

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services






Advance Payment Accountable Care Organization (ACO) Model



Overview

The Centers for Medicare & Medicaid Services (CMS), an agency within the Department of Health & Human Services (HHS), finalized regulations under the Affordable Care Act to help doctors, hospitals, and other health care providers better coordinate care for Medicare patients through Accountable Care Organizations (ACOs). ACOs create incentives for health care providers to work together to treat an individual patient across care settings – including doctor's offices, hospitals, and long-term care facilities. The Medicare Shared Savings Program (Shared Savings Program) will reward ACOs that lower their growth in health care costs while meeting performance standards on quality of care and putting patients first. Provider participation in an ACO is purely voluntary.

Shared Savings Goals

-  **Better** care for patients
-  **Better** health for our communities
-  **Lower** costs through improvements for our health care system



In developing the program regulations, CMS worked closely with agencies across the Federal government to ensure a coordinated and aligned inter- and intra-agency effort to facilitate implementation of the Shared Savings Program.

CMS encourages all interested providers and suppliers to review this program's regulations and consider participating in the Shared Savings Program.

This fact sheet provides a general description of the Advance Payment ACO Model and the application process for participating.

Summary of the Advance Payment ACO Model

The Advance Payment ACO Model is an initiative developed by the Center for Medicare and Medicaid Innovation (Innovation Center) designed for organizations participating as ACOs in the Shared Savings Program.

Through the Advance Payment ACO Model, selected participants in the Shared Savings Program receive advance payments that will be recouped from the shared savings they earn. CMS recoups these advance payments from an ACO's shared savings.

The Advance Payment ACO Model tests:

- Whether providing an advance (in the form of upfront payments to be repaid in the future) increases participation in the Shared Savings Program; and
- Whether advance payments allow ACOs to improve care for beneficiaries, generate Medicare savings more quickly, and increase the amount of Medicare savings.

Background

The Innovation Center

The Innovation Center was created by the Affordable Care Act to test new models of health care delivery and payment, offer technical support to providers to improve the coordination of care, and diffuse lessons learned and best practices widely throughout the health care system. It is committed to transforming the Medicare, Medicaid, and Children's Health Insurance Program (CHIP) programs to deliver better care for individuals, better health for populations, and lower growth in expenditures through improvement for Medicare beneficiaries.



Accountable Care Organizations

ACOs are one way CMS is working to meet the three-part aim of better health care, better health, and lower growth in expenditures through continuous improvement.

CMS is encouraging providers to participate in ACOs through the Shared Savings Program, which creates financial incentives for ACOs that lower growth in health care costs while meeting performance standards on quality of care and putting patients first. Mandated by the Affordable Care Act, CMS released program regulations for the Shared Savings Program in October 2011.

Working in concert with the Shared Savings Program, the Innovation Center is developing and testing alternative models of ACOs, including the Advance Payment ACO Model and the Pioneer ACO Model, and sponsoring learning activities that help providers form ACOs and provide better care. More information on all of these initiatives is available on the Innovation Center website at <http://www.innovations.cms.gov/initiatives/ACO> on the CMS website.

In developing the Advance Payment ACO Model, CMS is responding to comments received on the proposed rule for the Shared Savings Program, and comments received on the Advance Payment ACO Model announced in May 2011.

Structure of Payments

Under the Advance Payment ACO Model, participating ACOs receive three types of payments:

- **An upfront, fixed payment:** Each ACO receives a fixed payment.
- **An upfront, variable payment:** Each ACO receives a payment based on the number of its historically-assigned beneficiaries.
- **A monthly payment of varying amount depending on the size of the ACO:** Each ACO receives a monthly payment based on the number of its historically-assigned beneficiaries.

The structure of these payments addresses both the fixed and variable costs associated with forming an ACO.





Recoupment of Advance Payments

CMS recoups Advance Payments through an ACO's earned shared savings. ACOs selected to receive advance payments enter into an agreement with CMS that details the obligation to repay advance payments.

If the ACO does not generate sufficient savings to repay the advance payments as of the settlement scheduled for Shared Savings Program participants midway through the ACO's second performance year, CMS will recoup the balance from earned shared savings in the subsequent performance year. CMS will not pursue recoupment on any remaining balance of advance payments after the ACO completes the first agreement period. CMS will pursue full recoupment of advance payments from any ACO that does **not** complete the full, initial agreement period of the Shared Savings Program.

Eligibility/Selection

The Advance Payment ACO Model is designed to provide support to organizations whose ability to achieve the three-part aim would be improved with additional access to capital, including rural and physician-owned organizations.

The Advance Payment ACO Model is open only to two types of organizations participating in the Shared Savings Program:

1. ACOs that do not include any inpatient facilities **and** have less than \$50 million in total annual revenue.
2. ACOs in which the only inpatient facilities are critical access hospitals and/or Medicare low-volume rural hospitals **and** have less than \$80 million in total annual revenue.

Only ACOs that entered the Shared Savings Program in April 2012 or July 2012 are eligible for advance payments. ACOs that are co-owned with a health plan are ineligible, regardless of whether they also fall into one of the above categories.

The scoring criteria for evaluating applications favors ACOs with the least access to capital, ACOs that serve rural populations, and ACOs that serve a significant number of Medicaid beneficiaries.



Application Process

To apply for the Advance Payment ACO Model, interested parties must both apply for the Shared Savings Program and complete a separate application for the Advance Payment ACO Model.

For more information on applying for the Advance Payment ACO Model, visit the Innovation Center website at <http://innovation.cms.gov/initiatives/Advance-Payment-ACO-Model> on the CMS website.

Resources

The Shared Savings Program final rule can be downloaded at <http://www.gpo.gov/fdsys/pkg/FR-2011-11-02/pdf/2011-27461.pdf> on the Government Printing Office (GPO) website.

The Shared Savings Program was established January 1, 2012.

For information about applying to participate in the Shared Savings Program, visit <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/sharedsavingsprogram> on the CMS website.



This fact sheet was current at the time it was published or uploaded onto the web. Medicare policy changes frequently so links to the source documents have been provided within the document for your reference.

This fact sheet was prepared as a service to the public and is not intended to grant rights or impose obligations. This fact sheet may contain references or links to statutes, regulations, or other policy materials. The information provided is only intended to be a general summary. It is not intended to take the place of either the written law or regulations. We encourage readers to review the specific statutes, regulations, and other interpretive materials for a full and accurate statement of their contents.

The Medicare Learning Network® (MLN), a registered trademark of CMS, is the brand name for official information health care professionals can trust. For additional information, visit the MLN's web page at <http://go.cms.gov/MLNGenInfo> on the CMS website.

Your feedback is important to us and we use your suggestions to help us improve our educational products, services and activities and to develop products, services and activities that better meet your educational needs. To evaluate Medicare Learning Network® (MLN) products, services and activities you have participated in, received, or downloaded, please go to <http://go.cms.gov/MLNProducts> and in the left-hand menu click on the link called 'MLN Opinion Page' and follow the instructions. Please send your suggestions related to MLN product topics or formats to MLN@cms.hhs.gov.

Check out CMS on:

