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# GLOBAL AND PROFESSIONAL DIRECT CONTRACTING MODEL – PY2022

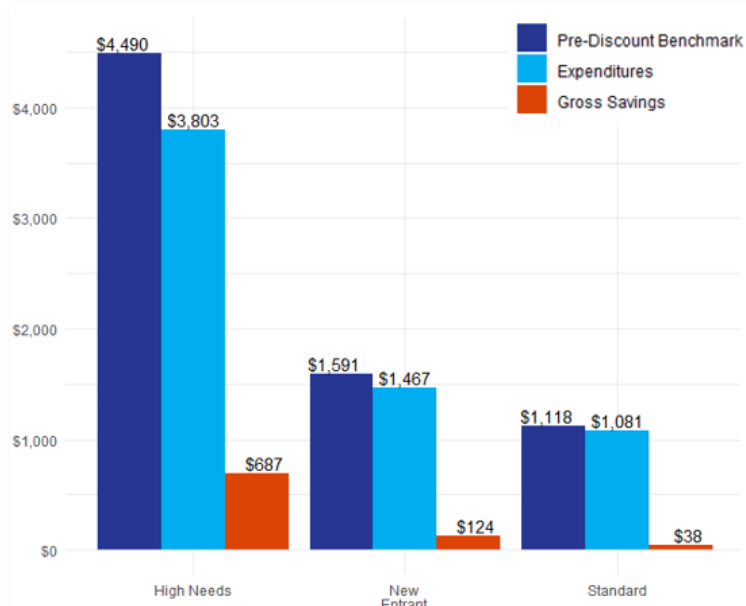
## Initial Observations from 2022 Financial Results

On October 23, the Centers for Medicare & Medicaid Services (CMS) released the 2022 financial and quality results for the CMS Innovation Center’s Global and Professional Direct Contracting (GPDC) model. 2022 marked the second year of the GPDC model – a model that was designed to test a new implementation of the total cost of care risk model for original Medicare fee-for-service beneficiaries. Key features of the model included the introduction of partially capitated payments, as well as an option for providers to assume more financial risk and reward than is available under the Medicare Shared Savings Program (MSSP). Ultimately, 99 Direct Contracting Entities (DCEs) participated in the second year of the model, generating a **total gross savings of \$870 million, \$484 million of which was paid to DCEs as shared savings**. In this brief, we share our initial observations of the 2022 GPDC financial results<sup>i</sup>.

### Financial Results

Overall, DCEs in the GPDC program generated an average gross savings rate<sup>ii</sup> of 3.7% (up from 3.3% in 2021), and an average net savings rate<sup>iii</sup> of 2.0% (up from 1.3% in 2021), amounting to roughly \$484 million in total shared savings paid to DCEs for performance year 2022. The following chart illustrates the average benchmark (pre-discount for Global DCEs), expenditures, and gross savings per beneficiary per month (PBPM) generated by each model option

*DCEs generated an average gross savings of 3.7%*



under GPDC.

While the number of High Needs and New Entrant DCEs was small in 2022 (8 and 13, respectively), performance was strong; High Needs DCEs achieved the highest gross savings PBPM at \$687 (15.3% gross savings rate) followed by the New Entrant DCE model at \$124 PBPM (7.8% gross savings). The standard model—the only model whose benchmark is dependent on an ACO’s historical experience—came in with a lower gross savings PBPM of \$38 (3.4%), but many DCEs participating in this option still achieved strong results (see Appendix for DCE-specific results).

### Additional Insights

Under the GPDC model, DCEs have the option of selecting a Global or Professional risk arrangement. The Global risk arrangement incorporates a full-risk approach; Global DCEs are rewarded by receiving up to 100% of first-dollar shared savings generated, but also assume 100% of the risk in the event that a loss is realized. As a tradeoff for otherwise receiving the full amount of savings generated, DCEs participating in Global models in 2022 were subject to a 3% reduction (the “Global Discount”) to their benchmark, which will increase to a 3.5% reduction by 2025. In contrast, the Professional route offers a partial risk sharing option of 50% of any savings or losses generated, in addition to no discount applied to DCE’s benchmarks. Table 1 provides a summary of the 2022 GPDC results by both DCE model type and risk arrangement.

