



# Prepaid Shared Savings Guidance

May 2025 | Version 1



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## REVISION HISTORY – VERSION 1

Revised Section/Description of Revision	Link to Section Affected
New Document	

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## 1 Overview

The Centers for Medicare & Medicaid Services (CMS) finalized policies at [42 CFR § 425.640](#) to offer a new payment option to currently participating Accountable Care Organizations (ACOs) in the Medicare Shared Savings Program (Shared Savings Program), known as Prepaid Shared Savings (PSS). Prepaid shared savings, distributed on a quarterly basis, are intended to provide an additional cash flow option to ACOs with an established history of earning shared savings that will encourage their investment in activities that reduce costs for the Medicare program and improve the quality of care provided to their assigned beneficiaries.

Eligible ACOs interested in receiving prepaid shared savings must submit complete supplemental information to CMS as part of their application to renew their participation in the Shared Savings Program, in accordance with [42 CFR § 425.640\(d\)](#) and as described in further detail in this document. CMS will monitor ACOs receiving prepaid shared savings to ensure they maintain their eligibility during program participation and comply with all applicable Shared Savings Program requirements.

Prepaid shared savings are advanced payments of earned shared savings that the ACO is expected to generate by continued success in the Shared Savings Program. CMS will recoup prepaid shared savings made to an ACO from any shared savings the ACO earns. CMS will carry forward any remaining balance owed to subsequent performance year(s) in which the ACO achieves shared savings.

## 2 Eligibility

### Eligible Cohorts (42 CFR § 425.640(b)(1))

**Renewal Applicants:** ACOs renewing their participation to begin a new agreement period on January 1, 2026, or in subsequent years may be eligible to receive prepaid shared savings beginning in their new agreement period.

**PY 2025 Renewal ACOs:** ACOs that renewed their participation and began a new agreement period on January 1, 2025, may be eligible to receive prepaid shared savings beginning in performance year 2026 without renewing their participation for a new agreement period.

The eligibility criteria to receive prepaid shared savings may be found in the regulation at [42 CFR § 425.640\(b\)](#). To be eligible to receive prepaid shared savings, at the time of the applicable Shared Savings Program application cycle, an ACO must have:

- Received a shared savings payment for the most recent performance year that occurred prior to the agreement period for which the ACO has applied to receive prepaid shared savings and for which CMS has conducted financial reconciliation;
- A positive prior savings adjustment for the agreement period for which the ACO has applied to receive prepaid shared savings as calculated pursuant to [42 CFR § 425.658](#);
- No outstanding shared losses or advance investment payments that have not yet been

repaid to CMS after reconciliation for the most recent performance year for which CMS completed financial reconciliation;

- Fully repaid the amount of prepaid shared savings received through the most recent performance year for which CMS has completed financial reconciliation, if the ACO received prepaid shared savings in a current or prior agreement period;
- Be participating in Levels C through E of the BASIC track or the ENHANCED track during the agreement period in which it would receive prepaid shared savings;
- An adequate repayment mechanism in accordance with [42 CFR § 425.204\(f\)](#) that can be used to recoup outstanding prepaid shared savings; and
- Met the quality performance standard as specified under [42 CFR § 425.512](#), and has not been determined by CMS to have avoided at-risk beneficiaries as specified under [42 CFR § 425.316\(b\)\(2\)](#) during the agreement period immediately preceding the agreement period in which the ACO would receive prepaid shared savings.

### 3 Application Process

An ACO interested in PSS must complete and submit for CMS review both phases of the Shared Savings Program application through the [ACO Management System \(ACO-MS\)](#) by the deadlines specified on the [Application Types & Timeline](#) webpage. In order to receive prepaid shared savings, an ACO must meet all eligibility requirements for the Shared Savings Program in addition to all eligibility requirements for PSS. While an ACO will not submit to CMS supplemental information specifically for PSS until Phase 2 of its Shared Savings Program application, there are key elements (identified below) in Phase 1 of the Shared Savings Program application that CMS will use to determine the ACO's eligibility for the Shared Savings Program, as well as for PSS. The [Application Toolkit](#) webpage provides resources, such as the [Application Reference Manual](#), to assist with the completion of the application.

#### 3.1 PHASE 1

During Phase 1 of the Shared Savings Program application, an ACO will submit the required elements as part of the Shared Savings Program application for CMS review. Additional information regarding applying to the Shared Savings Program, including the required elements for the Phase 1 application process, can be found in the [Application Toolkit](#) and the [Application Types & Timeline](#) webpage. An ACO will need to make a track and level selection for its first participation year of its new agreement period. An ACO must elect to participate in Levels C through E of the BASIC track or the ENHANCED track to be eligible for PSS.

An ACO interested in PSS must establish an adequate repayment mechanism during Phase 1 of the Shared Savings Program application that can be used to recoup outstanding prepaid shared savings. Refer to [Section 3.1.2](#) below for more information.

##### 3.1.1 Participation Options Report

The *Participation Options Report* provided with the two RFI periods during Phase 1 of the Shared Savings Program application (RFI-1 and RFI-2) will contain a preliminary PSS eligibility indicator. CMS will provide both preliminary information on the ACO's eligibility to participate in the payment option and an estimate of prepaid shared savings that the ACO would be expected to earn in the next performance year. All quarterly payment amounts provided during the

application process are estimates only and subject to change. An ACO's actual prepaid shared savings quarterly payment amount will be determined prior to the start of each quarter based on the latest available beneficiary assignment list for the performance year. More information on prepaid shared savings calculations and the payment schedule can be found in [Section 4.1](#).

Following the two Phase 1 RFI periods, the *Participation Options Report* will be released again during Phase 1 Final Dispositions and will provide a final PSS eligibility determination, as well as an updated prepaid shared savings quarterly payment amount estimate that is also subject to the caveats described above.

