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Whitepaper: ACOs in a Pandemic

How to reduce risk, manage uncertainty, and generate new primary care revenue in the Medicare Shared Savings Program



ACOs in a Pandemic

Executive Summary

The COVID-19 pandemic shines a bright light on the failures of a fee-for-service reimbursement model. Virtually overnight, providers find they need a different set of services, equipment, and processes to manage the public health crisis. A fee-for-service framework that pays for volume of services is not able to create the appropriate incentives for nimble change. Accountable care organizations and other risk-bearing models may be the safest place for providers to adapt to rapidly changing conditions because savings and losses are shared with Medicare, and providers can build advanced primary care practices that keep people healthy, such as care management. CMS has shown its commitment to risk-bearing alternative payment models by offering relief to ensure that such models survive this public health emergency.

In the face of the unprecedented COVID-19 pandemic, providers are adjusting to an entirely new set of needs. They need tools to diagnose and manage infections, personal protective equipment, and new workflows that protect patients and practitioners and help keep communities safe. Just as importantly, they need strategic contingency plans to maintain financial solvency when elective procedures and preventive care are deferred, and revenue falls dramatically. With a focus on preventive care and population health revenue, accountable care organizations (ACOs), are the most reliable approach for many providers seeking stability, sustainability, and a predictive path forward.

ACOs have delivered value for Medicare by focusing on advanced primary care for nearly ten years across hundreds of thousands of providers serving tens of millions of beneficiaries. Ramifications of the pandemic and uncertainty of the future has caused providers, even those who have succeeded in the MSSP thus far, to question whether or not to stay in the program. Recent program changes have provided much-needed ACO relief and resources to support providers as they deliver care through the pandemic.

The COVID-19 public health crisis could lead to a health care delivery crisis as providers struggle to keep up with changing demands. ACOs are a reliable asset to help our health system get through this unpredictable time and be positioned for future fluctuations. In an ACO, providers learn to excel at population health and team-based preventive care. ACOs prioritize collaboration, communication, and practice transformation so that providers can pivot to meet unanticipated needs, such as a rapid shift to virtual care.



**Primary care volumes
decreased as low as 60%**
(Commonwealth Fund)

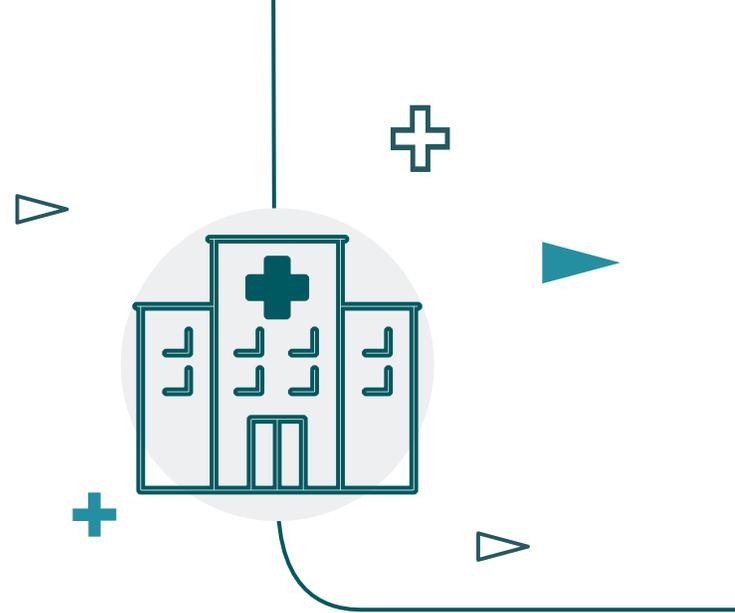
Telehealth visits have increased 30%
from March 2020
(Commonwealth Fund)



How Will ACOs Respond to the Pandemic?

The full impact of COVID-19 on the Medicare Shared Savings Program is unknown. CMS has taken steps to mitigate losses for the length of the public health emergency, but ACOs in downside risk could still be held accountable for losses that may be out of their control in 2021. In a recent Caravan Health poll, 67% of respondents responded that they were less likely to join a risk-bearing ACO due to the uncertainty resulting from the pandemic.

