



Preparing for downside risk through a participant-funded risk pool

Finance

Competency: Establish parameters for financial collaboration with partners

JULY 2020

BACKGROUND

Physician Organization of Michigan Accountable Care Organization (POM ACO) formed specifically to participate in the Medicare Shared Savings Program (MSSP) in 2013 as a Track 1 ACO. Track 1 is an upside-only track, so the ACO was eligible for shared savings every year but not responsible for repaying losses. At the start of their second agreement period, POM ACO began preparation for the end of their statutorily allowed time in an upside only arrangement, contemplating participation in the newly announced Track 1+, intended to gradually introduce providers to risk-bearing arrangements. To prepare, the organization set about funding a risk pool, to protect it in the event that the organization ever became responsible for shared losses. To fund this pool, POM ACO began collecting annual membership fees among its participating organizations, which included independent physicians and physician groups.

About POM ACO

Physician Organization of Michigan ACO encompasses roughly 4,000 providers from 36 provider participants, including the University of Michigan Medical Center, and covers about 45,000 Medicare beneficiaries.

Location: Michigan

Website: www.pom-aco.com

VBP Contracting:

- MSSP Track 1 2013–2018 (~40K-130K lives)
- MSSP Basic Track E 2019-2020 (~45K lives)

APPROACH

Non-refundable membership fees are collected annually from each participant according to their tax identification number (or TIN) at the time contract renewal is due. At the outset of the program, each entity with an associated TIN paid \$250 per affiliated NPI. When the organization enrolled in Basic Track E of the MSSP's Pathways to Success program, this fee was raised to \$500 per NPI in order to more quickly build the necessary funds for participation in the risk-bearing program. This \$500 membership fee has been maintained throughout the duration of the program.

To ensure the ACO's participating organizations felt comfortable paying the new membership fees, POM ACO developed a marketing strategy which demonstrated to providers the benefit of participating in the ACO, including reduced reporting requirements and the potential for shared savings. The membership fee also offers participants some security, because they know that in the event the organization owes payments to CMS, participants will not be responsible for any portion of that cost beyond the fees they already paid.

In addition to the membership fees, the ACO funnels a portion of shared savings bonuses into the risk pool. The exact portion of shared savings redirected into this pool is decided by the ACO board every year: there is no fixed amount or percentage. This allows flexibility to adjust the size of the pool dependent upon patient population growth and benchmarks, and to utilize savings bonuses where the organization needs it most rather than reserving funds to build up the risk pool unnecessarily.

RESULTS TO DATE

Although POM ACO never participated in Track 1+ as initially intended, it is currently in a two-sided risk contract under Basic Track E of the Pathways to Success program, the most recent iteration of the MSSP. The ACO currently has about \$6 million in its risk pool, a combination of membership fees from participating provider organizations and shared savings. The organization began participation in Basic Track E in July 2019 and has not yet had to pay out any shared losses. Due to the effort put into demonstrating the benefits of participation, none of the ACO participants have opposed the membership fees and none have left the ACO because of the fees. Even when fees were increased from \$250 per NPI annually to \$500, providers felt that the benefit of being in an Advanced Alternative Payment Model justified the fees.

CHALLENGES

In order to develop this program, POM ACO had to make some difficult decisions collectively among the ACO participants. Navigating the allocation of shared savings bonuses - whether money should be invested in ACO infrastructure or redirected to the risk pool, and how much - was one decision the ACO grappled with. Another was the decision to require membership fees to be non-refundable, meaning that physician groups discontinuing participation in the middle of the year would not be eligible to receive any portion of their payment back.

These important decisions are deliberated by the ACO Board. Although POM ACO is highly federated, with much of the operational decision-making responsibility falling on individual provider organizations rather than the central ACO, it has a robust governance structure. Each

member organization is represented on the Board and has a voice in the decisions impacting them. This structure, along with the organizational culture of transparency and accountability, allowed the providers to successfully work through these sensitive matters.

KEY LEARNINGS

- **Transparency is essential** – at every junction in the process, POM ACO was exceedingly transparent, ensuring that all providers knew exactly how much they were required to pay and where that money was going. The ACO's financial statements are available to physicians at all participating organizations and are included on the agenda of board meetings.
- **Start preparations early** – POM ACO began collecting membership fees well in advance of entering a downside risk arrangement. This allowed them to slowly build up the risk pool and to generate the culture change necessary for successful participation.
- **Understand the local environment** – the ACO ensured that changes happening at the broader organization had demonstrated local-level benefits and did not ask anything of its participants that only benefited the central organization and not individual physician groups.

Contributors

Tim Peterson, MD, MBA, FACEP

Executive Director

Physician Organization of Michigan
Accountable Care Organization

Zoë Heins

Associate

Leavitt Partners
zoe.heins@leavittpartners.com

Kate de Lisle

CSB Program Manager

ACLIC
kate.delisle@leavittpartnes.com