

Update on ACO Reach

December 2023



Update on ACO REACH

In 2022, the California State Retirees (CSR) began raising concerns about a Centers for Medicare and Medicaid Services (CMS) pilot program called ACO REACH.¹ ACO REACH is an acronym that stands for Accountable Care Organization (ACO) Realizing Equity, Access, and Community Health (REACH).

In response, the CalPERS Health Team hosted an information sharing session titled *Medicare Accountable Care Policy and Addressing Perspectives about the ACO REACH model*.² The session took place at the Board of Administration Education Day on January 17, 2023, and offered a comprehensive overview of the ACO REACH model including responses to stakeholder critiques from senior CMS staff, and a broader discussion of the merits of the approach that included comments from James Kahn, M.D.

This document provides an update since that January Board session, including CMS announcements and stakeholder reactions.

Background

ACO REACH is one of several ACO initiatives currently being tested by the CMS Center for Medicare and Medicaid Innovation (CMMI) as an alternative to traditional fee-for-service (FFS) payments.³ Under traditional Medicare, providers make more money the more often patients use services, rewarding the volume of care services without factoring in the quality of those services and their impact on patient outcomes. In Medicare ACO models, the goal is to ensure that patients get the right care at the right time, while avoiding duplication of services. ACO providers are responsible for all their assigned patients' spending for the entire year, which means they are incentivized to make sure each patient is receiving high-quality, attentive, well-coordinated, and efficient health care.

The ACO REACH model is a redesign of the Global and Professional Direct Contracting (GPDC) model, which began its first performance year on April 1, 2021, under the Trump Administration. The redesign reflects the priorities of the Biden-Harris Administration to further test how to promote the provision of equitable and accountable care to Medicare beneficiaries, and to respond to feedback from stakeholders and participants.⁴ The ACO REACH model will be active from January 1, 2023, through December 31, 2026.⁵

A central policy goal of ACO REACH is maintaining equity by combating unintended disparities that otherwise fortify systemic racism and socioeconomic bias.⁶ The ACO REACH model:

- Aligns beneficiaries with accountable care organizations that are paid by a model that incentivizes care coordination, decreases duplication, and minimizes excess treatments.
- Promotes provider-led organizations participating in risk-based models.
- Supports health equity, addresses healthcare disparities for underserved communities, and provides enhanced Medicare benefits, including care in the home.

¹ ACO REACH. CMS.gov. <https://www.cms.gov/priorities/innovation/innovation-models/aco-reach>

² CalPERS Board of Administration Educational Day. January 17, 2023. <https://www.calpers.ca.gov/page/about/board/board-meetings/full-202301>

³ About the CMS Innovation Center. CMS.gov. <https://www.cms.gov/priorities/innovation/about>

⁴ ACO REACH Fact Sheet. CMS.gov. August 15, 2022. <https://www.cms.gov/priorities/innovation/media/document/aco-reach-aug2022-fs>

⁵ ACO REACH Frequently Asked Questions. CMS.gov. <https://app1.innovation.cms.gov/s>

⁶ NEJM Perspective: ACO REACH – A Progressive Value-Based Payment Model, Promoting Equity. Center for Medicare Advocacy. July 21, 2022. <https://medicareadvocacy.org/nejm-on-aco-reach/>

- Works toward CMS strategic direction of having all beneficiaries in accountable care contracts by 2030.

Payment Methodology

ACO REACH, like the traditional Medicare Shared Savings Program (MSSP), is a partnership between the federal government and organizations of doctors, hospitals, and other entities. If the model succeeds in improving the quality, equity and efficiency of care for patients by reducing overall spend, the ACO will get a share of the savings from CMS.⁷

Participating REACH ACOs can choose one of two payment options:

- Lower risk “Professional,” with 50 percent shared savings/losses with CMS.
- Higher risk “Global,” with 100 percent shared savings/losses with CMS.

ACO REACH also includes a benchmark adjustment that increases payments for ACOs serving higher proportions of underserved beneficiaries (+\$30 per beneficiary per month) and includes financial penalties for underserving them (-\$6 per beneficiary per month).⁸

Enrolling in ACO REACH

There are two ways Medicare members can become part of an ACO REACH model, and both depend on who the member chooses as their primary care clinician:

1. Members who regularly see a primary care provider (PCP) who is already participating in the ACO REACH model will be considered aligned with the ACO. Members will receive a letter informing them that their doctor or clinician is a part of the ACO REACH model.
2. Members can align to a provider participating in ACO REACH by completing a voluntary alignment form.