The COVID-19 pandemic may continue into 2021, and some providers have questioned if the reward for staying in risk is worth the high variability during these unprecedented times. What once incentivized providers for providing better patient care and lowering health care spending may not be financially realistic. The proven benefits of the Shared Savings Program remain in place and will create more stability for health care providers to weather a crisis.



To continue to realize the benefits of the Shared Savings Program during and after the public health emergency, a two-pronged strategy is crucial to sustainable success.

1. Mitigate Risk through Achieving Scale

2. Adopt a Comprehensive Virtual Care Strategy



Value-based payment rooted in strong population health

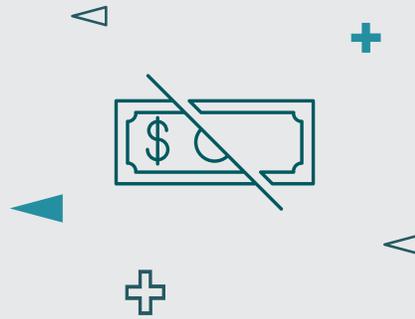


Nurse-led care creating dependable streams of revenue



Collaboration among ACO participants leads to outstanding results; together we beat the benchmark and earn shared savings

1. Mitigate Risk through Achieving Scale



Caravan Health pioneered the Collaborative ACO to take advantage of the power of numbers to attain reliable and stable ACO results. In a Caravan Health Collaborative ACO, independent health systems come together using a proven methodology of governance and mutual accountability to succeed.

Some health systems have attempted accountable care on their own – without the benefit of scale. Small numbers of attributed lives lead to random variation that skews results. This is not sustainable for an ACO – predictability of results is key to success.

As the nation's leading voice in accountable care, we have proven that the single most important factor in any ACO is size. The number of attributed lives is directly proportional to the level of sustained success. In 2019, we launched the country's largest ACO, bringing together more than 125 providers across 24 states to reach the critical mass necessary for predictable ACO savings. With 165,000 attributed lives, this ACO takes advantage of large numbers while maintaining the independence of providers. The larger the ACO, the more likely the financial results will reflect the hard work that health systems put into care transformation.

Our largest collaborative is projected to deliver more than \$38.9 million in 2019 shared savings to the participating providers. This collaborative ACO has opted to extend in Track 1 for the 2021 performance year. This additional year of upside only risk will give the ACO participants the necessary time to focus on the crisis at hand and be fully ready to move into downside risk in 2022.

Shared savings can be a significant source of income, even for large health systems. Caravan estimates large health systems can reasonably expect \$100 - \$300 in shared savings per attributed life for the 2021 performance year in a Track 1 extension year.

Providers in alternative payment models are also eligible for bonus payments in the Merit-Based Incentive Payment System (MIPS). MIPS adjustments for the 2020 are 2.25% higher for ACO participants than non-participants, solely based on how CMS calculates the cost factor and how that affects the exceptional performance bonus. This could add up to millions of extra dollars in revenue per year for large health systems.



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2. Adopt a Comprehensive Virtual Care Strategy

One welcome opportunity from the COVID-19 disruption has been the widespread availability of telehealth and virtual care services. CMS has acted quickly to remove barriers, eliminating coinsurance and allowing patients to receive care in their homes to minimize the risk of infection. These changes make a wide variety of virtual care available in Medicare for the first time.

Virtual care is a safe way to see patients during pandemic conditions. Virtual care programs, such as chronic care management, can be quickly implemented to optimize revenue. By following a few essential steps, providers and health systems can ensure that virtual care workflows align with in-person care and patients get what they need. When executed carefully, providers can generate significant revenue - including up to \$600 per patient per year for chronic care management. Virtual care allows providers to deliver high value services and maintain a continuity of care with their patients - including those with compromised health.