ACOs can find additional information about the PSS eligibility and estimate information in the *Participation Options Report Data Dictionary*, located in both the Application Cycle subtab (via the information bubble) of the My ACOs tab and the Program Resources section of the Knowledge Library tab in [ACO-MS](#).

### IMPORTANT!



All prepaid shared savings quarterly payment amounts provided during the application process are estimates only.

An ACO's actual prepaid shared savings quarterly payment amount will be determined prior to the start of each quarter based on the latest available beneficiary assignment list for the performance year.

### 3.1.2 Repayment Mechanism Requirement

Pursuant to [42 CFR § 425.640\(b\)\(7\)](#), ACOs that receive prepaid shared savings must have in place an adequate repayment mechanism in accordance with [42 CFR § 425.204\(f\)](#) that can be used to recoup outstanding prepaid shared savings.

For ACOs that elect to participate in prepaid shared savings, the ACO's repayment mechanism may also be used to recoup outstanding prepaid shared savings.

If an ACO has an outstanding balance of prepaid shared savings after the calculation of shared savings or losses for the final performance year of an agreement period in which an ACO receives prepaid shared savings, and the ACO fails to repay any outstanding amount of prepaid shared savings following a request from CMS, CMS will recoup any outstanding balance of prepaid shared savings from the ACO's repayment mechanism.

CMS requires Repayment Mechanism documentation for ACOs electing to participate in prepaid shared savings to enable CMS to make a demand for repayment mechanism funds if the ACO fails to pay in full any shared losses or any prepaid shared savings determined to be owed to CMS as a result of participation in the Shared Savings Program (e.g., by defining "debt" to include both shared losses and any prepaid shared savings determined to be owed to CMS). These ACOs have the option of either establishing a new repayment mechanism with the additional required language or amending their current repayment mechanism to include it.

While this additional language is only required for ACOs participating in prepaid shared savings, the additional language can be included as part of draft submissions before a final decision

regarding participation has been made. ACOs who do not receive prepaid shared savings are allowed to include this language.

## 3.2 PHASE 2

During Phase 2 of the Shared Savings Program application, an ACO that is eligible to receive prepaid shared savings will have an opportunity to indicate interest and submit supplemental information for CMS review. The supplemental information must be submitted timely and meet the requirements set forth at [42 CFR § 425.640\(d\)](#).

An ACO that has indicated its interest in receiving prepaid shared savings during Phase 2 of the Shared Savings Program application may receive a request for information (RFI) notification summarizing CMS' review of the submitted information. The ACO should carefully review any RFI sent by CMS because it will have only one opportunity to correct any deficiencies identified during Phase 2 of the Shared Savings Program application.

An ACO interested in receiving prepaid shared savings must:

- Indicate its interest in receiving prepaid shared savings during Phase 2 of the Shared Savings Program application.
- Select a quarterly payment amount the ACO intends to receive (refer to [Section 4.2](#) for more details).

Pursuant to [42 CFR § 425.640\(d\)](#), each ACO will be required to submit a detailed spend plan as part of its application for prepaid shared savings and annually thereafter that details their planned uses for prepaid shared savings. ACOs will be required to include the following information as part of their spend plan:

- Identify the categories of items and services that will be purchased and investments that will be made in the ACO with prepaid shared savings, the dollar amounts to be spent on such categories, a description of direct beneficiary services that would be provided to ACO beneficiaries (including a description of any Part B cost sharing support), information about which groups of beneficiaries the ACO expects to receive direct beneficiary services, a description of how direct beneficiary services will be distributed to beneficiaries and how such services support the care of beneficiaries, descriptions of the investments that will be made in the ACO with prepaid shared savings, and such other information as may be specified by CMS.
- An attestation that the ACO will not discriminate on the basis of race, color, religion, sex, national origin, disability, or age with respect to their use of prepaid shared savings.
- The ACO's communication strategy for notifying CMS and any impacted beneficiaries if an ACO will no longer be providing any direct beneficiary services that had previously been provided by the ACO using prepaid shared savings. This communication strategy must include when and how the ACO intends to notify CMS and the impacted beneficiaries, as well as any available alternatives for impacted beneficiaries to access similar services.

CMS may require the ACO to make changes to the spend plan to comply with relevant requirements, such as the obligation to use prepaid shared savings only for an allowable use as specified in [42 CFR § 425.640\(e\)\(1\)](#). More details can be found below in [Section 5.3](#).

## IMPORTANT!



ACOs must maintain a record of the Beneficiary Communication and make it available to CMS upon request.

If the ACO elects to include cost sharing support as a direct beneficiary service in their PSS spend plan, they should include the additional information as part of their PSS supplemental information. Such additional information could include categories of eligible Part B services and categories of eligible beneficiaries, to ensure that ACO participants have access to the most current information regarding beneficiary alignment to the ACO. ACO cost sharing participants should attest to the patient benefits resulting from cost sharing. More information on cost sharing support can be found below in [Section 4.3.1.1](#).

The ACO must certify that they meet all applicable Shared Savings Program requirements related to PSS, including but not limited to public reporting of prepaid shared savings spending, compliance and monitoring for PSS, and the obligation to repay all prepaid shared savings received for which the ACO may be liable. Refer to the [PSS Sample Supplemental Information](#) for more details.

## Published Resource Available



For more information on completing the PSS Spend Plan in ACO-MS, please review the [How to Complete the PSS Supplemental Information and Spend Plan in ACO-MS](#) tip sheet.

Note that an ACO determined to be eligible for PSS is not required to report actual spending when submitting the PSS supplemental information as part of the Shared Savings Program application to CMS. However, a currently participating ACO receiving prepaid shared savings will need to provide information on its use of prepaid shared savings and any other changes to its projected spending for the future performance year as part of CMS and public reporting requirements (refer to [Sections 5.1](#) and [5.2](#)).

