MILLIMAN ACO BUILDER

Annual renewal considerations in the Medicare Shared Savings Program (MSSP)

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Accountable care organizations (ACOs) should make data-informed decisions each year about their participation in the Medicare Shared Savings Program (MSSP), and ACO Builder can help.

What annual decisions do ACOs in the MSSP need to make? How can ACOs maximize savings through participation decisions? This case study shows how Milliman's ACO Builder® can help MSSP ACOs do what is otherwise nearly impossible—develop *data-driven* strategies to measure the impact of various participation options available to them annually:

- Beneficiary assignment methodology (i.e., retrospective versus prospective)
- Early agreement period renewal versus continuing in the existing agreement
- Track selection
- Participant list changes (not discussed in this case study)

Of the 292 MSSP ACOs that continued participating from 2024 to 2025 and whose agreement period did not expire after 2024, only 3% switched assignment methodology and 15% elected to renew their agreement period early. While many ACOs may be reviewing their options annually and their participation options are already optimized, we strongly suspect that many ACOs are not considering their options before each performance year. All ACOs are working hard to manage care appropriately, capture diagnosis codes accurately, and deliver high-quality care, but many are likely foregoing material savings by not optimizing their participation decisions.

In this case study, we use financial projections from Milliman's ACO Builder, which leverages 100% of Medicare fee-for-service (FFS) claims and risk score data to replicate MSSP methodology. Using actual data from existing providers, we created a hypothetical ACO (XYZ ACO) with the following characteristics:

- 13 participants
- Initial agreement period beginning in 2023 (i.e., benchmark period 2020–2022)
- BASIC track, Level B
- Retrospective beneficiary assignment

XYZ ACO is evaluating its options going into the performance year (PY) 2026 application cycle.

Beneficiary assignment methodology

ACOs can annually elect the methodology used in beneficiary assignment (retrospective or prospective), and the deadline to make this choice is the close of Phase 1 of the application window (June 12, 2025, for PY2026).[1,2]

Because the assignment methodology determines who is assigned to the ACO, ACOs should evaluate the impact of this choice on their financial performance. Even though prospective assignment may sometimes result in lower beneficiary counts, the aggregate shared savings may be favorable under prospective assignment. The opposite may be true as well (i.e., retrospective assignment may project larger savings than prospective assignment), so it is important to model out both scenarios for your ACO. An ACO's performance under each assignment methodology can also change over time, so it is important to periodically make this evaluation to ensure that the assignment methodology choice is optimal.

Figure 1 compares the difference in key metrics for XYZ ACO under both assignment methodologies. The risk scores shown below are based on the v24 hierarchical condition category (HCC) methodology, and regional efficiency refers to the ratio of ACO expenditures to risk-adjusted regional expenditures (i.e., lower ratio means more efficient).

FIGURE 1: ESTIMATED PERSON YEARS, RISK SCORES, AND REGIONAL EFFICIENCY UNDER RETROSPECTIVE AND PROSPECTIVE ASSIGNMENT

ASSIGNMENT METHODOLOGY	METRIC	2016	2017	2018	2019	2020	2021	2022	2023	2024
Retrospective	Person Years	33,884	34,266	48,248	46,365	47,687	46,166	44,541	43,772	43,626
Prospective	Person Years	33,019	32,327	31,145	43,592	43,564	42,863	42,660	40,788	41,082
Retrospective	Risk Scores	1.000	0.994	0.984	0.982	0.963	0.973	0.976	0.966	0.962
Prospective	Risk Scores	1.046	1.035	1.032	1.028	1.014	1.021	1.016	1.013	1.001
Retrospective	Regional Efficiency	0.948	0.950	0.948	0.933	0.921	0.913	0.918	0.927	0.934
Prospective	Regional Efficiency	0.942	0.961	0.953	0.957	0.945	0.929	0.934	0.943	0.934

While ACOs only receive data for their chosen assignment methodology from the Centers for Medicare and Medicaid Services (CMS), with ACO Builder, XYZ ACO can compare its performance under both methodologies. As shown in Figure 1, the ACO has historically been more efficient under retrospective assignment than prospective assignment, but the gap closed in 2023 and 2024.

Figure 2 shows the projected PY2026 financial performance for XYZ ACO under both assignment methodologies. Under retrospective assignment, the ACO is projected to produce some savings that are not shared with the ACO as they do not meet the size-based minimum savings rate (MSR) required under BASIC level B,[3] whereas, under prospective assignment, the ACO is projecting substantial savings. Some metrics are shown per beneficiary per year (PBPY).

1. CMS MSSP. Key Application Actions and Deadlines. Retrieved March 31, 2025, from https://www.cms.gov/files/document/key-application-dates-and-deadlines-2026.pdf.
2. For an explanation of these two methodologies, see here: https://us.milliman.com/en/insight/prospective-and-retrospective-assignment-in-mssp-and-beyond.
3. For two-sided risk tracks, the MSR is selected once for the entire agreement period. See this paper for more considerations when selecting the MSR for your ACO: https://www.milliman.com/en/insight/mssp-minimum-savings-loss-rates-msr-mlr.

