

Small Entity Compliance Guide

Medicare Program; Medicare Shared Savings Program: Accountable Care Organizations

Federal Register Vol. 80, Page 32692, June 9, 2015
42 CFR Part 425

CMS-1461-F, RIN 0938-AS06

The Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA, Pub. L. 104-121, March 29, 1996, as amended by Pub. L. 110-28, May 25, 2007) contains requirements for issuance of "small entity compliance guides". Guides are to explain what actions affected entities must take to comply with agency rules. Such guides must be prepared when agencies issue final rules for which agencies were required to prepare a Final Regulatory Flexibility Analysis under the Regulatory Flexibility Act (RFA). The Medicare Shared Savings Program Accountable Care Organizations final rule is estimated to have a significant economic impact on a substantial number of small entities, although participation in the program is voluntary. The complete text of the final rule can be found on the CMS website by clicking on the link to CMS-1345-F at http://www.cms.gov/sharedsavingsprogram/30_Statutes_Regulations_Guidance.asp#TopOfPage.

Section 3022 of the Affordable Care Act contains provisions relating to Medicare payments to providers of services and suppliers participating in accountable care organizations (ACOs) under the Medicare Shared Savings Program (Shared Savings Program). Under these provisions, providers of services and suppliers can continue to receive traditional Medicare fee-for-service (FFS) payments under Parts A and B, and be eligible for additional payments if they meet specified quality and savings requirements. The Shared Savings Program is a key component of the Medicare delivery system reform initiatives that will continue to be implemented under the Affordable Care Act and features a three-part approach to the delivery of health care aimed at: (1) better care for individuals; (2) better health for populations; and (3) lower growth in Medicare Parts A and B expenditures. Studies have shown that better care often costs less, because coordinated care helps to ensure that the patient receives the right care at the right time, with the goal of avoiding unnecessary duplication of services and preventing medical errors.

For purposes of the RFA, approximately 95 percent of physicians are considered to be small entities. There are over 1 million physicians, other practitioners, and medical suppliers that receive Medicare payment under the Physician Fee Schedule (PFS). Most physician practices, hospitals and other providers are small entities, either by nonprofit status or by qualifying as small businesses under the Small Business Administration's size standards (revenues of less than \$7.5 to \$38.5 million in any 1 year; NAIC Sector- 62 series). States and individuals are not included in the definition of a small entity.

Although the Shared Savings Program is a voluntary program and payments for individual items and services will continue to be made on a FFS basis, we acknowledge that the program can affect many small entities and have drafted the rules and regulations accordingly in order to minimize costs and burden on such entities as well as maximize their opportunity to participate. The Shared Savings Program is designed to encourage individual physicians and small physician practices to integrate with other such practices as well as larger entities to create ACOs. Small entities will both be allowed and encouraged to participate in the Shared Savings Program,

provided their ACO has a minimum of 5,000 assigned beneficiaries, thereby realizing economic benefits through the utilization of enhanced and efficient systems of care and care coordination. Examples of increased economic benefits as a result of participating in this program include shared savings from this program, as well as qualifying for financial incentives from other CMS programs, such as Physician Quality Reporting System, Electronic Health Record and Incentive Program. Therefore, a solo, small physician practice or other small entity may realize these economic benefits as a function of participating in this program and the utilization of enhanced clinical systems integration, which otherwise may not have been possible. Lastly, we recognize that potential advantageous key drivers for participating physician groups would include institutional affiliations that allow greater access to financial capital, access to and experience using EHR and other IT systems and experience with pay-for-performance programs.

The overall impact, as detailed in the regulatory impact analysis (RIA) of the Shared Savings Program final rule, estimates an aggregate median impact of \$1.1 billion in net bonus payments to participating ACOs in the Shared Savings Program for agreement periods covering calendar years (CYs) 2016 through 2018. In addition, the estimated aggregate average start-up investment and ongoing annual operating costs are \$822 million, based on the anticipated mean participation rate of ACOs in the Shared Savings Program for agreement periods covering CYs 2016 through 2018. Therefore, the anticipated benefits should exceed the costs, thereby reflecting a positive significant impact for ACOs participating in the Shared Savings Program. It is important to note that these estimates are based on, but not limited to, the structure, maturity, performance, and financial exposure of a participating ACO. As a result of risk and uncertainty, not all ACOs will achieve shared savings and some may incur a financial loss if the ACO chooses to participate under Track 2 or Track 3, due to the requirement to repay a share of actual expenditures in excess of their benchmark. In the Shared Savings Program final rule, we have revised many of the policies in the proposed rule, so as to allow for greater flexibility regarding the specific structure and requirements of an ACO. We believe these changes will substantially reduce the burden associated with the infrastructure start-up and ongoing annual operating costs for participating ACOs in the Shared Savings Program. These modifications include the following:

- Streamlined process for former Pioneer ACOs to apply for program participation.
- Increasing flexibility for choosing clinical leadership.
- Simpler and more streamlined method for data sharing.
- Adjustments to the financial model in order to increase financial incentives for ACO's to continue to participate by--
 - ++ Allowing existing Track 1 ACOs to renew under Track 1 and maintaining the maximum share rate at 50 percent instead of reducing it to forty percent of savings;
 - ++ Increasing rebased benchmarks for successful ACOs by adding a portion of savings measured in performance years of its first agreement period to the corresponding base years of the ACO's following agreement period;
 - ++ Offering an additional risk option – Track 3 – featuring prospective assignment and a higher maximum sharing rate of 75 percent than otherwise available through participation in Track 2 (60 percent);

