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## Mixed financial results could mean ACO rule changes on horizon

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The Medicare Shared Savings Program (MSSP) initiative was launched under the Affordable Care Act as an effort to cut spending, improve care quality and pay doctors based on value rather than volume. The MSSP has grown from 27 accountable care organization (ACO) participants in 2012 to 561 in 2018. Most ACOs continue to select the upside-only Track 1 model, which does not require participants to repay the Centers for Medicare & Medicaid Services (CMS) for spending above their target. While there is strong evidence that ACOs improve care quality (*ACOs performed better than 90% of all fee-for-service providers on lowering hospital readmissions*), the evidence regarding cost reduction is less clear.

In 2010, the Congressional Budget Office predicted that the ACO models would save the federal government \$1.7 billion from 2013–2016. In 2017, the Department of Health and Human Services (HHS) Office of Inspector General reported that ACOs participating in the Medicare shared-savings program reduced spending by about \$1 billion from 2013–2016, but CMS did not actually reap financial benefits overall. In March 2018, a new report by Avalere (funded by the Pharmaceutical Research and Manufacturers of America) found that the MSSP actually cost CMS \$384 million from 2013–2016. The somewhat contradictory nature of these reports may be one reason why HHS submitted a new proposed rule.

Given that the Avalere report found that Track 1 ACOs increased federal spending by \$444 million from 2012 to 2016 while the downside risk ACOs actually reduced federal spending by \$60 million, the new proposed rule may force ACOs to move into downside risk more quickly than is currently mandated. Historically, ACOs have the option to stay in Track 1, which only involves upside risk, for up to six years or two contract periods. It is expected that CMS will propose cutting such period to three years or one contract period.

Further action with respect to the proposed rule is likely to come later this summer.

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