### SAMPLE PREPAID SHARED SAVINGS SPEND PLAN

Payment Use	General Spend Category	General Spend Sub-category	Beneficiary Group	Cost Sharing Support (Part B Service(s))	Projected Spending Year 1	Actual Spending Year 1	Projected Spending Year 2	Actual Spending Year 2	Projected Spending Year 3	Actual Spending Year 3	Projected Spending Year 4	Actual Spending Year 4	*Projected Spending Year 5	*Actual Spending Year 5
<b>Line Item Description</b>	Selected Category from Drop-Down*	Selected Sub-category from Drop-Down*	Free text box to identify beneficiary group	Free text box to identify Part B Service(s) Subsidized by Cost Sharing Support	Dollar Amount	Dollar Amount	Dollar Amount	Dollar Amount	Dollar Amount	Dollar Amount	Dollar Amount	Dollar Amount	Dollar Amount	Dollar Amount
<b>Continue for all line items</b>														
<b>Subtotal</b>					Total Dollars Projected	Total Dollars Projected	Total Dollars Projected	Total Dollars Projected	Total Dollars Projected	Total Dollars Projected	Total Dollars Projected	Total Dollars Projected	Total Dollars Projected	Total Dollars Projected

\*Projected and Actual Spending for Year 5 is not applicable for PY 2025 Renewal ACOs.

Spend Plan Summary	
<b>Projected Total Maximum Prepaid Shared Savings Amount</b>	Estimate Provided in the <i>Participation Options Report</i>
<b>ACO Selected Projected Total Prepaid Shared Savings Amount</b>	Sum of ACO Requested Quarterly Payments
<b>Actual Spending</b>	Sums Actual Spending Columns
<b>Remaining Selected Funding to Allocate</b>	Total Funding – (Actual Spending + Projected Spending)
<b>Prepaid Shared Savings Received</b>	Total Amount of Prepaid Shared Savings Received

\*For a list of General Spend Categories and Subcategories of Permissible Uses of Prepaid Shared Savings, refer to [Section 4.3](#).

## 4 Prepaid Shared Savings

An eligible ACO receives prepaid shared savings equal to the amount indicated on the approved spend plan. Maximum quarterly payment amounts are calculated per [Section 4.1.2](#) below.

Section [42 CFR § 425.640](#) outlines the criteria that CMS will use to determine specific payment amounts, appropriate funding uses, public reporting requirements, monitoring of PSS eligibility, PSS terminations, and recoupment of prepaid shared savings. These policies are described in the subsections below.

### Renewal Applicants

An eligible ACO entering an agreement period beginning on January 1, 2026, or in subsequent years will receive quarterly prepaid shared savings for the entirety of the ACO's agreement period unless the payment is withheld or terminated pursuant to [42 CFR § 425.640\(h\)](#).

### PY 2025 Renewal Cohort

An eligible ACO participating in an agreement period beginning on January 1, 2025, will receive quarterly prepaid shared savings starting with the performance year beginning on January 1, 2026, and for the remainder of its agreement period unless the payment is withheld or terminated pursuant to [42 CFR § 425.640\(h\)](#). The ACO will not receive additional or catch-up payments for Performance Year (PY) 2025.

## 4.1 PREPAID SHARED SAVINGS CALCULATION

### 4.1.1 How ACO Quarterly Payments Are Calculated

#### Overview

Eligible ACOs will receive quarterly prepaid shared savings equal to the maximum quarterly payment amount. This amount is calculated pursuant to the methodology outlined in [42 CFR §§ 425.640\(f\)\(2\)](#) through [425.640\(f\)\(4\)](#), unless the ACO elects to receive a lesser amount as described in [42 CFR § 425.640\(f\)\(6\)](#).

- **An eligible ACO that starts a new agreement period beginning on January 1, 2026, or in subsequent years** will receive quarterly prepaid shared savings for the entirety of its agreement period unless the payment is withheld or terminated under [42 CFR § 425.640\(h\)](#).
- **An eligible ACO that started a new agreement period beginning on January 1, 2025,** will receive quarterly prepaid shared savings beginning in PY 2026 and for the remainder of its agreement period unless the payment is withheld or terminated. The ACO will not receive additional or catch-up payments for PY 2025.

## Yearly Prepaid Shared Savings Payment Schedule

Table 1. Quarterly Prepaid Shared Savings Payment Schedule

January	April	July	October
Quarterly Payment based on current PY initial assignment report and ACO selected quarterly payment amount.	Quarterly Payment based on current PY initial assignment report and ACO selected quarterly payment amount.	Quarterly Payment based on current PY Quarter 1 assignment report and ACO selected quarterly payment amount.	Quarterly Payment based on current PY Quarter 2 assignment report and ACO selected quarterly payment amount.

ACOs will receive a prepaid shared savings report package for each quarterly payment as outlined in the table above. This package will include information regarding the prepaid shared savings payment calculation for the current quarter and the total prepaid shared savings received by the ACO through the current quarter. In a given performance year, payments will vary based on the ACO's latest available beneficiary assignment list. This is because an ACO's assigned beneficiary population changes over the course of a performance year and over the course of an agreement period. Payments will be distributed at the start of each quarter, as outlined in the table above.

- For ACOs under preliminary prospective assignment with retrospective reconciliation, the assignment list is updated quarterly based on the most recent 12 months of data.
- For ACOs under prospective assignment, the assignment list is updated quarterly to exclude beneficiaries who meet any of the exclusion criteria during the performance year.

### 4.1.2 How ACO Maximum Quarterly Payments Are Calculated

An ACO's maximum quarterly payment amount is determined by the prepaid shared savings multiplier and the ACO's number of assigned beneficiaries for a given quarter, as described below. **The calculations are the same for all eligible ACOs, regardless of agreement period start date.**

To calculate the ACO's prepaid shared savings multiplier, follow these steps:

#### Step 1:

- Calculate the average per capita savings or losses across the two performance years that constitute the first and second benchmark years (BYs) (BY1 and BY2, respectively) of the agreement period in which the ACO may receive prepaid shared savings ("current agreement period," hereafter). If the ACO was not reconciled for one of the performance years, the per capita savings or losses from that year will be set to zero ([42 CFR § 425.640\(f\)\(2\)\(i\)](#) and [42 CFR § 425.640\(f\)\(2\)\(ii\)](#)).

