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WHITE PAPER

Accepted into LEAD. Now What?

ACO Risk Mitigation Strategies: Part 2

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INTRODUCTION

LEAD acceptance letters have gone out, and many applicants have been selected. However, the financial methodology papers that will govern shared savings calculations and other payment mechanisms are not expected to be released until later this summer. The Participant TIN List, which establishes ACO participation, is due to the Centers for Medicare & Medicaid Services (CMS) in early August. Many organizations applied to both LEAD and the Medicare Shared Savings Program (MSSP), meaning they now face a decision between the two. The timing is uncomfortable, the decision is consequential, the rules are incomplete, and the calendar is short.

This is the second paper in Wakely's ACO Risk Mitigation Strategies series. The first paper examined stop loss as a way to hold downside risk without handing the upside to a third party. This paper moves a step earlier to the choice itself—LEAD or MSSP—and how to make it before every number is known. The central point is that coverage, not certainty, is the prerequisite for moving forward. An ACO that has sized its risk and arranged protection can enter LEAD without full confidence in the final rules if it has covered outcomes it cannot yet model.

This paper makes five points, developed in the sections that follow:

1. **The decision is a risk decision.** MSSP and LEAD differ most in how much risk an ACO takes and how much capital it must post to back that risk. Those two differences, not the program names, drive the choice.
2. **The financial guarantee is the largest capital difference.** LEAD requires a financial guarantee of 2.0–4.0% of prior Part A and B expenditures, several times the ~1.0% repayment mechanism MSSP requires for two-sided risk.
3. **Uncertainty is manageable when the risk is covered.** An aggregate stop-loss quote and a right-sized financial guarantee let an ACO enter LEAD before the methodology is final, rather than estimating.
4. **Independence carries weight.** An independent actuary and an independent broker—working separately—give the ACO two honest reads and provide surety underwriters with third-party validation.
5. **Every ACO should get a quote.** No organization should enter LEAD without at least pricing aggregate coverage and a financial guarantee. Asking costs and commits to nothing.

THE CHOICE BETWEEN MSSP AND LEAD IS A CHOICE BETWEEN RISK AND CAPITAL

Both programs share the accountable care structure: a benchmark, a measure of performance against it, and a share of the savings or losses. They diverge on the dimensions that actually decide a risk position, including how much of the savings and losses accrue to the ACO, whether a minimum threshold applies before any of it counts, whether the benchmark is discounted before settlement, how cash moves during the year, and how much capital the ACO must post to stand behind the risk. The table below presents those differences side by side and previews the sections that follow.

LEAD's pull is cash flow. Through Primary Care Capitation and Total Care Capitation for Global ACOs, LEAD can advance funds during the performance year that MSSP cannot. For an organization that needs working capital to fund infrastructure and care redesign, that is a compelling reason to move now rather than wait. It is also where the risk concentrates. An ACO that enters LEAD for the cash flow, assumes first-dollar downside risk, and does not protect itself may find at settlement that a single difficult year has erased any advantage and then some, with losses measured in millions rather than basis points.

Many organizations will treat the first year as the decision. Some will enter LEAD now, particularly if they need the cash flow. Others will stay in MSSP for a year, watch how LEAD settles, and move into PY2028 with better information. Both are defensible. What is not defensible is entering LEAD's first-dollar risk with no protection and no analysis on the theory that rules are not yet final.

MSSP and LEAD: Key Risk and Capital Differences

Dimension	MSSP	LEAD
Risk options	Basic (Levels A to E) and Enhanced	Professional and Global
Savings and loss share	Up to 40% one-sided, 50% two-sided Basic, 75% Enhanced	Up to 50% Professional, up to 100% Global
Minimum savings or loss rate	Applies (variable, or an elected symmetric rate)	None; first-dollar savings and losses

MSSP and LEAD: Key Risk and Capital Differences		
Dimension	**MSSP**	**LEAD**
Benchmark discount	None	None for Professional; 1.75% to 3.0% for Global
Advance cash flow	None for most ACOs outside of PC Flex alternative model	Primary Care, Enhanced Primary Care, and Total Care Capitation *(among other options)*
Financial guarantee	Repayment mechanism, about 1.0% of expenditures	2.0% to 4.0% of prior Part A and B expenditures
Two-year commitment	None; annual, with termination rules	2% benchmark withhold in year one, earned back by completing two performance years

Sources: MSSP PY2026 methodology specifications and 42 CFR Part 425; LEAD PY2027 Request for Applications, Sections VIII and IX. LEAD figures reflect the RFA; the LEAD financial methodology paper has not been published and may refine several of these items.

The risk options sit at the center of the decision, so they are worth considering one at a time. MSSP offers a glide path. The Basic track runs from Levels A and B, which are one-sided and carry no downside, through Levels C, D, and E, which are two-sided. Enhanced is the most advanced track and carries the most risk. LEAD offers two options, both two-sided: Professional and Global. The variation in exposure across these options is substantial and the main reason the move from MSSP to LEAD is not lateral.

