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GLOBAL AND PROFESSIONAL DIRECT CONTRACTING MODEL

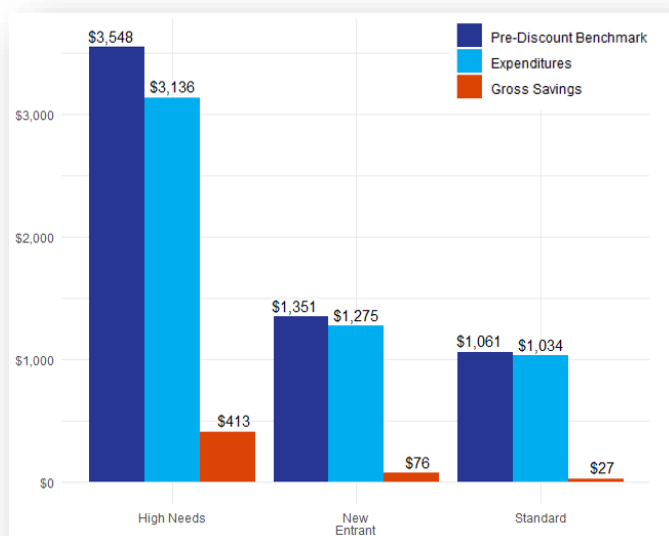
Initial Observations from 2021 Financial Results

On November 23, the Center for Medicare and Medicaid Services (CMS) released the 2021 financial and quality results for the CMS Innovation Center’s Global and Professional Direct Contracting (GPDC) model. 2021 marked the first 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, 53 Direct Contracting Entities (DCEs) participated in the first year of the model, generating a total gross savings of \$117 million, \$47 million of which was paid to DCEs as shared savings. In this brief, we share our initial observations of the 2021 GPDC financial resultsⁱ.

Financial Results

Overall, DCEs in the GPDC program generated an average gross savings rateⁱⁱ of 3.3%, and an average net savings rateⁱⁱⁱ of 1.3%, amounting to roughly \$47 million in total shared savings paid to DCEs for performance year 2021. 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 under GPDC.

DCEs generated an average gross savings of 3.3%



While the number of High Needs and New Entrant DCEs was small in 2021 (6 and 18, respectively), performance was strong; High Needs DCEs achieved the highest gross savings PBPM at \$412.61 (11.6% gross savings rate) followed by the New Entrant DCE model at \$75.71 PBPM (5.6%). 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 \$27.08 (2.6%), but many DCEs participating in this option still achieved strong results (see Appendix for DCE-specific results).

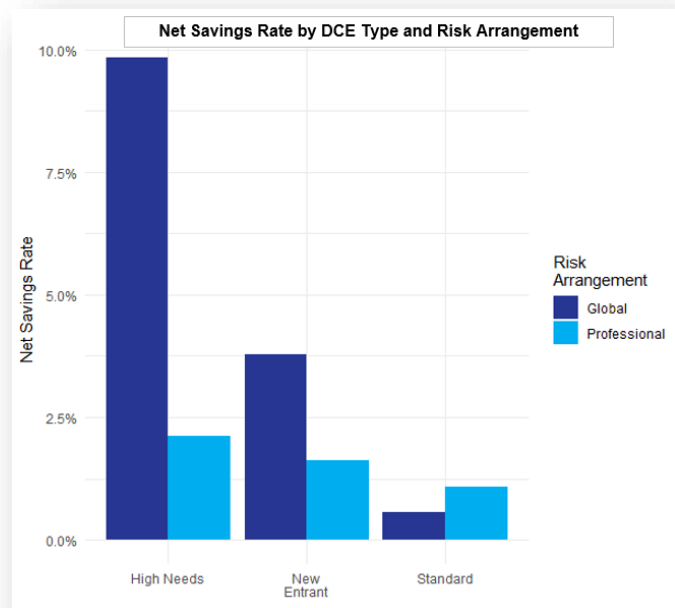
Additional Insights

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 2021 were subject to a 2% 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 2021 GPDC results by both DCE model type and risk arrangement.

Table 1 – Summary of 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	22	77%	248,514	\$1,030	\$1,024	2.6%	0.6%
Standard	Professional	7	71%	51,143	\$1,106	\$1,080	2.3%	1.1%
New Entrant	Global	14	57%	44,269	\$1,365	\$1,310	5.9%	3.8%
New Entrant	Professional	4	75%	11,389	\$1,187	\$1,138	4.1%	1.6%
High Needs	Global	3	100%	1,357	\$3,410	\$3,061	12.0%	9.8%
High Needs	Professional	3	67%	809	\$3,663	\$3,261	11.0%	2.1%
Total		53	72%	357,481	\$1,103	\$1,084	3.3%	1.3%

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 lower gross savings rate than Global DCEs (2.3% vs 2.6%) but received a higher net savings rate (1.1% vs 0.6%). The higher net savings rate means that Professional DCEs were ultimately paid more in average shared savings than their Global counterparts. In the case of Standard DCEs, it appears that the absence of the 2% discount and more downside protection in the Professional risk arrangement was enough to offset the lower shared savings percentage (50%). It should be noted, however, that two DCEs, ACH and Clover, drove a disproportionate share of losses for the Global option, and **removal of their experience would have increased the average Standard Global net savings rate from 0.6% to 3.2%.**



Among New Entrants and High Needs DCEs in 2021, Global DCEs outperformed their Professional counterparts both in terms of gross savings rates and 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 2021 making it difficult to draw strong inferences from the data. While performance among New Entrant and High Needs DCEs was strong in the first 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.