Protections for Members in ACO REACH

Medicare members aligned with an ACO REACH provider:^{9,10}

- Are entitled to all traditional Medicare benefits, plus some additional ones.
- Are notified annually that their PCP is part of an ACO, and that their Medicare benefits have not changed.
- Can elect to see a provider they choose at any time, even those not part of an ACO (e.g., a specialist who provides heart, diabetes, cancer, or arthritis care).
- Can select a different PCP if they don’t want to be aligned with the ACO REACH model.
- Can opt-out of having their data shared with the ACO and still see the same provider.
- Are protected from marketing activities targeted to individuals aligned to REACH ACOs for the purpose of recruitment into Medicare Advantage plans.

⁷ *Frequently Asked Questions About the Accountable Care Organization Realizing Equity, Access, and Community Health (ACO REACH) Model*. America’s Physician Groups. December 2022. <https://www.apg.org/wp-content/uploads/2022/12/ACO-REACH-FAQ-Final-12.5.2022.pdf>

⁸ *CMS Accountable Care Initiatives*. Liz Fowler, Deputy Administrator and Director, CMS Center for Medicare and Medicaid Innovation. January 17, 2023. <https://www.calpers.ca.gov/docs/board-agendas/202301/full/cms-accountable-care-initiatives.pdf>

⁹ *Fact Sheet: Accountable Care Organization (ACO) Realizing Equity, Access, and Community Health (REACH) Model*. CMS.gov. February 24, 2022. <https://www.cms.gov/newsroom/fact-sheets/accountable-care-organization-aco-realizing-equity-access-and-community-health-reach-model>

¹⁰ *ACO REACH: Fact vs. Fiction*. National Association of ACOs. <https://www.naacos.com/aco-reach--fact-vs--fiction>

ACO REACH also employs the following strategies to ensure the protection of members' Medicare benefits and rights:¹¹

- Limited networks, prior authorization or any other means of restricting care are prohibited.
- Each REACH ACO must have both a Medicare beneficiary and consumer advocate serving on the REACH ACO's governing body who will hold voting rights (the same person is no longer permitted to fill both roles) to ensure beneficiary representation in the REACH ACO's governance.
- CMS will
 - Closely monitor levels of care provided over time and compare care delivery patterns to a reference population to determine if REACH ACOs are stinting on beneficiary care.
 - Conduct compliance audits throughout the year, investigate beneficiary complaints, and conduct beneficiary experience of care surveys (CAHPS) annually to measure changes in beneficiary satisfaction.
 - Monitor whether beneficiaries aligned to REACH ACOs participating in the model are being shifted into or out of Medicare Advantage.
- If at any time a Medicare beneficiary or their caregiver has concerns about the ACO REACH Model, CMMI has a model liaison that is part of the Medicare Beneficiary Ombudsman team in the Offices of Hearings and Inquiries. The model liaison can be reached thru 1-800-Medicare and will assist in facilitating communications with the Medicare Quality Improvement Organizations (QIOs), the CMS regional offices, and ACO REACH Model team to ensure the beneficiary's concerns are heard.

CalPERS Medicare Member Exposure to ACO REACH

As of October 2023, 27 of the 132 total ACOs participating in ACO REACH (approximately 20 percent) operate in California.¹² These ACOs provide services to those enrolled in traditional Medicare; they do not provide services to Medicare Advantage enrollees.

Each ACO has an affiliated participating provider network that varies in size and organization. Affiliated providers may include, but are not limited to:

- Physicians or other practitioners in group practice arrangements
- Networks of individual practices of physicians or other practitioners
- Hospitals employing physicians or other practitioners
- Federally Qualified Health Centers
- Rural Health Clinics
- Critical Access Hospitals

ACO REACH, as a limited-term model, is providing care to an estimated 2.1 million Medicare beneficiaries out of the over 65 million nationwide.¹³ The universe of potential CalPERS members enrolled in ACO REACH is likely a small subset of the approximately 150,000 members enrolled in PERS Platinum Medicare Supplement and PERS Gold Medicare Supplement plans.

¹¹ *Accountable Care Organization Realizing Equity, Access, and Community Health (ACO REACH) Model Application Process and Results Frequently Asked Questions*. CMS.gov. August 15, 2022. <https://www.cms.gov/priorities/innovation/media/document/aco-reach-aug2022-faqs>

¹² ACO REACH Model Performance Year 2023 Participant Overview. CMS.gov. <https://www.cms.gov/priorities/innovation/media/document/aco-reach-py23-participants>

¹³ CMS Announces Increase in 2023 in Organizations and Beneficiaries Benefiting from Coordinated Care in Accountable Care Relationship. CMS.gov. <https://www.cms.gov/newsroom/press-releases/cms-announces-increase-2023-organizations-and-beneficiaries-benefiting-coordinated-care-accountable>

January 2023: CMS Announcement¹⁴

On January 17, 2023, CMS announced that for 2023, the ACO REACH model will have 132 participating ACOs with 131,772 health care providers and organizations providing care to an estimated 2.1 million Medicare beneficiaries.