#### Step 2:

- Apply a proration factor to the average per capita savings calculated in Step 1. The proration factor is equal to the ratio of:
  - The ACO's average assigned beneficiary person years for BY1 and BY2, as calculated when the ACO was financially reconciled for these performance years; and

- The ACO's average assigned beneficiary person years for BY1 and BY2, as calculated using the ACO's certified ACO participant list and assignment methodology for a given performance year within the current agreement period ([42 CFR § 425.640\(f\)\(2\)\(iii\)](#)).

This ratio is capped at one. If the ACO was not reconciled for BY1, the person years from that year will be excluded from the averages in the numerator and the denominator of this ratio.

### Step 3:

- Adjust the prorated average per capita savings, as follows:
  - First, apply a shared savings scaling factor by multiplying the prorated average per capita savings by 0.5 ([42 CFR § 425.640\(f\)\(2\)\(iv\)](#)); then
  - Multiply the resulting value by two-thirds to apply a financial risk scaling factor ([42 CFR § 425.640\(f\)\(2\)\(v\)\(A\)](#)).

### Step 4:

- Determine the prepaid shared savings multiplier as the lesser of:
  - The value calculated in Step 3;
  - Five percent of national per capita expenditures for Parts A and B services under the original Medicare fee-for-service (FFS) program in BY2 for assignable beneficiaries expressed as a weighted average of Medicare enrollment type-specific values ([42 CFR § 425.640\(f\)\(2\)\(v\)\(B\)](#)).
- For additional detail regarding circumstances in which the prepaid shared savings multiplier would be recalculated during the ACO's current agreement period, refer to [42 CFR § 425.640\(f\)\(3\)](#).

### Step 5:

To calculate the ACO's maximum quarterly payment, follow these steps:

- Determine the ACO's total maximum prepaid shared savings payment for the applicable quarter ([42 CFR § 425.640\(f\)\(4\)](#)) as follows:
  - Divide the prepaid shared savings multiplier calculated in Step 4 by four.
  - Then, multiply the resulting value by the assigned beneficiary person years from the ACO's latest available assignment list.

An ACO may elect to receive a lesser amount as described in [42 CFR § 425.640\(f\)\(6\)](#). The table below presents a hypothetical example of the calculations described above.

Calculate the ACO's prepaid shared savings multiplier.	
<b>Step 5.1.</b> Compute average per capita savings	Per capita savings in BY1 (\$350) and BY2 (\$400)
	$(\$350 + \$400) / 2 = \$375$

<b>Step 5.2.</b> Prorate average per capita savings	Assigned person years from financial reconciliation for the performance years that constitute BY1 (6,000) and BY2 (7,000)
	Assigned person years from BY1 (8,000) and BY2 (7,500), as calculated using the ACO's certified ACO participant list and assignment methodology for the current PY
	$[(6,000 + 7,000)/2] / [(8,000 + 7,500)/2] \times \$375 = \$314.52$
<b>Step 5.3.</b> Adjust prorated average per capita savings for sharing rate and financial risk	$\$314.52 \times (0.5) \times (2/3) = \$104.84$
<b>Step 5.4.</b> Determine the lesser of the prorated and adjusted average per capita savings and five percent of national assignable FFS per capita expenditures in BY2 expressed as a weighted average of Medicare enrollment type-specific values.	National assignable FFS per capita expenditures in BY2 (\$10,000)
	$(0.05 * \$10,000) = \$500 > \$104.84$
<b>Calculate the ACO's maximum quarterly payment</b>	
<b>Step 5.5.</b> Multiply one-fourth of the prepaid shared savings multiplier by the assigned beneficiary person years derived from the ACO's latest available assignment list	Assigned beneficiary person years from the ACO's latest available assignment list: 8,500.
	$(\$104.84/4) \times 8,500 = \$222,785$

## 4.2 SELECTION OF QUARTERLY PAYMENT AMOUNT

As detailed in [Section 4.1.2](#), CMS will calculate the ACO's estimated maximum quarterly payment amount during Phase 1 of the application cycle (Refer to the Application Cycle subtab in ACO-MS and your ACO's *Participation Options Report*). Each performance year, eligible ACOs may request a smaller quarterly payment amount from CMS ([42 CFR § 425.640\(f\)\(6\)](#)).

ACOs submitting their PSS spend plan to CMS for review for the first time during the Application Cycle can select this as part of their PSS supplemental information. Refer to the [PSS Supplemental Information](#) and the [How to Complete the PSS Supplemental Information and Spend Plan in ACO-MS](#) tip sheet for more information.

ACOs receiving prepaid shared savings can make their annual quarterly payment amount selection during the PSS Spend Plan Change Request cycle at the beginning of each performance year, beginning during the ACO's second performance year receiving prepaid shared savings.

## 4.3 PREPAID SHARED SAVINGS USES

CMS finalized a new “prepaid shared savings” payment option for eligible ACOs with a history of earning shared savings [CFR 42 § 425.640](#). ACOs that indicate interest and are determined eligible to receive prepaid shared savings will receive advances of shared savings that they can use to make investments that will aid beneficiaries, such as investments in direct beneficiary services and investments to improve care coordination and quality through staffing or health care infrastructure.

Prepaid Shared Savings may be spent on one of the three categories of spending. These include staffing, healthcare infrastructure, and direct beneficiary services ([42 CFR § 425.640\(e\)\(1\)](#)). Direct beneficiary services include in-kind items or services provided to an ACO beneficiary that are not otherwise covered by Traditional Medicare but are evidence-based and medically appropriate for the beneficiary based on clinical and social risk factors. Direct beneficiary services can also include cost sharing support, including the reduction of beneficiary copay or deductibles for Traditional Medicare beneficiaries.