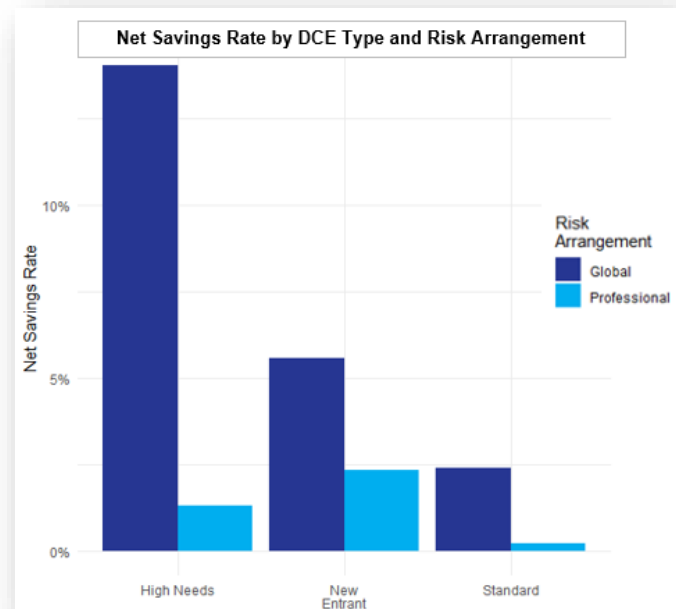
**Table 1 – Summary of PY2022 GPDC Results by DCE Type and Risk Arrangement**

| DCE Type     | Risk Arrangement | DCE Count | % DCEs Realizing Savings | Bene Count       | Average Final Benchmark | Average Expenditures | Gross Savings Rate | Net Savings Rate |
|--------------|------------------|-----------|--------------------------|------------------|-------------------------|----------------------|--------------------|------------------|
| Standard     | Global           | 59        | 80%                      | 1,272,673        | \$1,112                 | \$1,084              | 4.5%               | 2.4%             |
| Standard     | Professional     | 19        | 68%                      | 500,139          | \$1,077                 | \$1,072              | 0.5%               | 0.2%             |
| New Entrant  | Global           | 8         | 63%                      | 37,309           | \$1,671                 | \$1,573              | 7.7%               | 5.6%             |
| New Entrant  | Professional     | 5         | 60%                      | 11,841           | \$1,238                 | \$1,139              | 8.0%               | 2.4%             |
| High Needs   | Global           | 5         | 100%                     | 5,975            | \$4,516                 | \$3,835              | 16.8%              | 14.0%            |
| High Needs   | Professional     | 3         | 67%                      | 1,090            | \$3,848                 | \$3,633              | 5.6%               | 1.3%             |
| <b>Total</b> |                  | <b>99</b> | <b>76%</b>               | <b>1,829,027</b> | <b>\$1,124</b>          | <b>\$1,099</b>       | <b>3.7%</b>        | <b>2.0%</b>      |

Results vary by risk arrangement between the three types of DCEs. Among Standard DCEs, those participating in the Professional risk arrangement generated, on average, a materially lower gross savings rate than Global DCEs (0.5% vs 4.5%) and also received a lower net savings rate after accounting for the 3% discount (0.2% vs 2.4%). The higher net savings rate means that Global DCEs were ultimately paid more in average shared savings than their Professional counterparts. In 2021, it was noted that in the case of Standard DCEs, the absence of the discount and more downside protection in the Professional risk arrangement was enough to offset the lower shared savings percentage (50%), but this was not the case for PY2022.

It should be noted, however, that two DCEs, Sutter and Clover, drove a disproportionate share of losses for the Global option, and

**removal of their experience would have increased the average Standard net savings rate from 1.8% to 2.7%.**



Among New Entrants and High Needs DCEs in 2022, Global DCEs outperformed their Professional counterparts in terms of net savings rates achieved. However, the number of DCEs participating in the New Entrant Professional option, as well as the High Needs options, was very low in 2022 making it difficult to draw strong inferences from the data. While performance among New Entrant and High Needs DCEs was strong in the second year of the model, **it will be important for these groups to understand how their performance may change in later years of the model**, particularly in light of benchmarking changes expected to impact these two types of entities in 2025 and 2026.

Other significant performance results for specific DCEs include UT Southwestern at \$55.3 million (1.8% net savings rate), Iora Health at \$38.5 million (21.4% net savings rate), Ach at \$33.9 million (4.8% net savings rate), and Iowa Health at -\$15.5 million (-1.4% net savings rate).