Conclusion

The CMS release of the 2021 GPDC performance results puts a bow on the first year of the model. While only 53 DCEs participated in the first year, the number of DCEs participating in the model roughly doubled in 2022. Looking ahead, participation is expected to double again in 2023 when the model is reborn as ACO REACH (ACO Realizing Equity, Access, and Community Health). 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 next couple years.

Please contact Brian Machut at brian.machut@wakely.com or Brad Heywood at brad.heywood@wakely.com with any questions or to follow up on any of the concepts presented here.

OUR STORY

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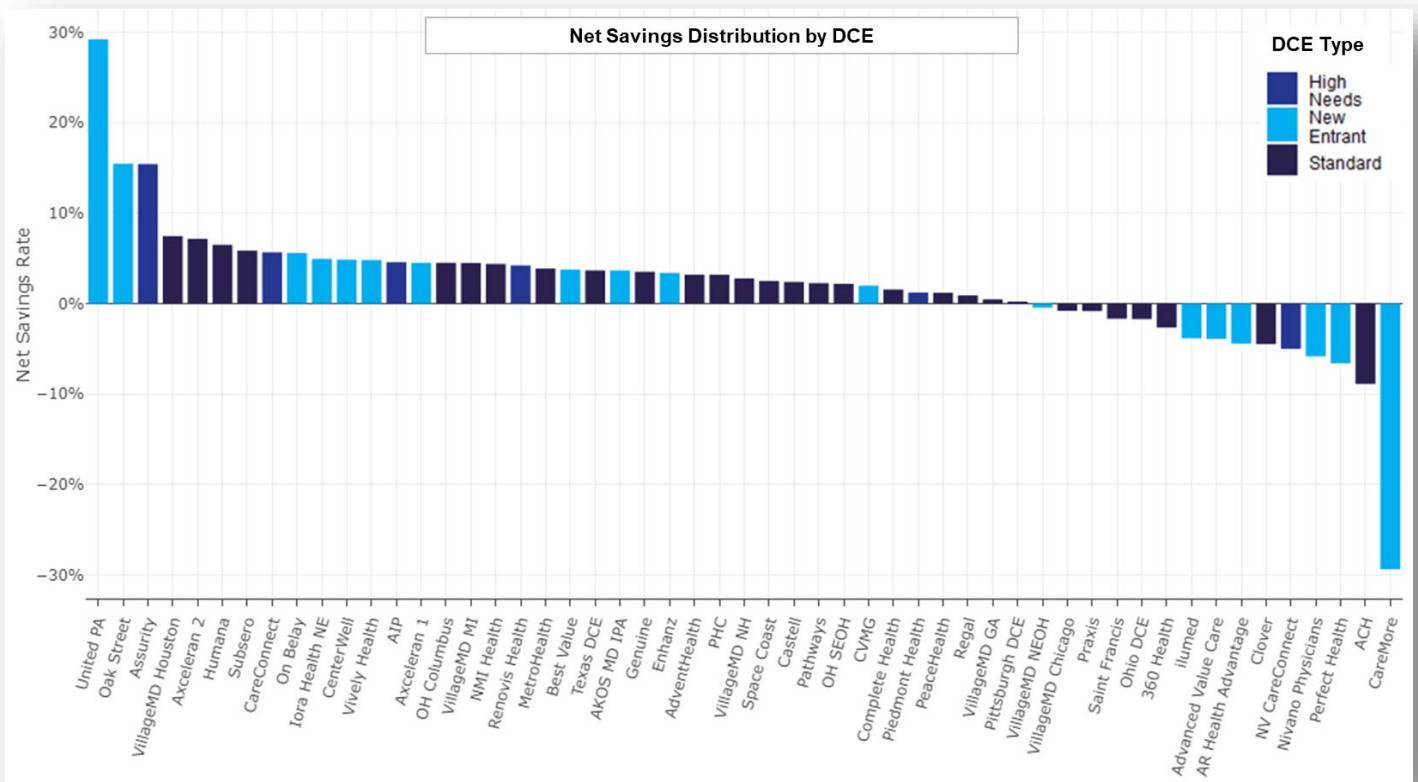
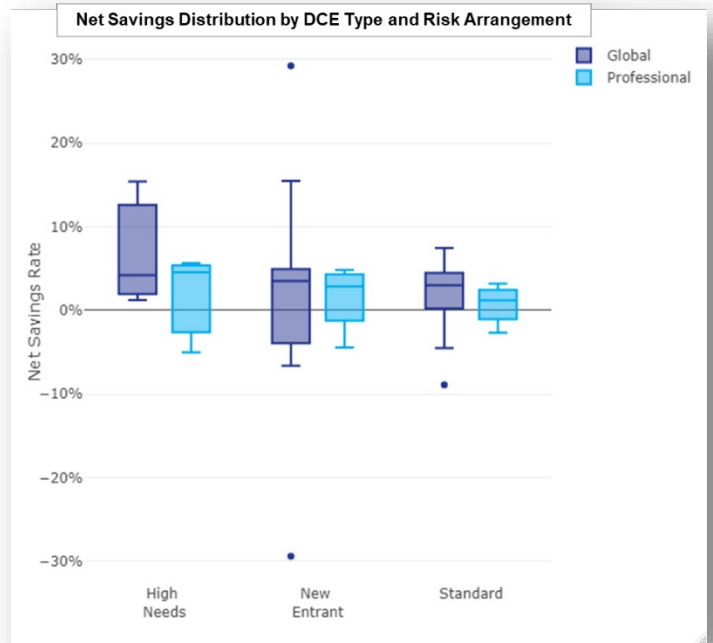
ⁱ <https://innovation.cms.gov/media/document/gpdc-py2021-financial-results>

