Wakely Risk Insight for the Medicare Shared Savings Program: Performance Year 2022 Results

Zach Davis, FSA, MAAA
404-282-4780 • zach.davis@wakely.com

Elliot McLeRoy
224-627-2862 • elliot.mcleroy@wakely.com

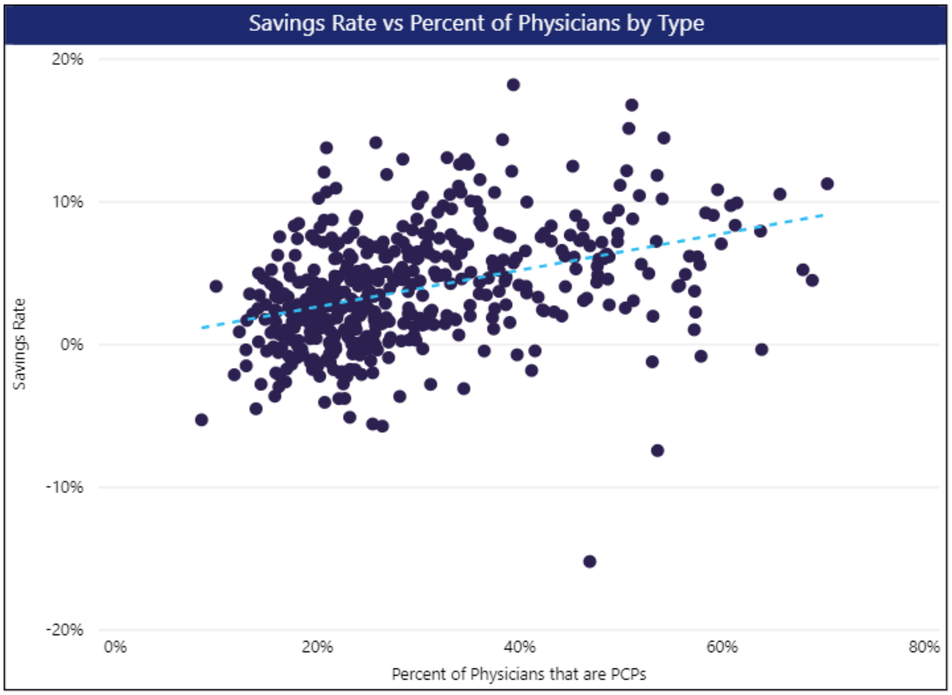
Driving Success in the Medicare Shared Saving Program

Since its inception, the Medicare Shared Savings Program has been committed to achieving the triple aim of healthcare: better care for individuals, better health for populations, and lowering the growth of expenditures. Accountable Care Organizations (ACOs) targeted this triple aim by providing high quality care while creating "gross savings," a term intended to measure the difference between where the Centers for Medicare and Medicaid Services (CMS) would expect beneficiary level expenditures to fall (the benchmark) and where those expenditures actually ended up (the performance year expenditures). ACOs were then rewarded for their success by sharing in a portion of these gross savings.

In order to better support ACOs in their progress towards realizing gross savings, Wakely conducted an analysis to measure the correlation between various ACO characteristics and the level of gross savings achieved. The goal was to better understand what certain ACOs were doing to find success in the program and what others could change to increase their chances of achieving gross savings.

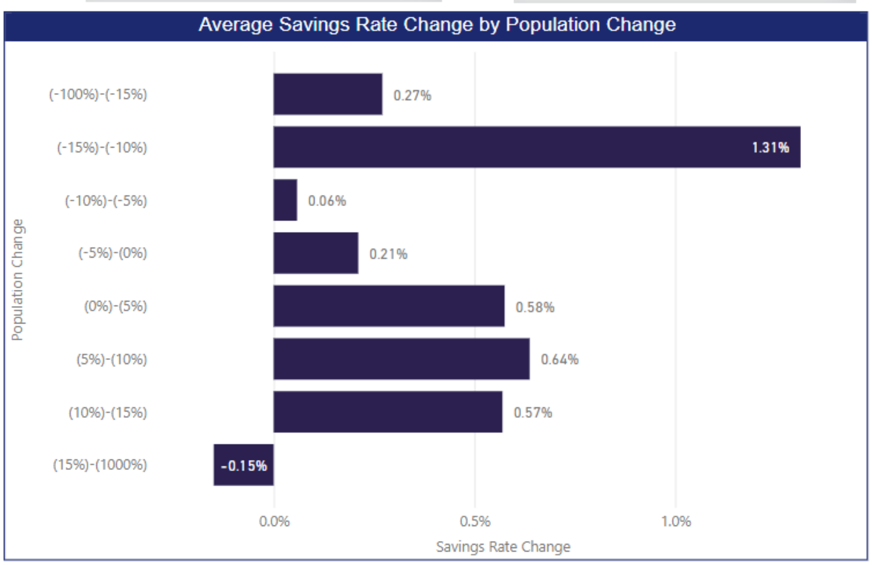
This study was titled: Wakely Risk Insights for the Medicare Shared Savings Program. The goal of this whitepaper is to highlight the study's key insights. Reach out to WRIMSSP@wakely.com for the FREE companion Power BI study.