FIGURE 2: ESTIMATED PY2026 FINANCIAL PERFORMANCE UNDER RETROSPECTIVE AND PROSPECTIVE ASSIGNMENT

SAVINGS COMPONENT	RETROSPECTIVE	PROSPECTIVE
Benchmark PBPY	$14,308	$14,969
Expenditures PBPY	$14,107	$14,617
Gross savings PBPY	$200	$352
Total Shared savings	$0	$5,670,814

Key takeaway: While there are operational considerations that come along with each assignment methodology that are not discussed in this paper, XYZ ACO may look to switch to prospective assignment to maximize its shared savings opportunity.

Early renewal

Another decision that ACOs can make annually during a five-year MSSP agreement period is whether to continue in the current agreement period or renew early (i.e., terminate the current agreement and immediately re-enter the next performance year). This early renewal "rebases" the benchmark by shifting the benchmark period to the three years immediately prior to the new agreement period beginning. Rebasing changes the benchmark period and also triggers certain new MSSP rules that become effective for ACOs beginning an agreement period in or after 2024 (e.g., prior savings adjustment).[4] An ACO in the BASIC track can also elect to move to the ENHANCED track when rebasing (whereas they can only move up risk levels within the BASIC track during an agreement period).

For XYZ ACO, rebasing would result in a new benchmark period of 2023–2025 (i.e., the three years before the 2026 agreement period start date). Based on Milliman's ACO Builder, Figure 3 and Figure 4 show the projected PY2026 financial performance under both the original and rebased agreement period, with the ACO selecting BASIC Level E in the rebased agreement.

FIGURE 3: ESTIMATED PY2026 GROSS SAVINGS PBPY UNDER STANDARD AND EARLY RENEWAL

	AGREEMENT PERIOD	
ASSIGNMENT METHODOLOGY	CURRENT	REBASED
Retrospective	$200	$477
Prospective	$352	$401

FIGURE 4: ESTIMATED PY2026 TOTAL SHARED SAVINGS UNDER STANDARD AND EARLY RENEWAL

	AGREEMENT PERIOD	
ASSIGNMENT METHODOLOGY	CURRENT	REBASED
Retrospective	$0	$10,188,714
Prospective	$5,670,814	$8,071,036

4. For more discussion on considerations when rebasing, please see the following: https://www.milliman.com/en/insight/mssp-rebasing-considerations-early-renewal.

For XYZ ACO, rebasing is projected to generate additional shared savings. Prospective assignment appears favorable if staying in the current agreement period, but, if XYZ ACO rebases, then retrospective assignment is projected to produce higher shared savings.

Key takeaway: It is crucial to use reliable data to model these decisions that can have large financial implications for your ACO. With changing time periods, assignment methodologies, and MSSP program rules, many moving parts need to be understood and modeled accurately to optimize MSSP participation.

Track selection

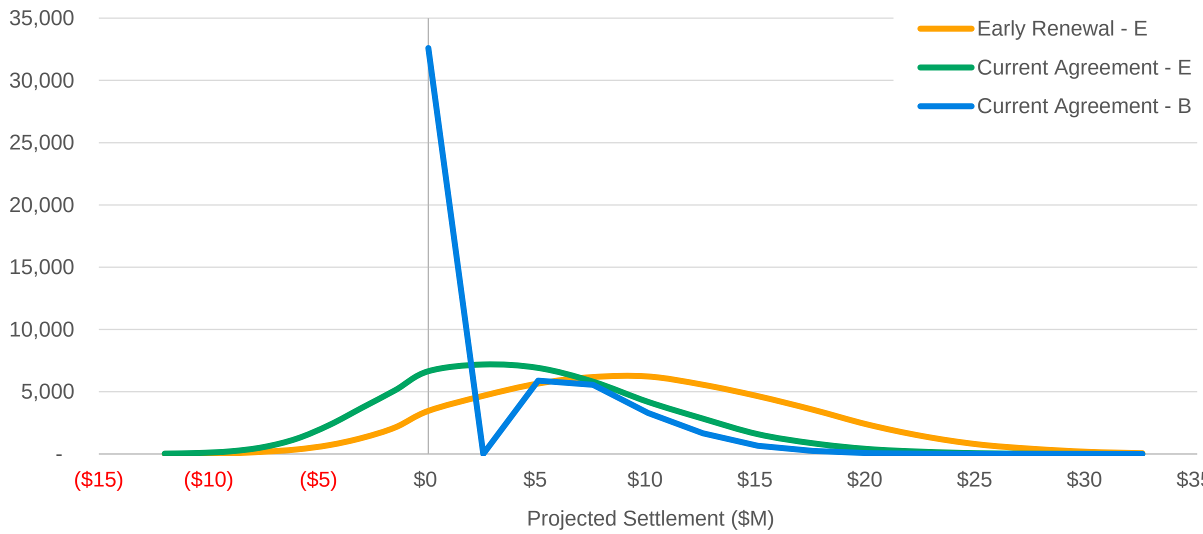
In the previous section, part of what drives additional shared savings under the early renewal scenario is the increased shared savings rate in BASIC Level E, but XYZ ACO could also elect to move to Level E within its current agreement period. Figure 5 uses ACO Builder to add that option and compare to the previously modeled options.

