

# PUBLICATION

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## "Next Generation" ACO Model Announced by CMS [Ober|Kaler]

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**In a March 10, 2015 press release, CMS announced a new addition to its existing Accountable Care Model (ACO) portfolio: Next Generation ACOs. As stated by CMS in its press release, this new ACO model will allow for already experienced ACOs to “assume higher levels of financial risk and reward.” Next Generation ACOs are set to launch in January of 2016.**

Applicants interested in participating as Next Generation ACOs must submit their initial letter of intent (LOI) and application in one of two application cycles. The round one LOI and application will be due **May 1, 2015** and June 1, 2015, respectively, while the round two LOI and application will be due **May 1, 2016** and June 1, 2016, respectively. CMS anticipates between 15 and 20 ACOs will participate in this new model.

### Next Generation ACO: Model Overview

CMS's underlying goals for the Next Generation ACOs are two fold: to test whether strong financial incentives for ACOs will result in (1) improved health outcomes; and/or (2) reduced expenditures for Medicare fee-for-service (FFS) beneficiaries. Accordingly, and as set forth in CMS's Next Generation Request for Application (RFA), the new ACO model has adopted the following tenants:

- *Reward quality performance.* In a March 27, 2015 CMS Open Door Forum, CMS indicated that Next Generation ACOs will generally follow the Medicare Shared Savings Program quality domains and measures (although the EHR measure, percent of primary care physicians who successfully meet the meaningful use requirements, will not be included);
- *Reward the attainment of and improvements in cost containment*, ultimately transitioning away from reference to ACO historical expenditures;
- *Offer alternative payment mechanisms* that range from FFS reimbursement to capitation (capitation will first be available in performance year 2017); and
- *Engage beneficiaries* via a new process that gives beneficiaries a decision in their alignment with ACOs.

To implement the above-stated goals and program parameters, CMS is encouraging Next Generation ACOs to work closely not only with providers and/or suppliers that are formal participants in the Next Generation ACO (Next Generation Providers/Suppliers), but also with “Preferred Providers” and “Affiliates” that will assist the ACO in its cost containment and quality goals. The ACO must have a written agreement in place with the Preferred Provider and/or Affiliate, approved by CMS.

Beneficiaries that receive care from Preferred Providers or Affiliates will be eligible for certain “benefit enhancements,” among which include:

- *Beneficiary Coordinated Care Reward:* CMS will make direct payments to each Next Generation beneficiary who receives at least a certain percentage of his or her Medicare services from Next Generation Providers/Suppliers, Preferred Providers, and Affiliates. CMS estimates such payments will be approximately \$50 per beneficiary, per year.

- *3-Day SNF Rule Waiver:* CMS will waive the three-day inpatient requirement prior to admission to a skilled nursing facility (SNF) if a Next Generation beneficiary is admitted to a SNF Affiliate by a Next Generation Provider/Supplier or Preferred Provider. (Note: SNF Affiliates must have, at the time of application submission, a quality rating of 3 or more stars under the CMS 5-Star Quality Rating System as reported on the Nursing Home Compare website).
- *Telehealth Expansion:* Subject to certain exceptions, CMS will eliminate the requirement that beneficiaries be located in a rural area and at a specified type of originating site for telehealth services delivered by Next Generation Providers/Suppliers or Preferred Providers.
- *Post-Discharge Home Visits – “Incident to” Claims:* CMS will allow for non-home bound Next Generation beneficiaries to receive home health services from licensed clinicians that are under the general supervision (versus direct supervision) of a Next Generation Provider/Supplier or Preferred Provider.

In addition, in the Next Generation RFA, CMS indicated it “may consider” reducing or waiving the Next Generation beneficiary requirements to pay the Part B deductible and/or coinsurance when receiving care from Next Generation Providers/Suppliers or Preferred Providers

## **Ober|Kaler's Comments**

The Next Generation Model closely aligns with the January 2015 Department of Health and Human Services (HHS) announcement to tie 85 percent of Medicare fee-for-service payments to quality or value by 2016, and 30 percent of Medicare payments to quality or value through alternative payment models by 2016.

Indeed, the Next Generation Model reflects (1) an ever expanding movement by CMS to tie payments to quality outcomes; and (2) an increasing recognition by CMS that in order to truly influence care coordination and quality outcomes, health care providers must be allowed to influence how, and from whom, patients receive care (with, of course, appropriate safe guards that respect patient choice).