In the announcement, CMS stated that ACO REACH will increase access to accountable care in underserved populations including 824 participating Federally Qualified Health Centers, Rural Health Centers, and Critical Access Hospitals – more than twice the number in 2022. Increasing the number and reach of ACOs in underserved communities can help close gaps in racial and ethnic disparities that have been identified among people with traditional Medicare in accountable care relationships. In 2023, over 55 percent of REACH ACOs have self-reported as provider organizations.

Following the CMS announcement, U.S. Representative Pramila Jayapal applauded both the exit of some participants from the ACO REACH model and the implementation of reforms, including the addition of new criteria for participation in the program.¹⁵ She also said that CMS must take further action to ensure that patient care is the highest priority for participating providers and that corporate profiteering and profit-driven organizations should have no place in the Medicare system.

Leaders of America’s Physician Groups (APG) and the National Association of ACOs (NAACOS), responded to the CMS announcement with statements of their own.¹⁶ APG noted that all model participants have achieved 100 percent compliance with quality metrics, and continue to show quality improvements relative to the rest of Medicare. They also noted that for the 12-month period that ended June 2022, ACO REACH model participants that also participate in other ACO programs achieved lower rates of unplanned admissions for patients with multiple chronic conditions than across all the rest of Medicare – the traditional FFS program, the MSSP, and the Next Generation ACO program.

August 2023: Changes to ACO REACH for 2024 Model Performance Year

On August 14, 2023, in response to stakeholder feedback, additional changes and refinements to ACO REACH for 2024 were announced by CMS.¹⁷

The changes are classified into three categories:¹⁸

- Increased predictability for participating ACOs by:
 - Reducing the beneficiary alignment minimums. For payment year 2025, CMS will reduce the minimum number of beneficiaries aligned with each ACO from 5,000 to 4,000 for new entrant ACOs, and from 1,200 to 1,000 for high-needs ACOs.
 - Adding a 10 percent buffer on alignment minimums for all ACO types. ACOs that fall beneath the enrollment threshold can remain in the program for one additional year.
 - Refining eligibility criteria for alignment to a high-needs population ACO.

¹⁴ *CMS Announces Increase in 2023 in Organizations and Beneficiaries Benefiting from Coordinated Care in Accountable Care Relationship.* Centers for Medicare and Medicaid Services. January 17, 2023. <https://www.cms.gov/newsroom/press-releases/cms-announces-increase-2023-organizations-and-beneficiaries-benefiting-coordinated-care-accountable>

¹⁵ *Jayapal Applauds Exit of Bad Actors from ACO Reach Program, Calls for Greater Accountability.* January 19, 2023. <https://jayapal.house.gov/2023/01/19/jayapal-applauds-exit-of-bad-actors-from-aco-reach-program-calls-for-greater-accountability/>

¹⁶ *CMS Officials Announce ACO Participation Details, Associations Respond.* Healthcare Innovation. January 18, 2023. <https://www.hcinovationgroup.com/policy-value-based-care/accountable-care-organizations-acos/article/21292938/cms-officials-announce-aco-participation-details-associations-respond>

¹⁷ *ACO REACH Model Performance Year 2024 Model Update Quick Reference.* October 12, 2023. <https://www.cms.gov/priorities/innovation/innovation-models/reach-py24-model-perf>

¹⁸ *CMS Announces Updates to ACO REACH for 2024.* American Journal of Managed Care. August 18, 2023. <https://www.ajmc.com/view/cms-announces-updates-to-aco-reach-for-2024>

- Modifying the financial guarantee policy.
- Updating the provisional settlement to reflect 12 months of performance experience instead of 6 months.
- Applying risk corridors to the retrospective trend adjustment.
- Protection against inappropriate risk score growth and maintain consistency across CMMI models by:
 - Revising the risk adjustment methodology by using 67 percent of the risk scores under the current 2020 risk adjustment model and 33 percent under the revised risk adjustment model
- Further advancement of health equity through:
 - Revisions to the composite measure utilized for the health equity benchmark adjustment (HEBA) to incorporate Low-Income Subsidy status and State-based Area Deprivation Index
 - Adding pulmonary rehabilitation to the nurse practitioner and physician assistant services benefit enhancement.