More primary care physicians (PCPs) and more evaluation and management (EM) visits with PCPs lead to greater success. One of the ACO characteristics most highly correlated with gross savings was the number of PCPs within an ACO's provider list and the percent of EM visits that were specifically with a PCP. ACOs with a larger percentage of PCPs on their provider list, as opposed to those having a higher percentage of specialists or nurse practitioners, tended to achieve higher gross savings. When formulating their provider list before the start of each performance year, this is something ACOs should consider.

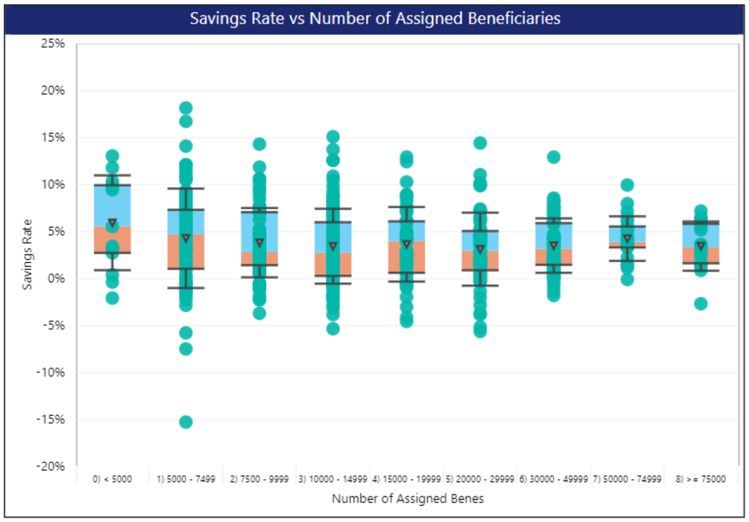


Historically ACOs that have enrolled less beneficiaries over the prior year generated more savings compared to those that grew, but that changed in 2022. For ACOs with greater than 10,000 beneficiaries, modest membership growth was a key driver in savings. Those that grew from 0-15%, more than doubled the average savings increase (0.28%) over prior year. Those that grew at 15%+ realized lower gross savings as a percent of benchmark relative to the prior year. It is important for ACOs to grow responsibly and to consider the impact that adding new practices may have on gross savings.

Avg Savings Rate Change	Total ACOs
0.28%	270

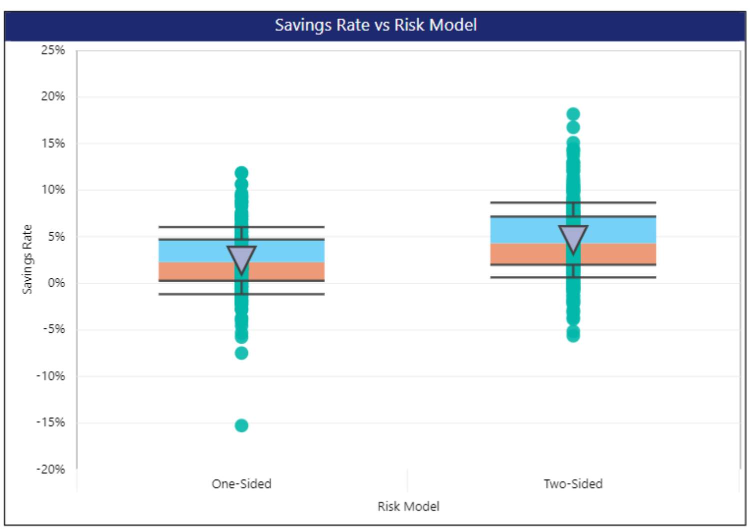


Larger ACOs saw more consistency and stability in their results. Although larger ACOs did not necessarily see greater per beneficiary savings, they were much less likely to see large swings in their results. This is important to understand for smaller ACOs who are at greater risk because random fluctuations in beneficiary performance (noise) could completely eliminate all of their earned savings.



