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Record-Breaking Savings for ACOs in 2023

On October 29, 2024, the Centers for Medicare & Medicaid Services (CMS) announced Performance Year (PY) 2023 results for accountable care organizations (ACOs) participating its Medicare Shared Savings Program (MSSP). Notably, MSSP ACOs garnered the largest net savings in MSSP's history – more than $2.1 billion.[1] This Health Capital Topics article discusses MSSP performance in 2023 and how this may inform value-based care going forward.

In general, the ACO model holds groups of healthcare providers responsible for the quality and cost of healthcare delivery provided to an ACO's patient population.[2] ACOs are controlled by the provider members who work together to control costs, improve quality, and coordinate care. Those ACOs that achieve payor-designated spending and quality targets receive a share of the cost savings.[3] Most ACOs adhere to one of three primary structures: (1) hospital-led; (2) physician-led; and (3) jointly-led.[4] ACOs vary significantly in the services delivered to patients, the types of providers included in an ACO group, and their range of capabilities, which may include care management, advanced analytics, and shared interdisciplinary decision making.[5] In general, ACOs are associated with improved patient satisfaction and other patient-reported measures,[6] many of which improvements are concentrated in high-need, high-cost populations.[7] However, there is significant variance in ACO performance, with some ACOs achieving savings and others spending far more after formation.[8]

Most ACOs participate in the federal accountable care models offered by CMS; the MSSP is the one of the largest value-based payment models in the U.S., with 480 participating ACOs, comprised of over 608,000 clinicians providing care to approximately 11 million Medicare beneficiaries.[9] MSSP ACOs are comprised of hospitals, physicians, and other healthcare providers that collaborate to provide coordinated, high quality care to Medicare beneficiaries, while focusing on delivering the appropriate care at the correct time and avoiding unnecessary medical errors and services.[10] When an ACO succeeds in delivering high quality care and spending healthcare dollars wisely, it may be eligible to share in the savings it achieves for Medicare.[11] A 2020 study of 513 MSSP ACO participants found that 67% of participating ACOs generated a gross shared savings of $2.3 billion.[12] Between 2016 and 2020, the percentage of ACOs with positive shared savings grew 21% annually.[13] In 2022, 84% of ACOs achieved savings for Medicare, with 63% of ACOs earning shared savings.[14]

In 2023, 69% of MSSP ACOs earned shared savings payments of approximately $3.1 billion and net savings of over $2.1 billion, the highest amounts in the program's 10-year history.[15] Among MSSP ACOs, the primary care provider (PCP)-led ACOs garnered much higher net per capita savings than those ACOs with fewer PCPs.[16] Not only did ACOs generate record-breaking cost savings, they also increased the quality of care provided, scoring higher on numerous quality measures compared to 2022, as well as compared to other physician groups. In particular, ACOs increased quality on "measures related to diabetes and blood pressure control, breast cancer and colorectal cancer screening, screening for future fall risk, statin therapy for prevention and treatment of cardiovascular disease, and depression screening and follow-up."[17]

The MSSP's success is a bright spot for CMS's Center for Medicare and Medicaid Innovation (CMMI), which has faced a number of critics after an unfavorable Congressional Budget Office (CBO) analysis was released in September 2023. The CBO found that in its 10 years of existence, CMMI had tested 49 models, but approved only 5 expansions; this low rate of expansions is due to the Patient Protection & Affordable Care Act's strict requirements regarding the metrics a model must meet to be expanded.[18] Additionally, during the past decade, the CBO found that CMMI has not saved any Medicare spending – in fact, it increased spending by $5.4 billion.[19] This is in direct contrast to the CBO's 2010 projections that CMMI would reduce spending by $2.8 billion.[20] Over the next 10 years, the CBO projects that CMMI will increase federal spending by an additional $1.4 billion.[21] However, proponents of CMMI (and CMMI itself) argue that CMMI was established to be an incubator – to try a bunch of approaches to accountable care, and assess what worked. In many cases, although a model was not expanded, CMMI learned what does and does not work, and a model's positive facets were applied to other programs, such as the MSSP.[22]

PY 2023 is the seventh straight year of savings for the MSSP, and the strongest to date, due in part to the various modifications and variations the program has undergone in its history (thanks to those unsuccessful test models)

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to strengthen the program, add new features, and reduce participation barriers. While CMMI has piloted a number of accountable care test models over the last decade (as discussed above), none have had the staying power of the MSSP. Leaning on this track record, and the belief that it has learned from the various test models it has operated over the years, CMMI announced in 2021 its goal to enroll all Traditional Medicare beneficiaries in an accountable care arrangement by 2030.[23] At the start of 2024, approximately half of Traditional Medicare beneficiaries were in an accountable care arrangement.[24] Healthcare industry experts assert that progress toward the 100% goal is at an "inflection point," as CMMI needs to solve for "sunsetting incentives and declining rewards," in order to incentivize enough clinicians to participate in accountable care relationships.[25] For example, certain bonuses for participating in an ACO are set to expire at the end of 2026 barring congressional intervention, which is disincentivizing participation by some providers, particularly those in high-risk accountable care models, such as ACO REACH.[26] Additionally, CMS and CMMI continue to try and solve for the problem of the "benchmark ratchet," wherein ACOs who achieve cost savings face increasingly difficult benchmarks to meet (i.e., ACOs must achieve more and more savings every year), effectively "punishing success."[27] Whether these efforts will be enough to meet CMMI's goal, and accelerate the shift toward value-based care, remains to be seen.

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