## Conclusion

The CMS release of the 2022 GPDC performance results puts a bow on the second year of the model. While only 99 DCEs participated in the second year, the number of DCEs participating in the model has increased to roughly 132 ACOs in 2023 in the reborn ACO Reach (ACO Realizing Equity, Access, and Community Health) model. While participation growth has been strong in the first few years, the model has not been without controversy, and the overall success of this Innovation Center model will depend largely on performance over the remainder of the model.

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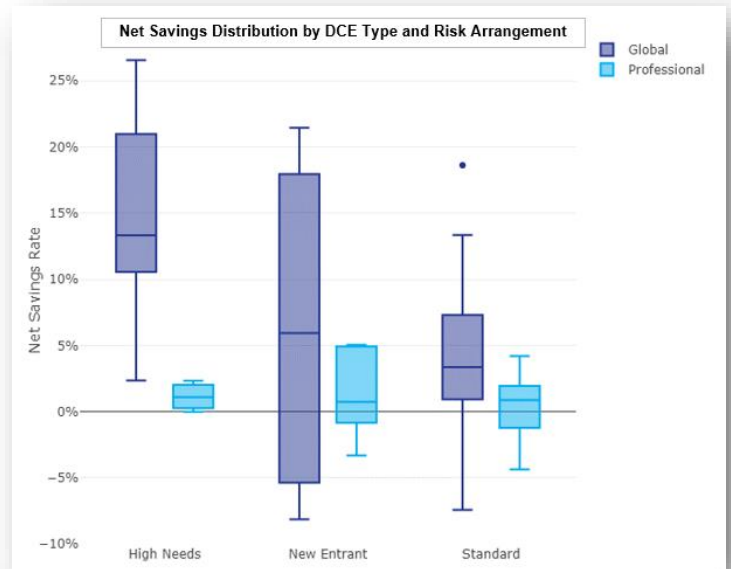
<sup>i</sup> <https://www.cms.gov/files/document/gpdc-py2022-financial-results.xlsx>

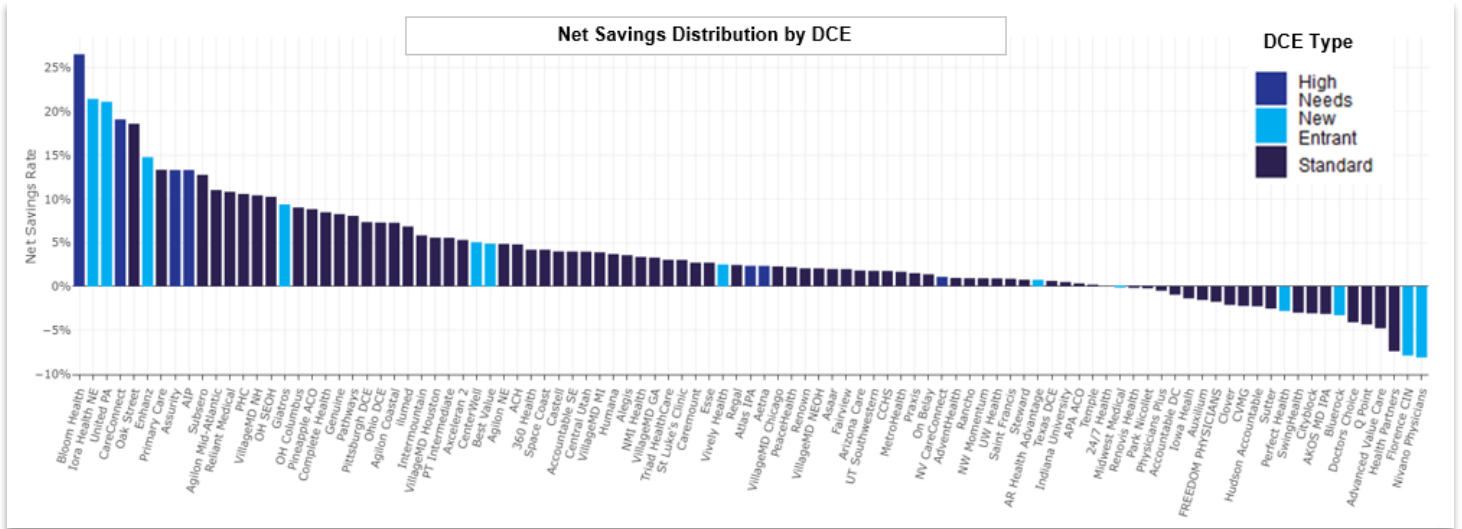
<sup>ii</sup> Gross savings rate is defined as the pre-discount benchmark minus total expenditures, divided by pre-discount benchmark