A comprehensive strategy will enable providers to deliver the highest-quality service with nurses working at the top of their license who will meet the goals of population health. Virtual care requires careful planning so that technology tools, budgets, connectivity between clinicians and patients, virtual waiting rooms, and remote patient monitoring are thought through. During the pandemic, CMS has temporarily waived penalties for HIPAA non-compliance. However, providers should be thinking long-term about technology options when making virtual care plans.



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A Robust Federal Response

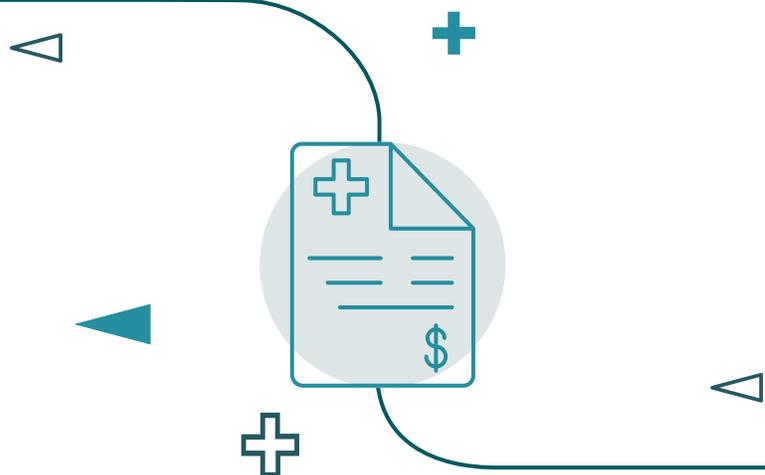
Providers are not left on their own to figure out how to respond to the COVID-19 pandemic. As the coronavirus spread across the country, the federal government took action to address the effects of the pandemic on health providers. Congress established dozens of grant and loan programs - including a \$175 billion fund for health care providers - and significantly expanded telehealth and virtual care capabilities in Medicare. Congress is currently working on another emergency funding bill and more changes may be coming.

In addition to the new laws, the Centers for Medicare & Medicaid Services (CMS) has issued a set of wide-ranging regulations and waivers to help providers manage the pandemic. These administrative actions are directly aimed supporting ACOs in the Medicare Shared Savings program to ensure their survival beyond the public health emergency.

These changes signal that ACO participants will neither be expected to make big decisions or worry about performance losses, nor be held to traditional measures of savings and losses during the public health emergency. By eliminating COVID-19 costs, there is no adverse performance impact for an ACO that treats a high number of infected patients. The rare opportunity to slow the path to risk means that CMS is preparing ACOs to thrive in the future, rather than insisting they meet previously established financial goals.

CMS will:

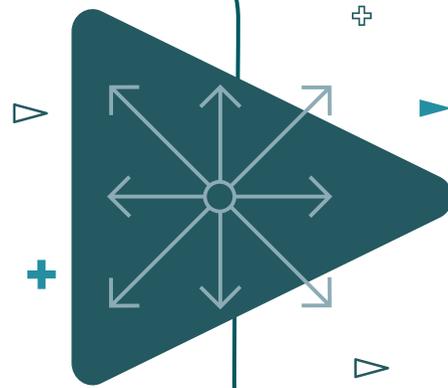
- Remove COVID-19 costs from ACO financial calculations, guarding against financial losses and artificially high benchmarks
- Prohibit any ACO from accumulating shared losses for the duration of the public health emergency which began in January 2020
- Allow ACOs to stay in their current risk track for 2021 - even for those in Track 1 or Track 1+
- Forgo the application cycle for 2021 - there will be no 2021 ACO starts





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The Effects of COVID-19 and Beyond



Providers who adapt their ACO methodologies to the pandemic will be well-positioned to succeed after the effects of the pandemic subside. The regulatory relief for ACOs make it more likely that providers will continue to participate in value-based care on strong financial footing. Caravan Health ACOs have found unparalleled success. Our collaborative approach and unique governance structure, paired with a virtual care strategy, can be a viable path for providers striving for long-term financial results.

Contact us today to learn more.

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