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Pathways to Success ACO Program

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In 2018, the Centers for Medicare and Medicaid Services (CMS) overhauled its approach to implementing accountable care organizations (ACOs) by overhauling the original Medicare Shared Savings Program (MSSP; see *Prior History for the Medicare Shared Savings Program*) and creating "Pathways to Success" as a new approach to MSSP.

One motivation for Pathways to Success update to MSSP (hereafter, "Pathways") was concern about the limited impact of the original MSSP on cost savings – a result that some believed was due in part to MSSP ACOs' ability to participate in upside-only options for as long as 6 years without accepting downside financial risk.[1]

Pathways overhauled the original MSSP in several major ways. First, the program requires that regardless of participation option, ACOs on some level assume downside risk. Second, it extends the participation agreement period from three to five years. This brief provides detail on these changes, and other key elements, in Pathways. Because Pathways is a large, complex program, there are elements beyond the scope of this brief – we encourage interested readers to visit the CMS website for additional information.[2,3]

Prior History for the Medicare Shared Savings Program (MSSP)

Implemented in 2012, MSSP[4] was one of CMS's early ACO programs. Like other ACOs, the program encouraged physicians, hospitals, and other healthcare organizations to self-organize into organizations that assumed accountability for the quality and costs of care across a given patient population. Under MSSP, ACOs could receive "shared savings" for containing per-beneficiary, per-year spending below the discrete benchmark if they also met quality performance thresholds.

MSSP was designed with multiple "tracks" to allow ACOs to adopt different levels of financial risk: one-sided, upside-only tracks as well as two-sided, up/down-side risk. ACOs were allowed to remain in upside-only tracks for up to 6 years – a design meant to provide them time to build organizational capacities needed to succeed in downside-risk situations. For more information about the tracks and other features in MSSP, please refer to the CMS website (please note that information that is added, removed, and otherwise contained on the website can change over time). [5]

Participation in MSSP grew over time, increasing to >550 ACOs covering 10.5 million Medicare beneficiaries by 2018.[6] Program participation was also associated with cost savings, particularly over time and among early adopters. [7] Greater shared savings were also associated with low revenue physician-led, rather than high revenue, hospital-led, ACOs; and participation in two-sided, rather than one-sided, risk tracks.[3] However, despite program growth and benefits, approximately 30% of ACOs opted to leave the program within the first five years.[8] Additionally, over that time period, the vast majority (over 80%) of ACOs remained in one-sided risk tracks rather than transition to two-sided tracks with downside financial risk.[6] The combination of ACO attribution, along with the fact that overall savings to Medicare were limited by shared savings payments made by CMS to ACOs, contributed to policy changes that ultimately led to the creation of the Pathways program.

Pathways to Success: Key Elements

Participation Options ("Tracks"). Pathways involves two tracks: BASIC and ENHANCED (Table 1), which consolidated the more numerous tracks in MSSP. The BASIC track was modeled after MSSP Track 1 and 2 and established a "glide path" by which programs progress through a pathway of increasing levels of downside risk over time (Levels A-E, with downside risk starting at Level C).[3] The ENHANCED was modeled after MSSP Track 3.

Agreement Period. The minimum agreement period in Pathways is 5 years instead of the 3 year period used in MSSP. ACOs may elect to terminate participation in the program prior to the end of the agreement period, but they are liable for a pro-rated amount of shared losses in their final performance year.

Assumption of Downside Risk. In general, ACOs in the BASIC track have a limited two-year period of upside-only risk (Levels A and B) with up to 40% shared savings. After two years, these ACOs must automatically advance to two-sided risk (Levels C through E) with 30% of shared losses and up to 50% shared savings. Though there are exceptions for how ACOs progress through Levels (e.g., stipuations for low revenue ACOs), in general they are automatically advanced at least one level each year. ACOs in the ENHANCED track assume downside financial risk in all years of participation. In these ways, Pathways sets timelines along which ACOs must transition to two-sided financial risk.

	Table 1: Basic Tracks of Pathways to Success[1,3]				
	BASIC				ENHANCED
	Year 1 (A) and 2 (B)	Year 3 (C)	Year 4 (D)	Year 5 (E)	
Shared Savings (%) *	40%	50%	50%	50%	75%
Shared Savings Limit (% of Benchmark)	10%	10%	10%	10%	20%
Shared Losses (%)	None	30%	30%	30%	45-75%; depends on final sharing rate based on quality performance
Loss Cap** (Revenue)	No shared losses	2%	4%	8%	None
Loss Cap (Benchmark)		1%	2%	4%	15%
Advanced Alternative Payment Model				X	X
Minimum Savings and Loss Rates***	Variable; based on # beneficiaries	ACOs select MSR/MLR before start of year; options include 1st dollar savings, symmetrical MSR/MLR up to 2%, or symmetrical MSR/MLR based on assisgned beneficiaries			
3-Day SNF Rule Waiver	No	Eligible			
Telehealth	No	Eligible starting 2020 if elect prospective beneficiary alignment			

