



Performance monitoring and growth support in MSSP and ACO REACH

ACOs should examine provider-level financial benchmarks both for performance monitoring and growth strategy. ACO Builder™ can help.

What allows some accountable care organizations (ACOs) to be successful year after year? How can your ACO's executive team better understand the financial underpinnings of your ACO's performance? This case study shows how Milliman tools and analytics can help ACOs develop data-driven strategies to measure provider performance and identify opportunities for continuous improvement in Centers for Medicare and Medicaid Services (CMS) ACO programs.

CMS offers various programs for ACOs to earn incentives for managing the cost and quality of their attributed populations. The Medicare Shared Savings Program (MSSP) and ACO Realizing Equity, Access, and Community Health (REACH) models present significant opportunity for ACOs, but they also bring considerable financial risk for participating organizations.

Performance Monitoring

To illustrate, we developed a case study featuring Innovative ACO, a fictional ACO that is representative of many ACOs. Innovative ACO is a high-performing ACO comprised of five distinct provider organizations participating in the MSSP ENHANCED track, with first-dollar savings and losses. In the most recent settlement year, the ACO received a shared savings payment of \$5.4 million, reflecting a long year of hard work and collaboration. The calculation of this \$5.4 million settlement was provided via CMS's standard ACO reporting package, but the CMS reports provide results in aggregate and do not facilitate a deep understanding of the performance of the providers within the ACO.

While the Innovative executives had hunches about which participants were contributing to ACO savings, they lacked data to back up their intuition.

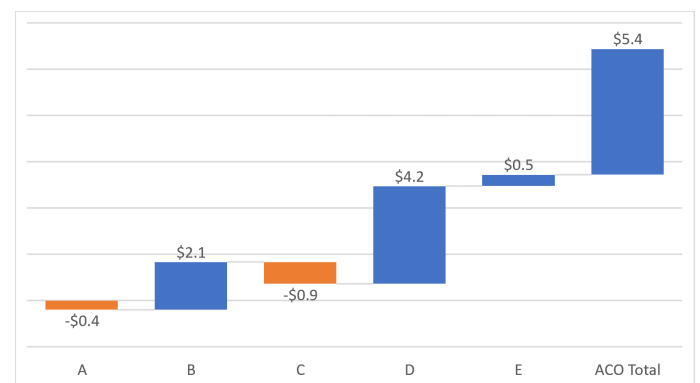
Milliman's ACO Builder replicates CMS's settlement methodology, applying it at the individual provider organization level using detailed Medicare claims and exposure data. Using

Milliman's ACO Builder, the leaders at Innovative were able to develop an accurate, data-driven understanding of how each participant contributed to the success of the ACO and, subsequently, were able to confidently allocate the \$5.4 million settlement among each of the five provider organizations. Figures 1 and 2 illustrate this analysis.

FIGURE 1: INNOVATIVE ACO'S COMPOSITION

PROVIDER ORG	BENEFICIARY-YEARS	BENCHMARK \$PBPM	EXPENDITURE \$PBPM	NET SAVINGS (\$M)
A	5,000	\$906	\$915	-\$0.4
B	5,000	926	880	2.1
C	5,000	1,062	1,083	-0.9
D	5,000	1,043	949	4.2
E	5,000	1,072	1,061	0.5
All Providers	25,000	\$1,002	\$978	\$5.4

FIGURE 2: ACO SETTLEMENT BY PROVIDER ORG



In Figures 1 and 2, net savings is calculated as the benchmark per beneficiary per month (PBPM) rate minus the expenditure PBPM rate, multiplied by the 75% sharing percentage, multiplied by beneficiary years, multiplied by 12 months per beneficiary per year.

Growth support

With the performance year settlement measurement complete, Innovative ACO turned its attention to growth strategy. It needed to decide which providers to include for its next performance year.

Innovative was interested in expanding the ACO to include two additional independent provider organizations, Provider F and Provider G. While the leaders of the ACO and the provider organizations had solid relationships and wanted to work together, Innovative’s executives needed to assess the likely financial impact of incorporating the new provider organizations into the ACO.

Provider F was able to gather reports showing that its patients had a relatively high cost of care, with typical Medicare spend over \$1,050 per beneficiary per month (PBPM), over 7% higher than the ACO’s historical average of \$978.

Provider G was also able to gather reports showing a more typical cost of care for its patients, with Medicare spend of about \$979 PBPM, right in line with Innovative ACO’s average of \$978.

Based on the above information, Innovative’s executives believed adding Provider G to its ACO would be better than adding Provider F to the ACO.