### IMPORTANT!



ACOs who receive prepaid shared savings may:

- Spend up to 50 percent of its estimated annual prepaid shared savings on staffing and health care infrastructure in each performance year ([42 CFR § 425.640\(e\)\(1\)\(i\)](#)); and
- Spend up to 100 percent, but **not less than 50 percent**, of its estimated annual prepaid shared savings on direct beneficiary services in each performance year ([42 CFR § 425.640\(e\)\(1\)\(ii\)](#)).

CMS tracks expenditure subcategories within the three allowable use categories. ACOs may spend prepaid shared savings on any of the subcategories of allowable uses listed in Table 2 below, including the line items for “other” expenditures, provided that all expenditures constitute an allowable use.

- Pursuant to [42 CFR § 425.640\(d\)\(2\)\(ii\)](#), ACOs must also identify the beneficiary group(s) being provided direct beneficiary services in the PSS spend plan. ACOs will enter, in the free text box provided, the beneficiary group. For example, if an ACO planned to furnish medically tailored meals as a direct beneficiary service from the Fitness and Nutrition subcategory to their Medicare beneficiaries who are at risk of or diagnosed with diabetes, the ACO would enter “Medicare Beneficiaries at risk of or diagnosed with diabetes” under the Beneficiary Group.

Some ACO beneficiaries concurrently receive services and supports through Federal, State, or local means-tested programs. ACOs should make reasonable efforts to ensure the direct beneficiary services distributed to beneficiaries do not impact their eligibility for level of benefits through such means-tested programs.<sup>1</sup> ACOs should familiarize themselves with the means-

<sup>1</sup> Refer to, for example, [Frequently Asked Questions \(FAQ\): HUD-assisted Housing and Medicare Advantage Supplemental Benefits](#)

tested benefits that their beneficiaries receive under Federal, State, or local means-tested programs, including their eligibility requirements. ACOs should also be prepared to provide beneficiaries with any documentation regarding their receipt of the direct beneficiary service necessary for maintaining eligibility for other means-tested benefits the beneficiary receives.

Many ACO beneficiaries are also enrolled in Medicaid. To the extent the State Medicaid program covers the same services as the ACO provides as direct beneficiary services, the State may treat the ACO as the primary payer for that service. However, we anticipate that ACOs will tailor their direct beneficiary services to maximize value for the beneficiary. Therefore, we believe it is unlikely that ACOs will offer direct beneficiary services to dually eligible individuals that directly overlap with Medicaid services available to the same individuals. CMS provides quarterly lists to ACOs with information about beneficiaries, including their state of residence and enrollment in Medicaid, which can be used to support this effort.

Nonetheless, ACOs should not blanket prohibit beneficiaries covered by Medicaid or other means-tested programs from being offered direct beneficiary services. Beneficiaries should be reviewed on an individual basis to understand what benefits they currently have access to and identify where an ACO may be able to provide additional support through direct beneficiary services.

Many direct beneficiary services may be provided by staff working for an ACO or its participating providers or suppliers. If a staff member is hired or directed to provide these services, ACOs may use dollars designated for direct beneficiary services to cover the percentage of their salary that aligns with the percentage of time the staff member spends providing direct beneficiary services that are not otherwise payable by Traditional Medicare.

The following is the full list of spending items that are considered direct beneficiary services and that ACOs may cover with the prepaid shared savings they receive. CMS may decide to modify this list in future years.

*Table 2. Categories and Subcategories of the Allowable Uses of Prepaid Shared Savings*

Direct Beneficiary Services
<p><b><u>Fitness and Nutrition:</u></b></p> <p>Case management services for access to services and supports, including, for example:</p> <ul style="list-style-type: none"> <li>• Outreach and education</li> <li>• Linkages to other state and federal benefit programs, benefit program application assistance, and benefit program application fees</li> </ul> <p>Services to support physical activity, including:</p> <ul style="list-style-type: none"> <li>• Gym memberships</li> <li>• Cardiac, pulmonary, and other chronic disease rehabilitation not otherwise payable in Traditional Medicare</li> <li>• Exercise training</li> </ul> <p>Nutrition counseling and instruction, tailored to health risk, nutrition-sensitive health conditions, and/or demonstrated outcome improvement, including, for example:</p> <ul style="list-style-type: none"> <li>• Guidance on selecting healthy food</li> <li>• Healthy meal preparation</li> </ul> <p>Home delivered meals or pantry stocking, tailored to health risk and eligibility criteria and/or certain nutrition-sensitive health conditions, for example:</p> <ul style="list-style-type: none"> <li>• Medically tailored meals to individuals who are at risk of or diagnosed with diabetes</li> </ul> <p>Nutrition prescriptions, tailored to health risk, certain nutrition-sensitive health conditions, and/or demonstrated outcome improvement, including, for example:</p> <ul style="list-style-type: none"> <li>• Fruit and vegetable prescriptions</li> </ul>

- Protein boxes
- Food pharmacies

Grocery provisions, for high-risk individuals to avoid unnecessary acute care admission or institutionalization

**Promoting a Healthy Environment:**

Housing supports that support a healthy environment, for example:

- Housing transition and navigation services (e.g. finding and securing housing)
- Pre-tenancy navigation services
- Tenancy and sustaining services and individualized case management (e.g., linkages to state and federal and state benefit programs, benefit program application assistance and fees, eviction prevention, tenant rights education)
- One-time transition and moving costs other than rent
- Short-term pre-procedure, recuperative, or post-transition housing and care, where integrated, clinically oriented recuperative or rehabilitative services and supports are provided, or ongoing monitoring is required.

