direct contracting entities (DCE) generated savings for Medicare and 38 DCEs earned \$47 M in shared savings.
- **CMS says more information on the 2024 application timeline is coming [here](#).** Based on last year's timeline, we will likely see the application cycle begin in the summer and go through the fall (2023). Clif Gaus, CEO of National Association of ACOs notes that 2023 is expected to be a "turning point year" for ACOs and for participation to accelerate in 2024 thanks to CMS. He thinks that interest in ACO REACH should signal the need for more high-risk options and features of ACO REACH in MSSP. Based on Congressional demands, CMMI may provide updated metrics to filter out participants based on fraud and abuse findings.
- **Groups discuss next phase of direct contracting.** Recall that CMS has *limited* the number of participants in ACO REACH. The program will not have any other new application periods beyond the new cohort that started this year. A number of the 120 organizations provisionally accepted into the ACO REACH program in 2022 decided *not* to participate in 2023.
- **CMMI applies a Retrospective Trend Adjustment (RTA), which irks participants.** We expect that CMS will apply another set of RTAs in performance year 2023, which have yet to be announced. Companies are vocally annoyed by the frequency of adjustments, despite pay refinements in nearly all CMMI programs. The RTA is a ratio based on the adjusted national average cost per Medicare beneficiary and a direct contracting reference population, which has led to downward pay for some participants.
- **Will ACO REACH participants move to MSSP (or MA)?** We may see plans & providers exiting ACO REACH down the line, although the newly released CMS data indicates otherwise.
- **Progressives urge CMS to examine ACO REACH participants for Medicare fraud.** In December 2022, Sen. Elizabeth Warren (D-MA) and Rep. Pramila Jayapal (D-Wash.) led a group of colleagues in sending a letter to CMS calling for an investigation into program participants with history of fraud and abuse. The requested answers to their list of questions no later than January 16, 2023. See letter [here](#). Nine companies with documented cases of fraud and abuse are called out, CNC, HUM, and CI being among them.
 - **CNC**, parent company to 3 DCEs in 27 states. Paid over \$97 M in 2021 to settle allegations of inflating and duplicating VA claims and for its PBMs allegedly overcharging state Medicaid programs (OH, IL, MS, KS, NH, AR, and NM) on prescription drugs.
 - **HUM**, operates a DCE in 13 states. HHS OIG report found that the company improperly collected nearly \$200 M in 2015 through upcoding and exaggerating illnesses.
 - **CI**, parent company of DCE in 2 states and investor in several other DCEs. DOJ sued the company for establishing a new "360 Program" to raise risk scores and game the MA system, rather than improve patient health. Litigation was ongoing as June 2022 indicated by of Cigna SEC filing.

CO. COMMENTARY & BACKGROUND

- **ACOs help reduce fragmentation of care, decreasing duplication of services and preventing medical errors.** As a reminder, Accountable Care Organizations (ACOs) are groups of doctors, hospitals, and other healthcare providers who collaborate with each other to provide Medicare beneficiaries with coordinated care. This includes MSSP, KCC and ACO Reach; see program updates per CMS below.
- **Published November 2022, CMS's updated strategic vision aims to expand the reach of accountable care.** See [here](#). CMS plans to support organizations that are new to value-based care and will eventually scale successful features of the ACO REACH and KCC into the permanent Medicare Shared Savings Program (MSSP).
- **CVS notes it is well positioned concerning VBC, per comments at JPMorgan23.** Karen Lynch, President & CEO of CVS commented that CVS has been working on evolving value-based care over the years and Signify Health, through Caravan Health is one example of the company swinging towards risk-adjusted VBC arrangements.
- **PRVA is (more) comfortable in MSSP than ACO REACH.** Parth Mehrotra, COO of PRVA commented in January that PRVA is doing well in MSSP but may consider switching to ACO REACH if incentivized by the government. PRVA envisions that the next evolution for CMMI might result in us seeing more of a convergence of the two models. Note that CMS has stated that they would look to incorporate successful aspects of ACO REACH into MSSP.
- **OUR TAKE/NEXT STEPS: Value-based care is here to stay and we see CMMI working hard to meet its 2030 goal, with Congress unlikely to get in its way.** We could see a specialty physician pilot released by CMMI in 2023, but CMS is also hard at work on drug pricing reforms per Biden EO Oct 22. We are keeping an eye out for the final rule on RADV audit rules, which have cleared OMB, and the 2024 Medicare Advantage proposed rate notice to be released in the next few weeks. We will also be watching for any new CMMI announcements on their innovation models. We will also see commentary on the 2024 application process starting this summer.
-