++ Simplifying the repayment mechanism requirement for ACOs participating in Track 2 or Track 3;

++ Adding flexibility for ACOs in Track 2 and Track 3 to select from a range of potential symmetric minimum savings/loss rates;

++ Offering access to a waiver of the 3-day SNF rule for ACOs participating in Track 3; and

++ Providing the opportunity for beneficiaries to attest into a performance-based risk ACO starting in 2017 and signaling our intent to incorporate tele-health waivers once they are tested by the Innovation Center.

The participating ACO will be eligible to receive a shared savings payment if: (1) the ACO meets quality performance standards described in the rule; and (2) the ACO has been determined to reduce per capita costs of the beneficiaries assigned to it at or below a certain threshold, referred to as the minimum savings rate (MSR), below the benchmark. ACOs in a two-sided model share in losses when the ACO has been determined to increase per capita costs of the beneficiaries assigned to it at or above a certain threshold, referred to as the minimum loss rate (MLR), above the benchmark. Under the final rule, we will establish a MSR that is designed to account for normal variation based on the number of Medicare beneficiaries assigned to the ACO under Track 1 and the option for choosing a fixed symmetrical MSR/MLR under Track 2 or Track 3. The benchmark will be based on the Parts A and B fee-for-service per capita expenditures for beneficiaries assigned in any of the 3 years immediately preceding the start of the agreement period, and will be risk adjusted. The benchmark will be updated each year by the projected absolute amount of growth in national per capita Parts A and B expenditures for fee-for-service beneficiaries. The benchmark will be reset at the beginning of each agreement period with the ACO. Benchmark expenditures and performance year expenditures will be truncated to minimize variation from catastrophically large claims.

The statute states that a percent of the difference between the benchmark and the estimated per capita costs for a performance year will be shared between the ACO and CMS. The statute also requires the Secretary to establish a limit on the total amount of savings that can be shared with the ACO (referred to in the proposed rule as the "sharing limit").

We will implement both a one-sided model (sharing of savings only for the term of an ACO's first agreement) and two downside-risk models (sharing of savings and losses for the term of an ACO's agreement). This approach combines the one-sided model described under section 1899(d) of the Act with two risk-based approaches under the authority granted CMS under section 1899(i) of the Act. We believe this approach has the advantage of providing an entry point for and encouraging continued participation from organizations with less experience with risk models, such as some physician-driven organizations or smaller ACOs, to gain experience with population management before transitioning to a risk-based model, while also providing an opportunity for more experienced ACOs that are ready to share in losses to enter a sharing arrangement that provides a greater share of savings, but at the risk of repaying Medicare a portion of any losses.

We provides the following online material that presents compliance information regarding the Shared Savings Program final rule. The information provided is frequently updated to reflect the latest changes in Medicare Shared Savings Program policy. Examples include:

- Medicare data made available to applicants of the Medicare Shared Savings Program, thereby allowing them to calculate their share of services in each applicable primary service area to determine whether or not the ACO would benefit from an expedited review from the antitrust agencies before entering the Shared Savings Program. The data is organized into a physician file, inpatient facility file, and outpatient facility file. Each file contains an aggregate dollar amount, reflecting the total Medicare payments or allowed charges including deductibles and co-insurance, for each zip code and each service category.

- Information on how applicants may determine shared savings and losses, as well as up-to-date information on CMS teleconferences and events. The materials serve, in part, as a compilation of small entity guides that meet the letter and spirit of the Small Business Regulatory Enforcement Fairness Act (SBREFA) and are located online at <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/sharedsavingsprogram/index.html?redirect=/sharedsavingsprogram/>

- Information about currently participating ACOs, for example, where ACOs are located, contact information, and cost and quality performance information. A list of available ACO data can be found at <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/sharedsavingsprogram/Downloads/MSSP-ACO-data.pdf> .

- Frequent webinars to improve transparency in our policies. These forums provide small entities with an opportunity to obtain information, ask questions, and express their views to senior CMS officials on nearly all major regulatory issues, especially those that might affect providers in a new or burdensome way.

- Information on the latest news and updates about the Shared Savings Program. To find the most recent news and updates about the Shared Savings Program, visit <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/sharedsavingsprogram/News-and-Updates.html>.

Once accepted into the program, each ACO is assigned a CMS regional coordinator who interacts with the ACO on a regular basis to resolve issues and answer questions. ACOs are alerted of deadlines and other important information through a weekly newsletter. These methods provide small entities with opportunities to obtain important program information, express views, and ask questions relating to program participation. The regional coordinator assignments are located at <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/sharedsavingsprogram/Regional-Contacts.html>

We also communicate information to providers through the use of mailing lists, or listservs. A list of listservs available to Medicare fee-for-service providers is available at www.cms.gov/prospmedicarefeesvcpmtgen/downloads/Provider_Listservs.pdf.