Home/environmental accessibility modifications, including, for example:

- Wheelchair accessibility ramps
- Handrails
- Grab bars

**Other Services to Promote a Healthy Life:**

Personalized health and wellness coaching not otherwise payable in Traditional Medicare to address underlying health behaviors at the root of chronic disease

FDA-approved digital therapeutics not otherwise payable under Traditional Medicare to address chronic disease

General whole-person services not otherwise payable in Traditional Medicare:

- Comprehensive assessments
- Social care coordination
- Follow-up to ensure unmet social needs are being addressed

Beneficiary home visits not otherwise payable in Traditional Medicare

Transportation services

Personal emergency response systems or medical alert systems

Substance use disorder services or programs not otherwise payable in Traditional Medicare, for example:

- Contingency management services

Day habilitation programs

Sobering centers (<24 hour stay)

Caregiver support services:

- Caregiver counseling or support groups
- Caregiver training and education not otherwise payable in Traditional Medicare
- Respite care

Vision, hearing or dental care directly provided by ACO providers/suppliers (as defined in § 425.20) or covered under a health insurance plan purchased by the ACO on behalf of the beneficiary

**Cost Sharing Support:**

Cost sharing support that reduces or eliminates cost sharing for categories of Part B services for Shared Savings Program beneficiaries identified by the ACO.

Increased Staffing	Healthcare Infrastructure
<p><b><u>Behavioral health clinicians:</u></b></p> <ul style="list-style-type: none"> <li>• Behavioral health care coordinators</li> <li>• Behavioral health case managers</li> <li>• Clinical Psychologists</li> <li>• Marriage and Family Therapists</li> <li>• Mental health counselors or Licensed Professional Counselors</li> <li>• Peer support specialists</li> <li>• Psychiatrist</li> <li>• Substance use counselors</li> </ul> <p><b><u>Education:</u></b></p> <ul style="list-style-type: none"> <li>• Other staff education (explain in “Payment Use”)</li> <li>• Training staff to provide culturally and linguistically tailored services</li> </ul>	<p><b><u>Health IT:</u></b></p> <ul style="list-style-type: none"> <li>• Case/practice management systems</li> <li>• Clinical data registries</li> <li>• Electronic Quality Reporting</li> <li>• Establishing or improving translation services</li> <li>• Health information exchange and health information network participation</li> <li>• Health IT investments to support integration with dental services</li> <li>• Health IT to support behavioral health activities</li> <li>• Investment in certified electronic health record technology (CEHRT)</li> <li>• IT-enabled screening tools</li> <li>• Remote access technologies/telehealth</li> </ul>

<ul style="list-style-type: none"> <li>• Training staff to provide trauma-informed care</li> </ul> <p><b>General:</b></p> <ul style="list-style-type: none"> <li>• Other (explain in “Payment Use”)</li> <li>• Practice physical accessibility improvements</li> </ul> <p><b>General Staffing:</b></p> <ul style="list-style-type: none"> <li>• Case manager</li> <li>• Community health worker</li> <li>• Licensed Clinical Social Worker</li> <li>• Other Staff (explain in “Payment Use”)</li> <li>• Physician</li> <li>• Physician assistant, nurse practitioner, or clinical nurse specialist</li> <li>• Registered dietitian or nutrition professional</li> </ul>	<p><b>Oral health providers:</b></p> <ul style="list-style-type: none"> <li>• Dental Hygienist</li> <li>• Dentist Public Health Dental Hygiene Practitioner</li> </ul>
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### Tips for Success



Where prepaid shared savings are used for investments in health IT systems and infrastructure, ACOs should utilize health IT that meets standards and implementation specifications adopted in [45 CFR part 170, Subpart B](#), and/or health IT certified under the [Office of the National Coordinator \(ONC\) Health IT Certification Program](#), where applicable. If HHS-adopted standards or certified technology are not applicable, ACOs should utilize health IT that meets non-proprietary standards and implementation specifications developed by consensus-based standards development organizations, such as those identified in the [ONC Interoperability Standards Advisory](#).

Prepaid shared savings cannot be used for anything other than the three categories listed above (and the corresponding subcategories). For example, prohibited uses include: management company or parent company profit, performance bonuses, provision of medical services covered by Medicare, cash or cash equivalent payments to patients, items or activities unrelated to ACO operation, care, or beneficiaries, or the repayment of any shared losses incurred as specified in a written notice in accordance with [42 CFR §§ 425.605\(e\)\(2\)](#) or [425.610\(h\)\(2\)](#), respectively ([42 CFR § 425.640\(e\)\(2\)](#)).

Pursuant to [42 CFR § 425.640\(e\)\(3\)](#), an ACO must spend all prepaid shared savings in the agreement period in which they are received. An ACO must repay to CMS any unspent funds remaining at the end of each agreement period. Any unspent funds received for a performance year must be reallocated in the spend plan for the ACO's next performance year. When reallocated in the spend plan for the next performance year, the total unspent funds in each category must be reallocated within their originally indicated category specified in accordance with [paragraph \(d\)\(2\)](#) of this section. If an ACO fails to spend a majority of the prepaid shared savings they receive in a performance year, CMS may withhold future quarterly payments until the ACO spends the funding they have already received and reports this spending to CMS through an updated spend plan.

### 4.3.1 Cost Sharing Support

CMS defines cost sharing support as the subsidization of a Cost Sharing Support Eligible Beneficiary's Medicare Part B cost sharing obligation for an Eligible Service. ACOs approved ACOs would be able to provide cost sharing support for primary care services (as defined in [42 CFR § 425.20](#)) with respect to which coinsurance applies under Part B.

**"Cost Sharing Support Eligible Beneficiary"** means a fee-for-service beneficiary who is receiving at least one Part B eligible service from an ACO participant and is in a category identified in the ACO's Spend Plan as eligible for Cost Sharing Support.

