

MODEL OVERVIEW

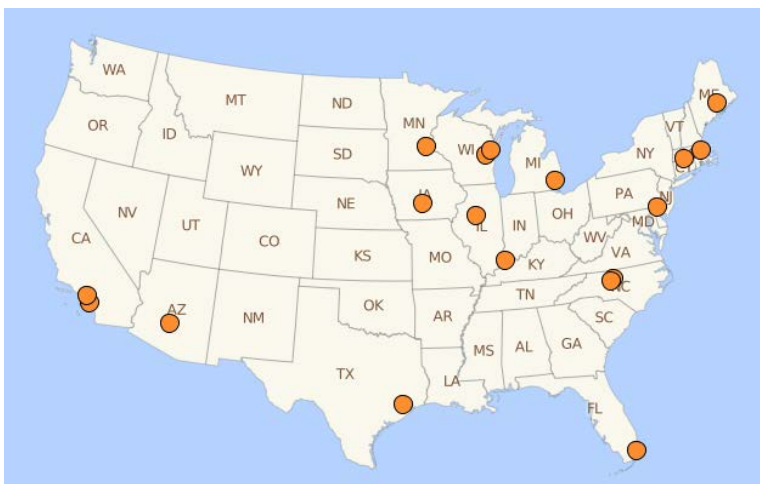
The purpose of the Next Generation Accountable Care Organization (NGACO) Model is to test whether strong financial incentives for Accountable Care Organizations (ACOs) coupled with tools to support better patient engagement and care management, can improve health outcomes and reduce expenditures for Medicare fee-for-service (FFS) beneficiaries. ACOs in the NGACO model assume 80-100 percent two-sided risk, choose from several payment mechanisms designed to facilitate cash flow, and may select optional benefit enhancements that provide more flexibility in patient care delivery.

PARTICIPATION

The model began in January of 2016 with an initial cohort of 18 participants.

Two additional cohorts began in 2017 and 2018. The model is currently scheduled to run for a five year period ending on December 31, 2020.

Locations of the NGACOs active during 2016



2016 NGACOs, by the numbers

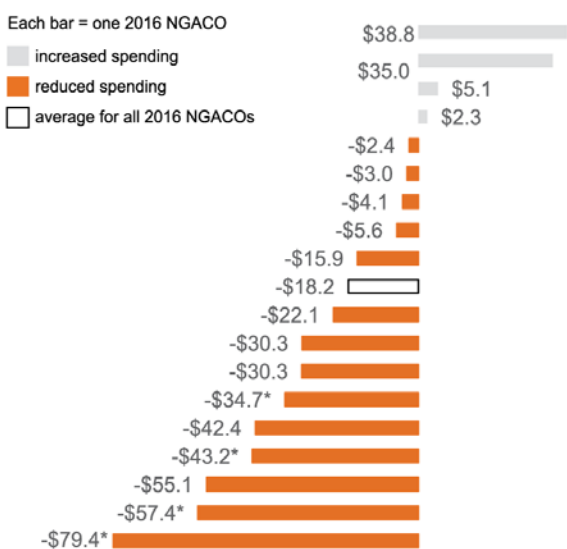
18	Active NGACOs in 2016
15	NGACOs with prior Medicare ACO experience
10	NGACOs actively implementing the SNF 3-day waiver in 2016
31,070	NGACO network providers
755	NGACO network facilities
477,197	Beneficiaries aligned to NGACO participating providers
26,511	Average number of aligned beneficiaries per NGACO (ranging from 8,286 to 65,487)

Findings at a Glance

KEY FINDINGS

GROSS REDUCTIONS IN SPENDING

Estimated gross reduction in Medicare spending = \$18.20 per beneficiary per month (PBPM)
 2016 NGACOs are associated with 1.7% reduction in Medicare spending for aligned beneficiaries
 Estimated aggregate reduction in Medicare spending = **\$100.09 million** (2016)



In \$ (dollars) PBPM
 *Change in spending reaches statistical significance (p<0.10)

¹ACOs with financial responsibility in the model as of April 1, 2016
²Includes both NGACO participating and preferred providers.

IMPROVED UTILIZATION & QUALITY OF CARE

Per 1,000 beneficiaries aligned to NGACO providers,

1.7 fewer	acute care hospital days per month	1.3% ↓
15.6 fewer	nonhospital evaluation and management visits per month	1.5% ↓
20.4 more	annual wellness visits per year	11.9% ↑

NET REDUCTIONS IN SPENDING

Estimated net reduction (2016) = estimated gross reduction (aggregate) minus CMS Shared Savings Payments = **\$62.12 million**

\$11.20	PBPM
1.1%	reduction in Medicare spending

CONTRIBUTORS TO REDUCED SPENDING

Decrease in spending in skilled nursing facility setting.
 Four NGACOs accounted for more than half (~57%) of the reduction in Medicare spending associated with the NGACO Model.

KEY TAKEAWAY

In their first performance year, the 2016 cohort of NGACOs were associated with model-wide reductions in spending without declines in quality. Spending was reduced by approximately \$100 million (a 1.7% decline), or \$62 million after adjusting for shared savings/loss payments (a 1.1% net savings). Consistent with prior ACO work, this savings appeared to be largely associated with reductions in hospital and SNF associated costs. Impacts on cost, utilization and quality varied between individual ACOs. Notably, over half of the model's cost and utilization decline was generated by four of the eighteen NGACOs.

These early results are promising. We look forward to observing results in the second performance year to observe whether this trend continues for these ACOs and is replicated in subsequent NGACO cohorts.