HHS Announces Next Generation ACO Model of Payment

SUMMARY
On Tuesday, March 10, 2015, the U.S. Department of Health and Human Services (“HHS”) announced the introduction of the Next Generation Accountable Care Organization (“ACO”) Model of payment and care delivery. ACOs participating in the Next Generation ACO Model will assume greater risk, with the potential to share in more savings, than those ACOs participating in the Pioneer ACO Model or Medicare Shared Savings Program.

HHS states that the goal of the Next Generation ACO Model is “to test whether strong financial incentives for ACOs, coupled with tools to support better patient engagement and care management, can improve health outcomes and lower expenditures for Original Medicare fee-for-service (FFS) beneficiaries.” According to HHS’ March 10 announcement, tools available to participating ACOs include rewards to beneficiaries for receiving care from physicians and professionals participating in the ACOs; coverage of skilled nursing care without prior hospitalization; expansions in Medicare coverage for telehealth; and post-discharge home services to support coordinated care at home.

The Next Generation ACO Model offers two types of risk arrangements that determine the portion of savings or losses that accrue to the participating ACO. The sharing rates in both arrangements are higher than those in the Pioneer or Medicare Shared Savings Program models. Further, there will be four payment mechanisms available through the Next Generation ACO Model: (1) traditional fee-for-service; (2) traditional fee-for-service plus a monthly infrastructure payment; (3) population-based payments; and (4) capitation (starting in 2017).

The Next Generation ACO Model is part of HHS’ broader “Better, Smarter, Healthier” initiative to move the Medicare program toward a system of value-based payment. Saul Ewing previously wrote about this HHS initiative, which may be found at http://tinyurl.com/alert012915.

The Centers for Medicare and Medicaid Services (“CMS”) will accept ACOs into the Next Generation ACO Model through two rounds of applications in 2015 and 2016, with an ACO’s participation in the Next Generation ACO Model expected to last up to five years. ACOs desiring to be considered for round one must submit a Letter of Intent by May 1, 2015. CMS expects approximately 15 to 20 ACOs to participate in the Next Generation ACO Model.

More information on the Next Generation ACO Model may be found on the CMS website at http://tinyurl.com/km379m3.

HHS continues to push the federal health programs toward a value-based payment system and is encouraging payors in the commercial sector to do the same. Providers should evaluate implementation of quality initiatives within their organizations and understand what payment program option(s) are available and on which they may be able to capitalize.
Saul Ewing has written articles about the Medicare Shared Savings Program, ACOs, and alternative payment models. Those articles are available at http://tinyurl.com/SEhealthcarealerts.

Saul Ewing attorneys are knowledgeable about ACOs, both in the Medicare programs and alternative commercial payor arrangements, and other care delivery and payment models. For more information on this Client Alert or ACO arrangements please contact the authors or the attorney at the firm with whom you are regularly in contact.