The sharing rates set how much of the result an ACO keeps or owes:

- **MSSP Basic, one-sided (Levels A and B):** Up to 40% of savings, depending on quality, with no liability for losses
- **MSSP Basic, two-sided (Levels C through E):** Up to 50% of savings and a fixed 30% of losses
- **MSSP Enhanced:** Up to 75% of savings, with a loss rate between 40% and 75% depending on quality
- **LEAD Professional:** Up to 50% of savings and up to 50% of losses
- **LEAD Global:** Up to 100% of savings and up to 100% of losses

Two mechanisms change how much of that exposure an ACO actually bears.

The first is the minimum savings rate (MSR) and the minimum loss rate (MLR). In MSSP, they act as a threshold: an ACO shares in savings only when its savings exceed the MSR and owes losses only when its losses exceed the MLR. The rate runs on a sliding scale by assigned beneficiary count for one-sided ACOs, from 2.0% at 60,000 or more beneficiaries to 3.9% at 5,000. Two-sided ACOs may elect a symmetric rate or set it to zero. That threshold is a buffer against normal year-to-year variation in claims. LEAD has no such buffer. Neither the Professional nor the Global options apply an MSR or MLR, so savings and losses count from the first dollar.

The second mechanism is the discount. LEAD's Global option reduces the ACO's benchmark by a discount rate before any savings or losses are calculated, which is the share of savings CMS keeps. Lower-spending ACOs face a 3.0% discount; higher-spending ACOs start at 1.75% in 2027 and will ramp to 3.0% by 2032. Neither MSSP nor LEAD's Professional option applies a discount, which is a headwind the ACO has to overcome before it earns anything and compounds the effect of first-dollar risk.

Together, these factors create a material increase in exposure, particularly for an organization coming from MSSP. An MSSP Enhanced ACO is used to sharing up to 75% of savings, but only after clearing an MSR, with a quality-scaled loss rate and no benchmark discount. That same organization entering LEAD's Global option takes up to 100% of both savings and losses from the first dollar, with a discount applied to its benchmark. The cushion that the MSR, MLR, and absence of a discount provided in MSSP is gone. Even the Professional option—at 50% two-sided—removes the threshold. The upside is larger, and so is the downside, which starts immediately. That risk is the focus of this paper and the reason protection should be considered as part of the decision rather than an afterthought.

Uncertainty Is Not the Problem; Being Uncovered Is

An ACO does not need the final LEAD methodology to act. It needs to size its downside and arrange protection. With those in place, the unknowns become bounded rather than open-ended.

THE FINANCIAL GUARANTEE IS THE BIGGEST CAPITAL DIFFERENCE—AND WHERE LEAD GETS EXPENSIVE

Both programs require an ACO in downside risk to prove it can repay what it might owe. The size of that requirement is where the two diverge most. MSSP sets its repayment mechanism at the lesser of 1.0% of assigned-beneficiary Part A and B expenditures or 2.0% of ACO participant revenue. LEAD requires a financial guarantee of 2.0–4.0% of the prior year's Part A and B expenditures for the expected aligned population, depending on the risk option and the capitation elections. For the same book of business, the LEAD guarantee can run several times the MSSP repayment mechanism. That capital has to come from somewhere, and how an ACO secures it matters.

A financial guarantee can be posted in one of three forms: cash in escrow, a letter of credit, or a surety bond. They are not equivalent. The differences show up in cost, how much capital is tied up, and what happens when CMS draws on the guarantee.

Financial Guarantee: Three Ways to Post It		
Form	**Advantages**	**Tradeoffs**
Cash in escrow	Simple; earns a money-market rate while held	Ties up the full amount in cash, capital that cannot be deployed elsewhere
Letter of credit	Can be inexpensive for an organization with strong banking relationships and existing credit capacity	More expensive and more restrictive than a surety bond; draws are immediate; no claim support
Surety bond	Off the balance sheet; pay a premium and deploy capital elsewhere; the surety can negotiate a claim or allow time to repay; the bond can be resized as the requirement changes	Requires underwriting; not every obligation is easy to bond on its own

Enhanced Primary Care Capitation adds to the guarantee. An ACO that elects Enhanced Primary Care Capitation takes more cash up front and must be responsible for the associated risk. The financial guarantee rises accordingly, to 3.5% for Professional ACOs and 4.0% for Global ACOs, and the Enhanced Primary Care Capitation piece can now be secured as its own guarantee rather than folded into one combined amount. That piece is harder to place because it amounts to guaranteeing repayment of an advance.

The retention incentive turns year one into a two-year question. LEAD withholds 2.0% of an ACO's benchmark in its first performance year and returns it only if the ACO continues into the second performance year. An ACO that leaves after year one forfeits that 2.0% at final settlement. The practical effect is a fork in the road: leave after a difficult first year and take a 2.0% benchmark reduction on top of whatever the year produced, or stay for a second year and accept a second year of first-dollar risk. Neither branch is comfortable without protection, but the retention amount itself can be bonded.