Populations with greater risk scores didn't see greater savings. In our analysis of population morbidity, Wakely evaluated both average risk score and average per beneficiary expenditures. We found that although ACO risk score was minimally correlated with gross savings, per capita expenditures were highly correlated with gross savings in an inverse direction – higher cost ACOs either showed gross losses or lower levels of gross savings.

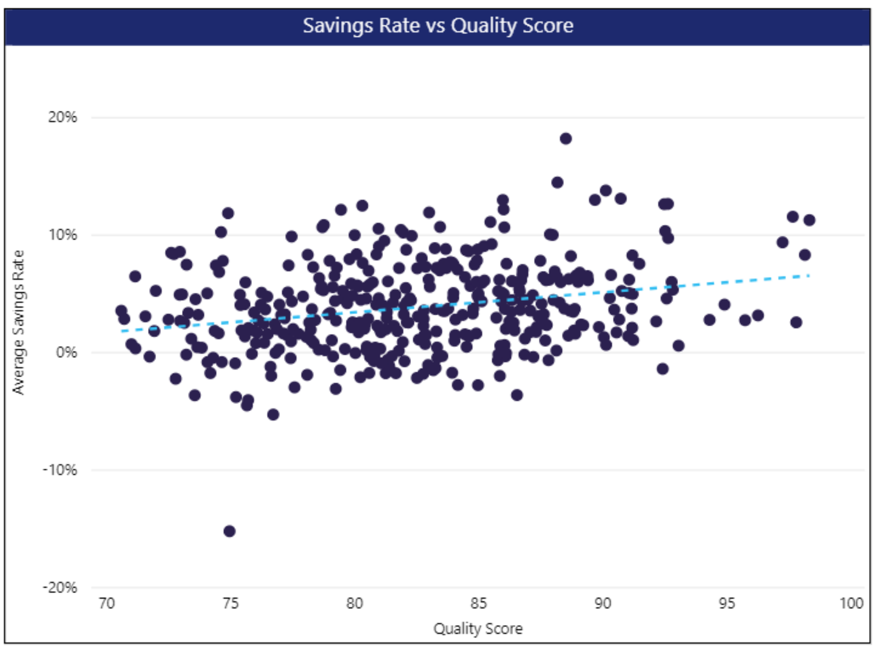
ACOs taking on downside risk saw greater program success. CMS has also reported on this correlation, stating that ACOs under two-sided risk models saw greater levels of per beneficiary savings than ACOs under one-sided risk models. This would seem to indicate that ACOs willing to take downside risk are better positioned to achieve a larger savings.



Low Revenue ACOs saw greater levels of savings. Our analysis looked separately at the CMS defined "high revenue" or "low revenue" ACOs, as well as ACOs that included specific hospitals and facilities (ACOs with hospitals and facilities are typically defined as "high revenue" ACOs). We found overwhelmingly that low revenue ACOs had greater levels of shared savings. Although there was a greater level of savings, low revenue ACOs had a much higher variance of gross savings.

ACOs with longer program participation history see greater success, but the first year in a new agreement period typically shows a dip in performance. Not surprisingly, ACOs in later durations (those who have been in the program longer) showed better performance. This is both driven by survivorship bias—ACOs seeing success within the program are more likely to stay—and general improvement in ACO performance, whether that is through more accurate risk coding or greater care management.