**"Eligible Service"** means a Part B service in a category identified in the ACO's Spend Plan. The spend plan must include the categories of eligible services, which must not include durable medical equipment, prosthetics, orthotics, supplies, or prescription drugs covered under Part D.

The PSS supplemental spend plan allows the ACO to inform CMS that they have elected to participate in cost sharing support, and potentially have arrangements with ACO participants, pursuant to which the ACO subsidizes Eligible Beneficiary's Medicare Part B cost sharing for categories of Part B services and beneficiaries identified by the ACO and provided by the ACO participants. The ACO should make every effort to ensure that ACO participants have access to the most current information regarding beneficiary eligibility.

The ACO's spend plan should include the following cost sharing support elements:

- The categories of eligible services, which must not include durable medical equipment, prosthetics, orthotics, supplies, or prescription drugs covered under Part D.
- The categories of eligible beneficiaries, which should include the following:
  - Beneficiaries without supplemental insurance (i.e., Medigap, Medicaid) that covers the relevant Part B cost-sharing obligations;
  - Beneficiaries experiencing high health care costs; or
  - Beneficiaries who require certain primary care or specialty care Part B services, the receipt of which could improve the individual's overall health.

It is encouraged that the ACO ensures that the cost sharing support of Part B services advances one or more of the following clinical goals:

- Adherence to a treatment regime;
- Adherence to a drug regime;
- Adherence to a follow-up care plan; or
- Management of a chronic disease or condition.

#### 4.3.1.1 Cost Sharing Support Arrangement (optional)

In an effort to coordinate care and to foster partnership, ACOs are encouraged to have a cost sharing support arrangement, or include language within their ACO Participant Agreement, in place with each ACO participant that agrees to provide cost sharing support for beneficiaries. The terms of the cost sharing support arrangement should specify the following:

- The categories of beneficiaries and Part B eligible services for which the ACO participant may provide cost sharing support;
- A requirement that the ACO participant provides cost sharing support in accordance with the ACO's spend plan; and
- The amount and frequency with which the ACO will reimburse the ACO participant for the cost sharing amounts not collected.

The ACO may not condition the ACO participant's participation in the ACO on their participation in cost sharing support, and not all ACO participants must agree to participate in order for the ACO to offer cost sharing support as a direct beneficiary service. If the ACO elects to conduct activities and/or market that they offer direct beneficiary services, they must neither mislead beneficiaries nor induce them into selecting specific providers. Marketing materials should also explicitly state beneficiaries' freedom to receive services from any Medicare provider, including those outside of the ACO and adherence to the Marketing requirements ([42 CFR 425.310 \(a\)](#)).

If the ACO opts to participate in cost sharing support, the ACO should maintain copies of any written cost sharing support arrangements with ACO participants, that document the following:

- The identity of the Beneficiary for whom cost sharing support has been provided;
- The nature and date of the Part B service for which cost sharing support was provided;
- The dollar amount of the cost sharing support; and
- The ACO participant who furnished the service for which cost sharing support was provided.

## 5 Prepaid Shared Savings Participation

### 5.1 PUBLIC REPORTING REQUIREMENTS

As required by [42 CFR § 425.308](#), ACOs participating in the Shared Savings Program must maintain a designated public reporting webpage and publicly report information in a form and manner specified by CMS. ACOs receiving prepaid shared savings must publicly report information about their ACO's use of the payments for each performance year. Before each performance year, the ACO must publicly report its projected spending, including spend plan categories. After each performance year, the ACO must publicly report the total amount of prepaid shared savings received, their actual spending, including actual spend categories, and any changes to their spend plan. The PSS public reporting requirement includes the following:

- The total amount of prepaid shared savings received from CMS; and
- An itemization of how prepaid shared savings were spent during the year, including expenditure categories, the dollar amounts spent on the various categories, information about which groups of beneficiaries received direct beneficiary services that were purchased with prepaid shared savings and investments that were made in the ACO with prepaid shared savings, how these direct beneficiary services were provided to beneficiaries and how the direct beneficiary services and investments supported the care of beneficiaries, any changes to the spend plan as submitted under [42 CFR § 425.640\(d\)\(2\)](#) (if applicable), and such other information as specified by CMS.

**Published Resource Available**



Refer to [42 CFR § 425.308\(b\)\(10\)](#) and the [Public Reporting Instructions and Template](#) for more details.

## 5.2 REPORT USE OF PREPAID SHARED SAVINGS TO CMS

ACOs that receive prepaid shared savings are required to report information to CMS for each performance year, by a deadline specified by CMS, on their ACO's use of prepaid shared savings ([42 CFR § 425.640\(i\)\(2\)](#)).

The required reporting, both publicly and to CMS, should include an itemization of how prepaid shared savings were spent during the year, including expenditure categories, the dollar amounts spent on the various categories, information about which groups of beneficiaries received direct beneficiary services that were purchased with prepaid shared savings and investments that were made in the ACO with prepaid shared savings, how these direct beneficiary services were provided to beneficiaries and how the direct beneficiary services and investments supported the care of beneficiaries, any changes to the spend plan as submitted under [42 CFR § 425.640\(d\)\(2\)](#) (if applicable), and such other information as may be specified by CMS.

During a timeframe specified by CMS, ACOs that have received prepaid shared savings must report annual updates to their PSS spend plan, including the reporting of actual spending, within the PSS subtab in ACO-MS. ACOs can update projected spending for the current and future performance years, if desired.

Pursuant to [42 CFR § 425.640\(f\)\(5\)](#), if an ACO's maximum quarterly payments decrease over the performance year, the ACO will not be subject to compliance action solely because it spent more than 50 percent of the actual annual amount of prepaid shared savings it received during that PY on staffing and health care infrastructure, as long as it did not spend more than 50 percent of the originally estimated annual maximum prepaid shared savings amount on staffing and health care infrastructure.

**Published Resource Available**



Participating ACOs can review the *PSS Spend Plan Change Request Tip Sheet* for instructions on how to submit the PSS Spend Plan Change Request for CMS review.