FIGURE 5: ESTIMATED PY2026 TOTAL SHARED SAVINGS UNDER STANDARD AND EARLY RENEWAL

	SCENARIO		
ASSIGNMENT METHODOLOGY	**CURRENT AGREEMENT – BASIC B**	**CURRENT AGREEMENT – BASIC E**	**REBASED – BASIC E**
Retrospective	$0	$4,280,603	$10,188,714
Prospective	$5,670,814	$7,088,517	$8,071,036

As shown in Figure 5, moving to Level E (and electing a 0% MSR/minimum loss rate [MLR]) appears to be favorable within the current agreement period, but rebasing the benchmark still appears to be the most favorable option. However, XYZ wants to also consider its risk tolerance in addition to best estimate savings. It may not be willing to sacrifice a small increase in estimated shared savings if it introduces a higher likelihood of owing shared losses to CMS. In Figure 6, we used a simulation model based on past MSSP performance to run 50,000 scenarios and model the settlement outcome under each of the options in Figure 5 under retrospective assignment.

FIGURE 6: DISTRIBUTION OF PY2026 SHARED SAVINGS/(LOSS) UNDER THREE RETROSPECTIVE OPTIONS



The peaks of each distribution are centered around the best estimates from Figure 5. Note that while the best estimate settlement is $0 for the current agreement period in BASIC Level B and over half of the modeled scenarios resulted in no shared savings or loss (which causes the large peak at $0 due to not meeting the size-based MSR), there is still a non-zero probability of earning shared savings.

In this example, renewing early and switching to BASIC Level E (orange line) resulted in the highest settlement in about 75% of simulated scenarios. However, it also has the flattest distribution, which indicates the greatest amount of uncertainty of the three options.

Of the other 25% of modeled scenarios, moving up to BASIC Level E in the current agreement period and electing to drop the MSR/MLR to 0% resulted in a higher settlement than staying in BASIC Level B in 19% of scenarios, and staying in BASIC Level B resulted in the highest settlement in 6% of scenarios. Staying in BASIC Level B was only the most optimal choice in scenarios where the expenditures were higher than the benchmark because it is the only modeled option with no downside risk.

Key takeaway: Best estimates are very useful for making important ACO participation decisions, but understanding the range of possibilities and the probabilities of different outcomes lets ACOs make decisions that fit into their risk tolerance.

Risk score model phase-in (bonus)

While most of this case study is about decisions that ACOs can make, there are also MSSP program changes outside an ACO's control that can impact financial performance materially. While outside ACOs' control, these changes are still important to be considered when setting future shared savings expectations. One example of this is the phase-in of the v28 CMS-HCC risk score model.[5] For XYZ ACO, moving from the v24 risk score model to the v28 risk score model is projected to increase XYZ's normalized risk score by 0.6% based on ACO Builder data. The risk score model phase-in is projected to be favorable for XYZ, so this should be accounted for in settlement forecasts. However, some ACOs will see much-larger impacts (positive or negative), and some participants within XYZ will also be impacted differently.

At the provider level, XYZ providers are projected to see normalized risk score *decreases* as large as -2.6%, and normalized risk score *increases* as high as +6.3%. If XYZ is tracking performance at the participant level and/or distributing shared savings to its participants based on performance, it should be aware that there will be winners and losers from the v28 risk score model phase-in.

Key takeaway: Using accurate, validated analytics like ACO Builder can help your ACO reliably quantify the impact of the risk score model change and other MSSP program changes—both at the ACO level and by individual ACO participant.

Conclusion

MSSP ACOs work hard to reduce costs for their beneficiaries while providing high-quality care. While important, it can be difficult for ACOs to annually analyze their participation options for future performance years. With Milliman's ACO Builder, ACOs can make these decisions with accurate, reliable data and know that they are optimizing participation for their own unique circumstances and goals.

5. In PY2026, the v28 risk score model will receive 100% weight (i.e., the v24 risk score model will be phased out by that point).

ABOUT ACO BUILDER

ACO Builder uses 100% of Medicare FFS claims, eligibility, and risk score data to replicate the MSSP attribution and settlement methodology—all at the individual provider-level of detail, for any eligible provider nationwide. ACO Builder empowers users to quantify various participation options, program changes, participant list changes, and more. ACOs should evaluate projections under multiple scenarios and compare to external sources when making critical decisions. Reach out to your Milliman consultant to understand how ACO Builder can help your ACO make accurate, reliable data-informed decisions.

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