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ACOs: To Risk, Or Not To Risk?

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Despite many uncertainties, the shift toward value based payment continues. More Medicare Shared Savings Program (MSSP) ACOs have entered risk-based tracks (Tracks 2, 3, and now Track 1+), to take advantage of MACRA's[1] 5% bonus to physicians in risk-based payment models. The latest numbers about exactly how many have selected risk for next year will be released soon. We expect to see a lot of movement into Track 1+.

While the opportunity for additional revenue is attractive, it is critical for ACOs and their physicians to determine if they are truly ready for risk well in advance of the annual July application deadline. Here we explore three situations that those in upside-only agreements (e.g., Track 1 MSSP) may find themselves in when reviewing their results and contemplating the transition to risk.

Scenario 1: ACO total spend is above benchmark – No shared savings

This scenario is most common among some new ACOs, due to the extended learning curve for building population health capabilities, such as implementing information technology (IT), obtaining provider buy-in, developing risk stratification models, and instituting effective care management.

For those in Scenario 1, moving to a risk-based track would be, well, risky, potentially resulting in significant losses. Walk, don't run, into the risk-based world, and start by preparing. Plan for the full impact of MACRA through physician engagement and IT enhancements. Set significant, but achievable goals, such as decreasing expenditures this year with the aim of shifting to a simple risk track (e.g., Track 1+) next year to receive the guaranteed 5% MACRA advanced alternative payment model (APM) bonus.

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[1] See more on the Medicare Access and CHIP Reauthorization Act of 2015 ("MACRA") here. [Link to http://www.veralon.com/wp-content/uploads/2017/01/Analyzing-Where-to-Invest-for-Success-Under-MACRA.pdf]

If you are anxious to accelerate the shift to risk, one option is to join forces with a more experienced ACO with proven population health capabilities. This may allow your organization to cut the typical upfront time and investment —if you can overcome the IT and cultural issues that often arise with this option. The larger membership can help the ACO lower the threshold savings required to receive funds back from Medicare.

Scenario 2: ACO achieves savings, but not enough to earn shared savings

For ACOs teetering on the edge of sharing in savings, staying in an upside-only track offers a potential positive MIPS adjustment with the focus on quality measures and simplified reporting. Moving to risk may offer a larger share of incentive payments. In addition, the 5% bonus for taking on risk is "found" money (e.g., funds that don't count against the ACO medical expenses when calculating whether savings targets are met)—something that is hard to come by in the healthcare industry. However, achieving shared savings is likely to require incremental operating costs, which has the potential to offset some or all of the advanced APM bonus.

It's difficult to predict ACO performance, given frequent shifts in attribution and physician participation. However, there may be strategic advantages to entering a risk-based track, such as positioning the organization to succeed long-term under value-based payments.

In this scenario, the incremental investments in infrastructure may be just what your organization needs to jump from breaking even to sharing in savings. The downside risk can also be the additional motivating factor required for providers to change behavior and direct more attention to improving performance. All of these potential positive impacts must be weighed against the downside risk.

Scenario 3: ACO exceeds minimum savings rate, has quality score above 90%, and consistently earns shared savings

The established ACOs consistently sharing in savings would likely sustain relatively insignificant costs associated with the incremental infrastructure required to move from upside-only shared savings to a risk-based model. When combined with the opportunity to share in a greater percentage of savings and the guaranteed 5% advanced APM bonus, taking on risk likely makes sense.

These ACOs will still want to consider whether this move fits with the organization's strategic goals and direction, and whether they are likely to obtain physician buy-in. Once an ACO is in a risk track, there is no returning to an upside-only track —so leap only when ready.

CONCLUSION

The decision to take on risk should be grounded in thorough financial analyses linked to the changing reimbursement market and to organizational strategy. Although new risk models continue to be developed and are becoming more popular, the transition to a risk-based market will not occur overnight. Those who have not yet been successful under shared savings models may want to focus their efforts on building population health capabilities or consider partnership options that can help them achieve advanced APM status sooner. For those who are already successful in shared savings arrangements, taking on risk can be a good next move despite the need for additional investments, and may position the organization better for the future.

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