## 5.3 MONITORING OF ELIGIBILITY FOR AND USE OF PREPAID SHARED SAVINGS

In accordance with [42 CFR § 425.316\(f\)](#), CMS monitors an ACO that receives prepaid shared savings to ensure ACO compliance with the ACO's use and management of prepaid shared

savings under [42 CFR § 425.640\(e\)](#) and to determine whether it would be appropriate to withhold or terminate an ACO's prepaid shared savings under [42 CFR § 425.640\(h\)](#).

If CMS determines that an ACO receiving prepaid shared savings is using the funds for a prohibited use, fails to spend the funding in accordance with allowable uses, or spends more than 50 percent of the estimated annual payment amount on staffing and health care infrastructure, CMS will require the ACO to reallocate the funding as permitted by [42 CFR § 425.640\(e\)](#) and submit an updated spend plan demonstrating the reallocation by a deadline specified by CMS. CMS may take compliance action as specified in [42 CFR §§ 425.216](#) and [425.218](#).

Pursuant to [42 CFR § 425.316\(f\)\(3\)](#), if an ACO fails to reallocate prepaid shared savings it received by a deadline specified by CMS, the ACO must repay all prepaid shared savings it received and may be subject to compliance action as specified in [42 CFR §§ 425.216](#) and [425.218](#). CMS will provide written notification to the ACO of the amount due and the ACO must pay such amount no later than 90 days after the receipt of such notification.

## 6 Recoupment of Prepaid Shared Savings and Notice of Bankruptcy

### 6.1 RECOUPMENT

CMS will recoup prepaid shared savings made to an ACO from any shared savings the ACO earns until CMS has recouped in full the amount of prepaid shared savings made to the ACO ([42 CFR § 425.640\(g\)](#)). CMS will carry forward any remaining balance owed to subsequent performance years in which the ACO achieves shared savings.

If an ACO has an outstanding balance of prepaid shared savings after the calculation of shared savings or losses for the final performance year of an agreement period in which an ACO receives prepaid shared savings, the ACO must repay any outstanding amount of prepaid shared savings it received in full upon request from CMS. CMS will provide written notification to the ACO of the amount due and the ACO must pay such amount no later than 90 days after the receipt of notification. If the ACO fails to repay any outstanding amount of prepaid shared savings within 90 days of that written notification, CMS will recoup any outstanding balance of prepaid shared savings from the ACO's repayment mechanism established under [42 CFR § 425.204\(f\)](#).

### 6.2 NOTICE OF BANKRUPTCY

Pursuant to [42 CFR § 425.640\(g\)\(5\)](#), if an ACO has filed a bankruptcy petition, whether voluntary or involuntary, the ACO must provide written notice of the bankruptcy to CMS and to the U.S. Attorney's Office in the district where the bankruptcy was filed, unless final payment for the agreement period has been made by either CMS or the ACO and all administrative or judicial review proceedings relating to any payments under the Shared Savings Program have been fully resolved. The notice of bankruptcy must be sent by certified mail no later than five days after the petition has been filed and must contain a copy of the filed bankruptcy petition (including its docket number).

## 7 Termination of Prepaid Shared Savings

**Voluntary Termination:** PSS is a voluntary payment option, and an ACO may notify CMS of its intent to terminate at any time. An ACO may request that CMS withhold a future quarterly prepaid shared savings payment ([42 CFR § 425.640\(h\)\(1\)\(vi\)](#)).

Pursuant to [42 CFR § 425.640\(g\)\(4\)](#), if an ACO terminates its participation agreement during the agreement period in which it received prepaid shared savings, the ACO must repay all outstanding prepaid shared savings it received in full upon request from CMS. CMS will provide written notification to the ACO of the amount due and the ACO must pay such amount no later than 90 days after the receipt of notification. If the ACO fails to repay within 90 days, CMS will recoup any outstanding balance from the ACO's repayment mechanism established under [42 CFR § 425.204\(f\)](#). If the ACO terminates its current participation agreement under [42 CFR § 425.220](#) and immediately enters a new agreement period to continue its participation in the program, CMS may recover the amount owed by recouping any future shared savings the ACO may be eligible to receive in subsequent agreement periods.

**Involuntary Termination:** CMS may withhold or terminate an ACO's prepaid shared savings at any time during an agreement period if:

- The ACO fails to comply with the prepaid shared savings requirements under [42 CFR § 425.640](#);
- The ACO meets any of the grounds for ACO termination set forth in [42 CFR § 425.218\(b\)](#);
- The ACO fails to earn sufficient shared savings in a performance year to repay the prepaid shared savings they received during that performance year;
- CMS determines that the ACO is not expected to earn shared savings in a performance year during the agreement period in which the ACO received prepaid shared savings using the ACO's quarterly reports based on a rolling 12-month window of beneficiary claims data or year-to-date beneficiary claims data;
- The ACO falls below 5,000 assigned beneficiaries; or
- The ACO fails to spend the majority of prepaid shared savings they receive in a performance year.

CMS must terminate an ACO's prepaid shared savings if the ACO fails to maintain an adequate repayment mechanism in accordance with [42 CFR § 425.204\(f\)](#), if the ACO fails to meet the quality performance standard specified under [42 CFR § 425.512](#), or is subject to a pre-termination action after CMS determined the ACO avoided at-risk beneficiaries as specified under [42 CFR § 425.316\(b\)\(2\)](#).

If CMS withholds or terminates a quarterly payment, the ACO will not receive additional or catch-up payments if quarterly payments of prepaid shared savings are later resumed ([42 CFR § 425.640\(h\)\(3\)](#)). CMS may immediately terminate distribution of an ACO's prepaid shared savings without taking any pre-termination actions under [42 CFR § 425.216](#) (refer to [42 CFR § 425.640\(h\)\(4\)](#)).