

PBGH Commentary - Medicare’s “Next Generation” ACO Model provides stronger financial incentives for improving health outcomes and reducing costs

March 11, 2015 - CMMI has launched a new ACO model that raises the stakes and rewards for providing better care at reduced cost. The [Next Generation ACO Model](#) is an initiative for ACOs that are already experienced in coordinating care for populations of patients. It will allow these provider groups to assume higher levels of financial risk and reward than are available under the current suite of ACO programs – the Pioneer Model and Medicare Shared Savings Program (MSSP). PBGH recently submitted [comments](#) on MSSP for ACOs, a softer introduction to care coordination and financial incentives that is meant to be a stepping stone to the Pioneer program.

The Next Generation ACO Model is designed to test whether strong financial incentives for ACOs can encourage improved outcomes at a lower cost. Noteworthy design features of the model include:

- Requirement of outcomes-based contracts with other purchasers
- Prospectively set financial benchmark that incorporates historical *and* regional costs
- A shared savings/loss and full performance risk arrangement
- Prospective, claims-based alignment of beneficiaries with option for voluntary alignment by beneficiaries
- Benefit enhancement that pays beneficiaries directly for receiving care within the ACO network

These changes are directionally consistent with PBGH advocacy for making Medicare risk-bearing contracts more attractive to ACOs to spur innovations and improvements with greater alacrity.

Contact Jennifer Eames Huff (jeames@pbgh.org) if you have any comments or questions.

About Pacific Business Group Health

PBGH is a non-profit business coalition focused on improving the quality and affordability of health care. The group represents 60 large health care purchaser members with more than 10 million employees, retirees and dependents in California. www.pbgh.org Follow us on twitter at https://twitter.com/PBGH_updates