



## **Advance Payment Accountable Care Organization (ACO) Model**

*Updated January 10, 2013*

### **Overview**

On Nov. 2, 2011, the Centers for Medicare & Medicaid Services (CMS), an agency within the Department of Health and Human Services (HHS), published a final rule in the *Federal Register* implementing an Affordable Care Act provision 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. Provider participation in an ACO is purely voluntary, and Medicare beneficiaries retain their current ability to seek treatment from any provider they wish.

Also on Nov. 2, 2011, the CMS Center for Medicare and Medicaid Innovation (Innovation Center) published a notice in the *Federal Register* announcing the testing of the Advance Payment ACO Model for certain organizations participating in the Shared Savings Program. This fact sheet provides a description of the Advance Payment ACO Model and the reason these applicants were selected.

### **Summary of the Advance Payment ACO Model**

The Advance Payment ACO Model is an initiative developed by the 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 will receive advance payments that will be repaid from the future shared savings they earn. CMS will recoup these advance payments from an ACO’s shared savings as further described below.

The Advance Payment ACO Model will test:

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

The Advance Payment ACO Model is meant to help entities such as smaller practices and rural providers with less access to capital participate in the Shared Savings Program.

The Advance Payment Model was initially only made available to ACOs who began participation in the Medicare Shared Savings Program on April 1, 2012 or July 1, 2012. On June 12, 2012, CMS announced that it will also accept applications from ACOs that are applying for participation in the Shared Savings Program with a start date of January 1, 2013.

## **Background**

### *The Innovation Center*

The Innovation Center was created by the Affordable Care Act to test innovative payment and service delivery models to reduce program expenditures while preserving or enhancing the quality of care. It is committed to transforming the Medicare, Medicaid and 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*

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. ACO initiatives at CMS include the Medicare Shared Savings Program, the Pioneers ACO Model, and the Advance Payment ACO Model.

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. CMS announced the first group of organizations participating as ACOs in the Shared Savings Program on April 10, 2012.

Working in concert with the Shared Savings Program, the Innovation Center is testing the Advance Payment ACO Model and the Pioneer ACO Model, and has sponsored learning

activities that help providers form ACOs. More information on all of these initiatives is available on the Innovation Center website at [www.innovations.cms.gov](http://www.innovations.cms.gov).

The Advance Payment ACO Model was developed in response to comments received on the proposed rule for the Shared Savings Program, and comments received in response to a request for public comment 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 preliminarily prospectively-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 preliminarily prospectively-assigned beneficiaries.

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

### **Recoupment of Advance Payments**

CMS will recoup Advance Payments through offset of an ACO's earned shared savings. ACOs selected to receive advance payments will 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 first settlement for the Shared Savings Program, CMS will continue to offset shared savings in subsequent performance years and any future agreement periods, or pursue recoupment where appropriate.

### **Eligibility/Selection**

The Advance Payment Model is designed to provide support to organizations whose ability to invest in infrastructure and redesigned care processes would be improved with additional access to capital, particularly small rural and physician-based organizations.

The Advance Payment ACO Model targets 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, and
- 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.

ACOs that are co-owned with a health plan are ineligible, regardless of whether they also fall into one of the above categories.

The application scoring criteria favor ACOs with the least access to capital, ACOs that serve rural populations, and ACOs that serve a significant number of Medicaid beneficiaries.

### **Application Process**

The CMS accepted applications for the Advance Payment ACO Model between January 1 and February 1 for the April start date; between March 1 and 30 for the July start date; and between August 1 and September 19 for the January 1 start date.

CMS staff reviewed applications for the applicant organization's ability to meet criteria identified in the solicitation, which is available on the Innovation Center website at <http://innovations.cms.gov/initiatives/ACO/Advance-Payment/index.html>. All applicants were also required to be accepted into the Shared Savings Program on the same start date, in accordance with program rules.

### **Participating ACOs**

On April 10, 2012, CMS announced that the following organizations would enter into agreements with CMS to participate in the testing of the Advance Payment ACO Model beginning April 1, 2012:

Coastal Carolina Quality Care, Inc (New Bern, NC)  
Jackson Purchase Medical Associates, PSC (Paducah, KY)  
North Country ACO (Littleton, NH)  
Primary Partners, LLC (Clermont, FL)  
RGV ACO Health Providers, LLC (Donna, TX)

On July 10, 2012, CMS announced that the following organizations would enter into similar agreements beginning July 1, 2012:

Accountable Care Partners ACO, LLC (Jacksonville, FL)  
Coastal Medical, Inc. (Providence, RI)  
Cumberland Center for Healthcare Innovation, LLC (Nashville, TN)  
Golden Life Healthcare LLC (Sacramento, CA)  
Harbor Medical Associates PC (South Weymouth, MA)  
Maryland Accountable Care Organization of Eastern Shore, LLC (Easton, MD)  
Maryland Accountable Care Organization of Western Maryland (National Harbor, MD)  
Medical Mall Services of Mississippi (Jackson, MS)  
MPS ACO Physicians, LLC (Middletown, CT)  
Physicians ACO, LLC (Houston, TX)  
PriMed, LLC (Shelton, CT)  
Quality Independent Physicians, LLC (Louisville, KY)  
Reliance Healthcare Management Solutions (Tampa, FL)  
St. Thomas Medical Group, PLLC (Nashville, TN)  
Texoma ACO, LLC (Wichita Falls, TX)

On January 10, 2013, CMS announced that the following organizations would enter into similar agreements beginning January 1, 2013:

ACO Health Partners (Jacksonville, FL)  
American Health Alliance (Ocala, FL)  
American Health Network of Ohio Care Organization, LLC (Indianapolis, IN)  
Bay Area Florida Physicians Trust (Winter Park, FL)  
Fort Smith Physicians Alliance ACO (Fort Smith, AR)  
KCMPPA-ACO, LLC (Kansas City, MO)  
Lower Shore ACO LLC (National Harbor, MD)  
National ACO (Beverly Hills, CA)  
Nature Coast ACO, LLC (Beverly Hills, FL)  
NOMS ACO, LLC (Sandusky, OH)  
Owensboro ACO (Owensboro, KY)  
Physicians Collaborative Trust ACO LLC (Maitland, FL)  
Primary Partners ACIP LLC (Clermont, FL)  
Rio Grande Valley Health Alliance (McAllen, TX)  
SERPA-ACO, LLC (Crete, NE)

## **Additional Resources**

More information about the Advance Payment ACO Model is available on the Innovation Center website at <http://innovations.cms.gov/initiatives/ACO/Advance-Payment/>.

For information about the Shared Savings Program, including the Shared Savings final rule, please see: [www.cms.hhs.gov/sharedsavingsprogram/](http://www.cms.hhs.gov/sharedsavingsprogram/).