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

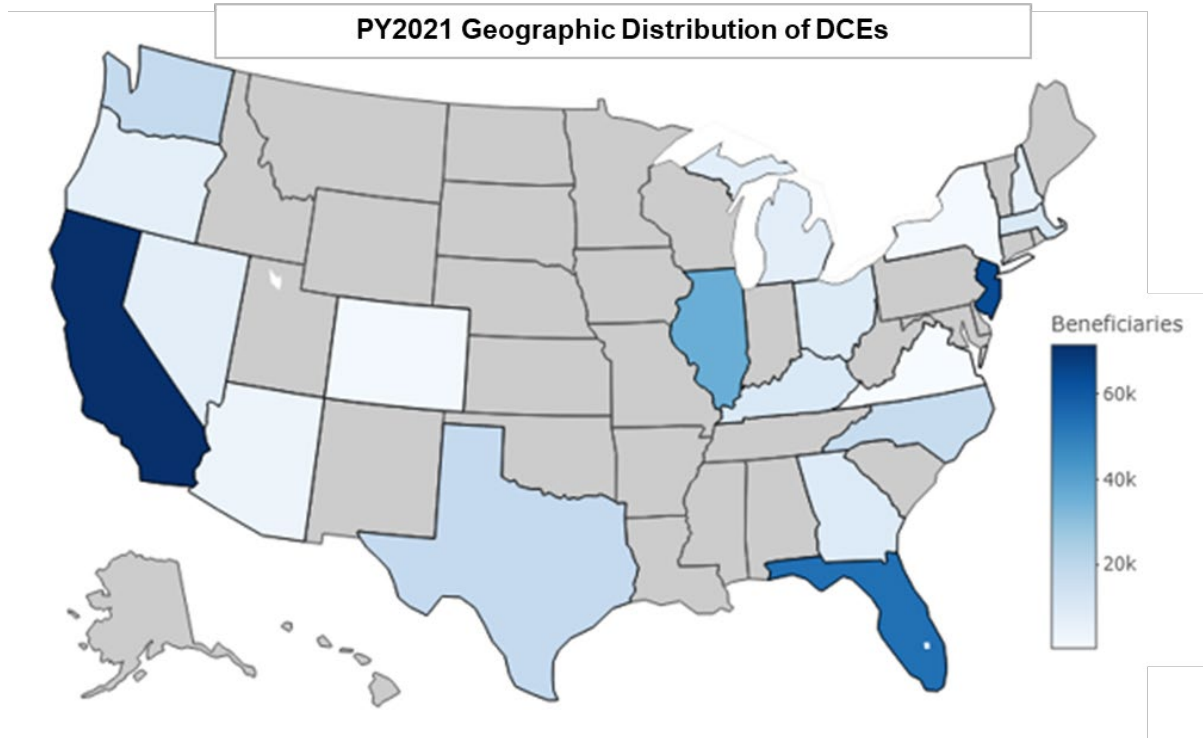
ⁱⁱⁱ Net savings rate is defined as the net savings shareable with DCEs, divided by the pre-discount benchmark. Net savings account for the 2% benchmark discount for Global DCEs, CMS' portion of shared savings for Professional DCEs, risk corridors, and sequestration.

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. New Entrant DCEs participating in the Global risk arrangement exhibited the widest variation in performance, with net savings rates ranging from negative 29 percent to positive 29 percent. Similarly, among Standard DCEs, Global participants exhibited wider variation than their Professional counterparts. Additionally, the box plot on the right indicates that Standard Global DCEs generally appear to have performed better than Professional DCEs, but a couple large losses brought the average down considerably, as noted earlier in this brief.



Geographic Distribution of Beneficiaries: A total of 357,000 beneficiaries were assigned to DCEs participating in the GPDC model 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 2021 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.