APG welcomed the changes.¹⁹ They said APG advocated for many of the changes based on the recommendations of their ACO REACH coalition members.

September 2023: California Legislature Joint Resolution²⁰

On September 8, 2023, The California Senate passed Assembly Joint Resolution 4 (AJR-4), the Medicare Protection Act of 2023. The resolution requests that President Biden dissolve the ACO REACH program, stating the program directly undermines the direct principles of traditional Medicare by incentivizing profits and limiting delivery of health care. Resolutions do not require the Governor's signature.

AJR-4 received bipartisan support from more than 60 members in the Assembly and 30 in the Senate.²¹ The California Alliance for Retired Americans sponsored the bill, with California State Retirees listed in support.

Performance Evaluation

All ACOs participating in CMS models must demonstrate that they are improving outcomes for their patients while controlling costs. CMS makes performance data publicly available on an annual basis.^{22,23}

As of October 2023, ACO REACH performance data for plan years 2021, 2022, and the first half of 2023 is available. This data includes information such as the ACOs' risk arrangement, stop loss, capitation, savings rate, and quality results.²⁴

¹⁹ APG Welcomes CMS's Changes to ACO REACH Model. America's Physician Groups. August 15, 2023.

<https://www.apg.org/news/apg-welcomes-cmss-changes-to-aco-reach-model/>

²⁰ AJR-4 Medicare: ACO REACH Model. https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=202320240AJR4

²¹ Assemblywoman Schiavo Makes Progress Protecting Medicare for Seniors with Passage of AJR 4. September 8, 2023.

<https://a40.asmdc.org/press-releases/20230908-assemblywoman-schiavo-makes-progress-protecting-medicare-seniors-passage>

²² CMS Innovation Center Programs. CMS.gov. <https://data.cms.gov/cms-innovation-center-programs>

²³ ACO Realizing Equity, Access and Community Health Model Methodology. CMS.gov. <https://data.cms.gov/resources/aco-reachingrealizing-equity-access-and-community-health-aco-reach-model-methodology>

²⁴ ACO Realizing Equity, Access and Community Health Financial and Quality Results. Data.cms.gov. July 17, 2023. Year 2021. <https://data.cms.gov/cms-innovation-center-programs/aco-realizing-equity-access-and-community-health/aco-realizing-equity-access-and-community-health-financial-and-quality-results>

So far, the financial performance is as follows:

- In 2021, participating ACOs in the GPDC model (later redesigned as ACO REACH) generated a total gross savings of \$117 million, \$47 million of which was paid as shared savings.²⁵ An evaluation of the model by the National Opinion Research Center (NORC) at the University of Chicago found that participating ACOs did not significantly lower gross Medicare spending in PY 2021 relative to the comparison group.^{26,27}
- In 2022, ACOs saved five times as much as they did in 2021, generating approximately \$870 million in gross savings and \$371.5 million net savings.²⁸
- In the first two quarters of 2023, ACOs experienced a roughly 7.7 percent reduction in Medicare spending compared to benchmarks.²⁹

A Congressional Budget Office (CBO) report released on September 28, 2023, presented findings from its analysis of CMMI's activities during its first decade of operation.³⁰ Although the CBO noted that no performance results were available for the ACO REACH model at the time of publication, they assessed the effect of other ACO models operated by CMMI. Of the five ACO models the agency reviewed, two were associated with small net decreases in Medicare spending, and three were associated with small net increases in spending. The Pioneer ACO model was one of the models that generated statistically significant savings, and it was certified for expansion in 2015 by CMS's Office of the Actuary and became part of MSSP. This is in line with CMMI's approach, namely, to pilot different models across the country, evaluate their effectiveness at improving quality of care while reducing costs, and expand the most successful models. ACO REACH is no exception.

When the ACO REACH model ends in 2026, it will be fully evaluated for effectiveness by CMMI and outside entities.³¹ If the outcomes revealed during the performance period are found to be successful and actuarially sound, it is possible the ACO REACH model could be certified for expansion through federal rulemaking.³² It is also possible, if the ACO REACH model is not certified in its entirety, that some successful aspects of the ACO REACH model could be used to modify other payment models.