<sup>iii</sup> Net savings rate is defined as the net savings shareable with DCEs, divided by the pre-discount benchmark. Net savings account for the 3% benchmark discount for Global DCEs, CMS' portion of shared savings for Professional DCEs, risk corridors, and sequestration.

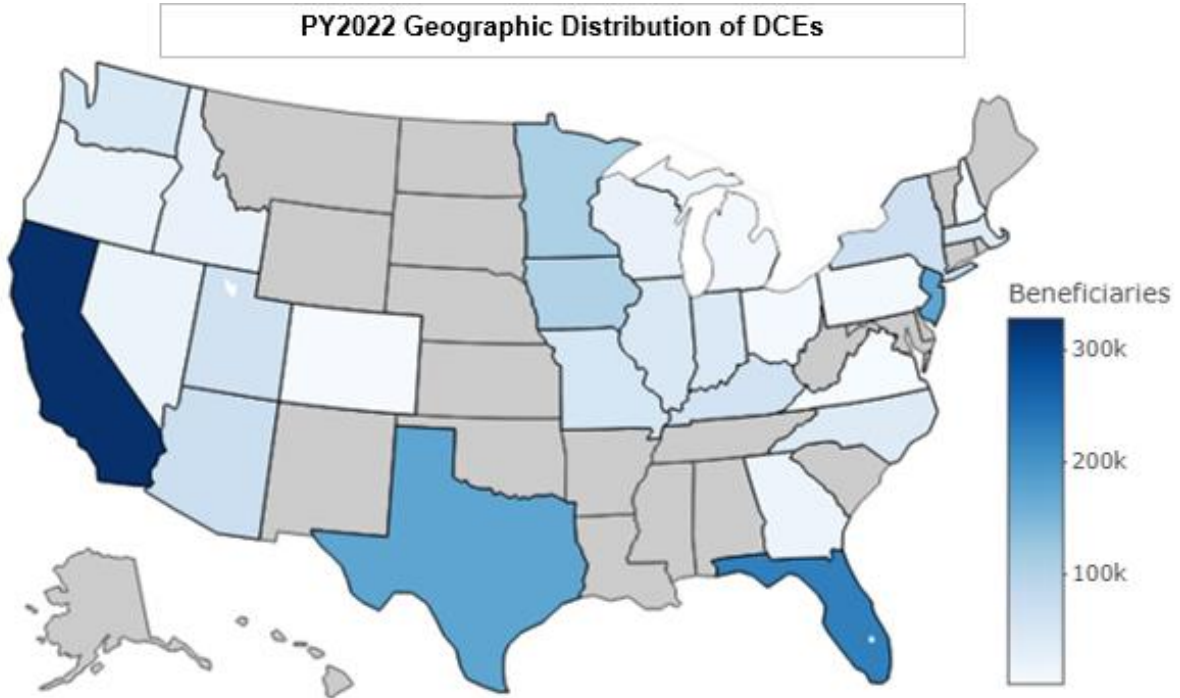
## Appendix

Net Savings Distribution: The boxplot to the right, along with the bar chart below, provide additional color to the individual DCE results underlying the averages presented above. Across all DCE types, Global participants exhibited wider variation than their Professional counterparts. Additionally, the box plot on the right indicates that Global DCEs generally appear to have performed better than Professional DCEs. New Entrant DCEs participating in the Global risk arrangement exhibited the widest variation in performance.





Geographic Distribution of Beneficiaries: A total of 1.8 million beneficiaries were assigned to DCEs participating in the GPDC model in 2022 (up from 350k in 2021). The map below charts the regional distribution of these beneficiaries.



*Please note that each DCE was associated with a single state in the 2022 performance data provided by CMS. To the extent that DCEs have beneficiaries across multiple states, which several do, the chart above will not reflect this.*