For organizations leaving REACH, the bonds stack. An ACO moving from ACO REACH into LEAD will not cleanly close out its REACH obligations. REACH financial guarantees stay in place until the model's performance year finishes reconciling, which can run up to 12 months past the final year of the model. A LEAD guarantee sits on top of that—for a year or two, the organization carries both. Returning to or staying in MSSP avoids the pile-up because the repayment mechanism is far smaller and the freed capital can be put to other uses. The trade is real money on both sides. LEAD's capitation brings cash in; LEAD's guarantees and withholds tie capital up. MSSP forgoes the capitation but lightens the capital load.

Leaving REACH Does Not End the REACH Bonds

REACH guarantees stay in force until the model finishes reconciling. A LEAD guarantee stacks on top.

ENGAGE AN INDEPENDENT BROKER AND AN INDEPENDENT ACTUARY—EARLY

The financial guarantee and the aggregate stop loss both come through a broker. The timing of that engagement is about to matter even more than usual. When the LEAD financial methodology is published, every broker and ACO will turn to the same few carriers that write aggregate coverage in this market—at the same time. Capacity is finite, and the firms that do this work are few. An ACO that waits until it has finalized its TINs to start the conversation risks being at the back of the line when there is little time to spare. The logic is the same as engaging

an actuary before a performance year rather than after. There is value in starting the process while there is still room to act on what the analysis shows.

Getting a quote is not a heavy engagement. A ballpark range for an aggregate policy can be produced from the ACO's TINs and name. Audited financials from the most recent year available support a financial-guarantee quote. A benchmark report sharpens both. A non-disclosure agreement is preferred but not required. An indicative range is available quickly and early—well before the contracting and due diligence required to bind a policy.

The actuary's role runs in parallel. A projection of the ACO's own performance answers the questions that both underwriters and Boards ask: Is this organization likely to be in a savings position or a loss position? How large could either be? That projection right-sizes the financial guarantee and informs whether and how much stop loss to buy. It matters most for a thinly-capitalized ACO, where a credible analysis showing that the organization sits in a shared-savings position supports more favorable underwriting. A well-capitalized system with a strong balance sheet may not need the analytics to satisfy a surety bond, while a thinly capitalized one often does.

There is a reason to keep these two functions separate. Pairing actuarial analysis with the placement of coverage is useful, but carries more weight when the actuary and broker are independent. Surety underwriters give less credit to analyses that come from a single source with a stake in the outcome, and more credit to validation from an independent third party. Independent advisors also serve the ACO better because each gives an honest read rather than a coordinated one, even when the two reads do not fully agree. Two outside parties—rather than one in-house function—is the difference between a check and a rubber stamp.

Independence is the Credential

A surety bond credits an actuarial projection more when it comes from a party with no stake in the placement. An independent actuary and an independent broker give the ACO two honest reads and provide the underwriter with validation.

WHAT TO DO NEXT

The decision does not have to wait for the methodology, and nor should the protection. A practical sequence: model the MSSP and LEAD outcomes side by side for the actual book of business; price an aggregate stop-loss policy and—for LEAD—member-level coverage; size the financial guarantee and choose its form; and coordinate all of it with the risk option and TIN configuration before the August deadline. An ACO that does this can make the LEAD-or-MSSP call, with the downside covered, on its own timeline rather than CMS's.

There is recent precedent for the cost of moving without preparation. In the first years of Direct Contracting and ACO REACH, some participants entered a new model they did not fully understand and did not protect against. The results separated cleanly into winners and losers. LEAD is newer, carries first-dollar risk, and involves more uncertainty than either program did at a comparable stage. The lesson is not to avoid LEAD, but to enter it deliberately and with appropriate preparation.

The timing argues for moving now. The TIN List is due in early August, the financial methodology is expected later this summer, and the insurance market is estimated to be crowded once it arrives. Every ACO entering LEAD should at least obtain a quote for aggregate coverage and a financial guarantee. It costs nothing to ask, commits the ACO to nothing, and converts a decision made in the dark into one informed by data.

This paper is part of a continuing series. A forthcoming companion piece will provide a short risk-mitigation checklist, the specific analyses to complete before entering PY2027, in a form an ACO can work through directly. Later installments will cover additional tactics and formats. To model the MSSP-versus-LEAD decision for your organization, or to price the coverage that protects it, please contact the authors.

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ABOUT THIS PAPER

This paper is an educational discussion prepared for ACO and provider organization leadership. It is not an actuarial opinion on, or a recommendation for, any specific organization, and it is not legal, tax, or accounting advice. It relies on CMS program materials in effect as of June 2026, including the MSSP methodology specifications, 42 CFR Part 425, and the LEAD Model Request for Applications as of the date of this paper. At the time of writing this paper, the final LEAD financial methodology has not yet been published and may change several of the figures described here. Any organization evaluating MSSP, LEAD, stop loss, or a financial guarantee should obtain analysis specific to its own population, risk position, and contracts. Brad Heywood is a Member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial discussion in this paper.

ABOUT WAKELY

Founded in 1999, Wakely Consulting Group, an HMA Company, is well known for its top-tier healthcare actuarial consulting services. With nine locations nationwide, Wakely boasts deep expertise in Medicare Advantage, Medicaid managed care, risk adjustment and rate setting, market analyses, forecasting, and strategy development. The firm's actuaries bring extensive experience across all sectors of the healthcare industry, collaborating with payers, providers, and government agencies.