²⁵ *Global and Professional Direct Contracting Model - Initial Observations from 2021 Financial Results*. Machut, Brian. Wakely. December 2022. <https://www.wakely.com/blog/global-and-professional-direct-contracting-model-initial-observations-2021-financial-results>

²⁶ *Annual Report 1: Global and Professional Direct Contracting Model Evaluation*. NORC at the University of Chicago. October 2023. <https://www.cms.gov/priorities/innovation/data-and-reports/2023/gpdc-1st-ann-report>

²⁷ *Findings at a Glance: Global and Professional Direct Contracting (GPDC) Model*. CMS.gov. <https://www.cms.gov/priorities/innovation/data-and-reports/2023/gpdc-1st-ann-report-aag>

²⁸ *CMS Releases 2022 Direct Contracting Results*. Healthcare Innovation. October 23, 2023. <https://www.hcinnovationgroup.com/policy-value-based-care/accountable-care-organizations-acos/news/53076065/cms-releases-2022-direct-contracting-results>

²⁹ *ACO Realizing Equity, Access, and Community Health (REACH) Model Summary of Quality Performance, Financial Performance, and Model Payments*. CMS.gov. September 29, 2023. <https://www.cms.gov/priorities/innovation/media/document/aco-reach-gpdc-quarterly-transp-report>

³⁰ *Federal Budgetary Effects of the Activities of the Center for Medicare & Medicaid Innovation*. Congressional Budget Office. September 28, 2023. <https://www.cbo.gov/publication/59612>

³¹ *Evaluation of the ACO REACH Model*. National Opinion Research Center (NORC) at the University of Chicago. <https://www.norc.org/research/projects/evaluation-of-the-aco-reach-model.html>

³² *CMMI Model Certifications*. <https://www.cms.gov/Research-Statistics-Data-and-Systems/Research/ActuarialStudies/CMMI-Model-Certifications>

Conclusion

Various member protections within ACO REACH provide confidence that the subset of CalPERS members seeing a provider participating in ACO REACH will retain all the rights, coverage, and benefits of traditional Medicare. Concerns that for-profit entities, or third-party middlemen, will drive health care decision making to the detriment of members aligned to ACO REACH are premature and unfounded at this time. Members will continue to see the same doctors they were already seeing, but with the added benefit that REACH ACOs provide additional support to participating doctors to improve coordination of care, reduce duplication, and improve quality and equity.

CalPERS has years of experience working with ACOs³³ and has long supported the move toward value-based payments. In fact, CalPERS has established itself as an exemplary model for other large health care purchasers, notably through the pioneering of reference-based pricing, implementation of a value-based insurance design (VBID) program, and alignment with Covered California on promoting the adoption and expansion of ACOs across our plans. These efforts have a proven record of success. For example, a study of the CalPERS VBID program showed that member participation was associated with positive targeted changes in outpatient and inpatient spending and utilization without increasing total costs.³⁴

CalPERS views CMMI as our federal partners in achieving the shared goal of advancing effective models for integrated, coordinated and accountable systems of care. The ACO REACH model is one of many programs that CMMI is piloting as part of this effort, and it aligns with CalPERS' stated policy goals:

- CalPERS' current legislative and policy priorities support the shift away from FFS payments in healthcare. In its publicly available 2023-2024 Federal Legislative Policy Priorities document,³⁵ CalPERS states it is "working with the CMS Innovation Center to accelerate the shift from a fee for service, volume-based healthcare system to a value-based healthcare system."
- CalPERS' current 2022-27 Strategic Plan³⁶ includes an objective to "ensure all members receive equitable care," and support of the ACO REACH model, with its explicit goal and strategies to address healthcare disparities, aligns with this objective.

CalPERS will continue to monitor the progress of ACO REACH as CMS tests value-based Medicare payment reform methodologies. After the pilot program has run its course and sufficient data has been collected, we will thoroughly review all evaluations conducted. We believe this is the best time to perform a comprehensive review of the pilot.

We will also make our impressions and concerns known. The rulemaking process to certify expansion of ACO REACH typically involves a public notice of proposed rulemaking with a comment period. The CalPERS health team continuously monitors federal rulemaking notices and CalPERS will have an opportunity to comment in the future, when there is more evidence of the efficacy of the model, if necessary.

³³ *Accountable Care Organizations: A Brief Overview and Evaluation*. CalPERS Board of Administration Offsite. July 16, 2019. https://www.calpers.ca.gov/docs/board-agendas/201907/full/day2/07-pp-aco_a.pdf

³⁴ *Association of Participation in a Value-Based Insurance Design Program with Health Care Spending and Utilization*. Hui Zhang and David Cowling. March 13, 2023. <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2802353>

³⁵ *CalPERS' Federal Legislative and Policy Priorities 118th Congress (2023-2024)*. March 15, 2023. https://www.calpers.ca.gov/docs/board-agendas/202303/full/item9b-01_a.pdf

³⁶ *CalPERS 2022-27 Strategic Plan*. <https://www.calpers.ca.gov/docs/forms-publications/2022-27-strategic-plan.pdf>