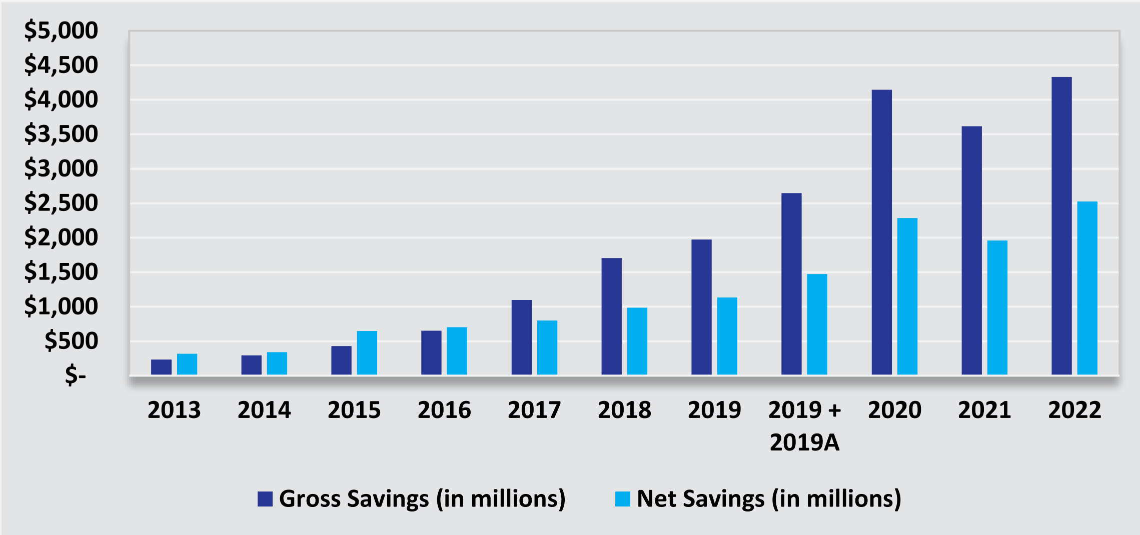
Higher quality is associated with higher savings. 2021 and 2022 both showed a positive correlation between quality and savings. Without further analysis its difficult to say if focusing on quality drives savings or if the opposite is true, focusing on savings drives quality. This will be a metric we continue to monitor in the future.



Summary of 2022 Performance

CMS has recently publicly released the 2022 performance results for the Medicare Shared Savings Program. Results show that ACOs have achieved savings, above 2021 and greater than any other prior year. In 2022, ACOs within MSSP reduced expenditures relative to their respective benchmarks by $4.6 billion, earning over $2.5 billion in shared savings payments, and overall reducing Medicare spending by over $1.8 billion. See Exhibit 1 below for a summary graphic of the total Gross and Net Savings from 2013 to 2022.

Exhibit 1: Gross and Net Saving by Year for the Medicare Shared Savings Program



Additionally, it is important to note that while ACOs have been slowly moving towards downside risk with CMS, because of the Public Health Emergency in 2022, no ACOs were forced to repay shared losses to CMS. Of all ACOs participating in 2022, 63% were able to receive shared savings (up from 58% in 2021), more than any prior year other than 2020.

Please contact Zach Davis at zach.davis@wakely.com or Elliot McLeRoy at elliot.mcleroy@wakely.com with any questions or to follow up on any of the concepts presented here.

OUR STORY

Five decades. Wakely began in 1969 and eventually evolved into several successful divisions. In 1999, the actuarial arm became the current-day Wakely Consulting Group, LLC, which specializes in providing actuarial expertise in the healthcare industry. Today, there are few healthcare topics our actuaries cannot tackle.

Wakely is now a subsidiary of Health Management Associates. HMA is an independent, national research and consulting firm specializing in publicly funded healthcare and human services policy, programs, financing, and evaluation. We serve government, public and private providers, health systems, health plans, community-based organizations, institutional investors, foundations, and associations. Every client matters. Every client gets our best. With more than 20 offices and over 400 multidisciplinary consultants coast to coast, our expertise, our services, and our team are always within client reach.

Broad healthcare knowledge. Wakely is experienced in all facets of the healthcare industry, from carriers to providers to governmental agencies. Our employees excel at providing solutions to parties across the spectrum.

Your advocate. Our actuarial experts and policy analysts continually monitor and analyze potential changes to inform our clients' strategies – and propel their success.

Our Vision: To partner with clients to drive business growth, accelerate success, and propel the health care industry forward.

Our Mission: We empower our unique team to serve as trusted advisors with a foundation of robust data, advanced analytics, and a comprehensive understanding of the health care industry.

Learn more about Wakely Consulting Group at www.wakely.com