However, when Innovative compared the two providers using Milliman’s ACO Builder, the results were surprising. Provider F, the provider with high-cost patients, was modeled to contribute positively to the ACO’s shared savings. While Provider F’s patients were high-cost, their risk scores were also high, yielding a favorable benchmark and net savings. Provider G, with the average-cost patients, would contribute negatively to the financial performance of the ACO. While Provider G’s patients were average-cost, they were below-average risk, so their benchmark was below their historical expenditures, dramatically reducing the potential savings of the hypothetical ACO.

Milliman’s ACO Builder provides the missing pieces of the puzzle to allow ACO leadership to understand the potential financial impact of the new providers joining the ACO. In addition to historical expenditures and attributed beneficiary counts, Milliman’s ACO Builder brings CMS-Hierarchical Condition Category (CMS-HCC) risk scores to develop a refined estimate of each provider’s financial benchmark. Calculating the financial benchmark at the participant level using CMS methodology is necessary to make an accurate assessment of the provider’s contribution to the hypothetical ACO. Calculating the financial benchmark at the participant level using CMS methodology is necessary to make an accurate assessment of the provider’s contribution to the hypothetical ACO.

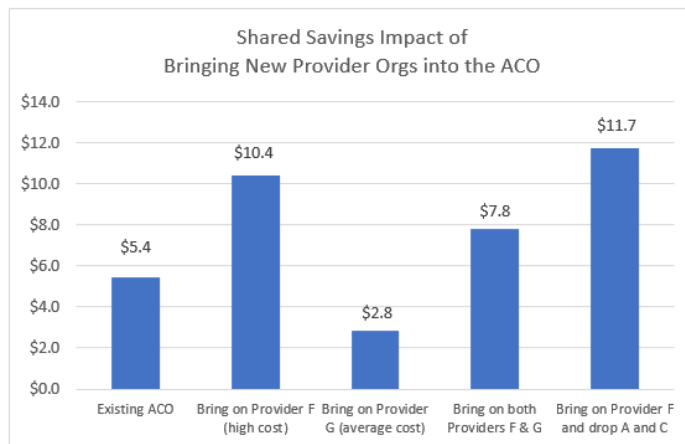
Figure 3 shows how Provider F’s high-cost population has a correspondingly high benchmark, leading to a \$5 million additional gain for the hypothetical ACO. Provider G, with its average-cost patients, has an unexpectedly low benchmark due to lower-than-average risk, likely to result in a decrease to ACO shared savings of \$2.6 million.

FIGURE 3: INNOVATIVE ACO’S PARTICIPANTS VS. POTENTIAL JOINERS

PROVIDER ORG	BENEFICIARY-YEARS	BENCHMARK \$PBPM	EXPENDITURE \$PBPM	NET SAVINGS (\$M)
A	5,000	\$906	\$915	-\$0.4
B	5,000	926	880	2.1
C	5,000	1,062	1,083	-0.9
D	5,000	1,043	949	4.2
E	5,000	1,072	1,061	0.5
F (potential joiner)	10,000	1,100	1,045	5.0
G (potential joiner)	10,000	950	979	-2.6
All Providers	45,000	\$1,012	\$993	\$7.8

Figure 4 shows the simulated shared savings for the ACO under various provider configurations. The ACO executives had been ready to turn Provider F away based only on its claims data but, as ACO Builder showed, bringing on Provider F could nearly double the ACO’s shared savings. Bringing on Provider G, with its lower claims PBPM, would significantly decrease shared savings. ACO Builder allows the user to easily simulate the shared-savings impact of adding or removing particular providers based on historical experience.

FIGURE 4: INNOVATIVE ACO’S CONFIGURATION SCENARIOS



Conclusion

MSSP and REACH ACOs are complex, but the financial opportunities for efficient, high-quality providers are significant. Milliman’s ACO Builder provides immediate insight into not only the cost, risk, and attribution of a given ACO, but the cost, risk, and attribution of all Medicare providers. This rich data set enables ACO leaders to make informed decisions about the direction of the ACO. Contact your Milliman consultant for more information about how ACO Builder can help your organization develop a data-driven strategy.

About ACO Builder™

ACO Builder™ uses 100% of Medicare fee-for-service (FFS) claims and risk score data and replicates CMS ACO attribution and settlement methodology to provide additional insight into an ACO's financial performance. Provider information changes frequently, so multiple scenarios should be examined and compared to outside sources when making critical business decisions.

ACO Builder™ is accessible via a web browser or as an Excel workbook. There is no software to install.



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