* Up to listed amount contingent in-part on quality performance; mimum savings rate (MSR) must be met or exceeded to qualify for shared savings – MSR determination is unique with multiple options for each level.
** Shared losses are capped at the lesser of either (1) a percentage of ACO participant FFS revenue from Medicare Parts A and B or (2) a percentage of the benchmark.
***A minimum savings rate (MSR) or Minimum Loss Rate (MLR) is the minimum amount of Total Parts A and B spending under or over the financial benchmark before an ACO is eligible to receive a shared savings payment or be responsible for a shared losses payment.
Adapted from MSSP Final Rule "Table 3— Comparison of Risk and Reward Under Basic and Enhanced Track"

Financial Benchmark. In Pathways, financial benchmarks are blended based on ACOs' historical spending and regional spending – the general approach used in the original MSSP program. However, Pathways has a more accelerated timeline for incorporating regional blending into benchmark calculation. The rationale is at least two-fold:[9] 1) the incorporation of regional spending accounts for provider spending relative to peers (distinguishes between providers who have higher or lower spending than peers in their regions) and 2) inclusion of historical spend limits the extent to which ACOs can be assessed as generating shared savings solely by outperforming regional averages. Financial benchmarks in Pathways are also prospectively risk-adjusted based on CMS-Hierarchical Condition Category (HCC) scores, with upward adjustments capped at 3% and no downward caps. Additionally, the longer five-year agreement period results in less frequent benchmark rebasing with the goal of increasing predictability for participating ACOs.

Quality Performance. In Pathways, quality performance is largely unchanged relative to the original MSSP program. CMS established a set of quality metrics, quality benchmarks, and minimum quality attainment levels (as specified by § 425.502 in 2011 under the original MSSP program) to qualify for shared savings.[10] ACOs in BASIC Track Level E and ENHANCED Track would qualify for Advanced Alternative Payment Model incentives and be excluded from MIPS.

Eligibility for Track Selection. Track selection in Pathways is governed by a set of complex rules**,** which focus on revenue ("high revenue" versus "low revenue" ACOs), prior experience (in other two-sided ACO programs), and renewal status (prior experience in MSSP). Interested readers can find more detailed information on the CMS website.[9]

COVID-19 Regulatory Revisions. CMS introduced an interim rule in April 2020 to provide ACOs more flexibility and predictability in the setting of the COVID-19 pandemic. The Shared Savings Program will forgo the 2021 application cycle, and ACOs with participation agreements ending in 2020 may elect to extend their agreement period for an additional year with the option of maintaining their existing risk level.[11]

Regulatory Flexibilities[9]

(1) Expanded use of telehealth: Pathways permits ACOs to bypass existing limitations on telehealth services. Providers in participating organizations have flexibility to furnish telehealth servies irrespective of a patient's geographical location or originating site.

(2) Skilled nursing facility (SNF) 3-day rule waiver: SNF coverage under Medicare Part A is traditionally contingent on a preceeding inpatient hospital admission of at least three consecutive days. Pathways establishes a waiver program for ACOs to bypass this requirement and also creates a mechanism for critical access and rural hospitals to partner with eligible ACOs to utilize the waiver.

(3) Beneficiary incentive payments: Pathways allows ACOs to make incentive payments or vouchers up to $20 to patients receiving qualifying primary care services with the aim of promoting beneficiary engagement in health. These payments can range from cash-equivalents to vouchers for in-kind products or services including OTC medication, wellness program memberships, or meal programs. Pathways specifies requirements on the use of traceable cash equivalent, provision within 30 days of qualifying care, and uniformity of both amount and qualifying services amongst ACO beneficiaries. ACOs are also prohibited from advertising these incentive payments in product marketing material.

(4) Beneficiary notification: Pathways builds on existing requirements of MSSP that require participating organizations to notify beneficiaries of their alignment with an ACO. Beneficiaries must be notified of their alignment at the point-of-care and ability to identify or change primary care clinicians for the purpose of voluntary alignment with an ACO.

Summary and General Direction of Pathways to Success

Pathways represents both a continued commitment to ACOs and changes to accelerate the pace at which participants shift toward value under downside financial risk. More time and analysis is needed to determine if the program will achieve its intended goals, and if and how it could create unintended effects. Outcomes should also be considered in the context of provider engagement, given the prospect that providers could be deterred from participation or drop out – a problem observed under MSSP.[8,12,13]

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