How to Use Your NAACOS/IAC Episode Spending Report

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Background: CMMI recently announced its strategy to support value-based specialist care which includes providing ACOs with information on the cost and quality of episodes of care (i.e., "shadow bundles"). CMMI has not indicated the exact form of the data or when it will be available. To support NAACOS members in the development of specialty care strategies, NAACOS and the Institute for Accountable Care (IAC) have prepared bundled payment reports to give ACOs an initial analysis of what shadow bundles might look like for their beneficiaries.

The reports are based on the 34 episodes in CMMI's Bundled Payment for Care Improvement Advanced (BPCI-A) model. Each bundle includes spending for an "index event" like a hospitalization plus all spending for the next 90 days (minus BPCI excluded services). We used Medicare claims data for each ACO's 2022 assigned beneficiaries as of October 2022. The 2022 reports are also available for direct contracting entities (DCEs).The reports provide annual episode volume, observed and expected (risk-adjusted) cost per episode, and average episode cost by care setting for the 90-day post-acute period so users can see how cost differences are driven by different services and provider categories. The reports provide benchmarks based on average episode costs in each ACO's principal state. Episode costs are wage-standardized so that ACO-State comparisons reflect comparable pricing.

How can the free NAACOS episode reports help ACOs?

1. **Profile your ACO's episode volume.** This report shows the total number of cases in 2022 for your ACO's attributed beneficiaries across all 34 BPCI-A episodes. Whether you are considering participating in Medicare BPCI-A or experimenting with shadow bundles, it is important to have enough volume so that the bundle prices are valid and actionable. Providers with low bundle volume have substantial random variation in their average per-episode costs over time. Decisions based on spending by low volume providers are risky and unreliable.

2. **Understand the relative efficiency of episodes of care received by your beneficiaries.** The reports compare the average cost of the episodes triggered by your ACO members with the average for all providers in your primary state. The data are wage-standardized so that pricing is equivalent across regions. The reports also show the 'efficiency' of care for each episode by analyzing your observed (actual) 2022 spending per episode compared to expected spending using a risk adjustment model based on the BPCI-A rules. The observed to expected (O/E ratio) helps you see clinical areas where your patients are getting more versus less efficient care. Please note that O/E ratios may not be reliable for low volume episodes.

3. **Identify specific areas of efficiency or inefficiency.** Variation in episode spending is primarily driven by the efficiency of post-acute care. The reports show your average episode spending

for skilled nursing, home health, readmissions and a range of other services compared with other providers in your state. This provides a starting point for developing strategies to improve efficiency.

4. **Assess participation in BPCI-Advanced?** Some organizations participate in both the MSSP and BPCI-A. They typically have affiliated hospitals or a high-volume of medical specialists. BPCI-A offers opportunity to take on additional Medicare risk beyond your ACO patients. The decision ultimately depends on your volume, current episode cost, the CMS target price, and your confidence that your ACO can achieve additional efficiencies. This report provides initial data for episodes and service lines that may indicate opportunities to improve efficiency and quality.

Where can I get more detailed provider-level episode cost information?

The Institute for Accountable Care offers more detailed provider-level reports based on 100% of Medicare cases. These reports help you assess the performance of hospitals and specialist physician groups in your market and identify opportunities to improve the specialty care your beneficiaries receive. More detailed data can help your ACO:

1. **Identify efficient hospitals and specialists for referrals**. If your ACO's patients get specialty care primarily from independent specialists and hospitals, episodes can help you identify the most efficient providers for a range of high-cost services.

2. **Identify internal opportunities to improve efficiency**. Episodes analysis helps you understand the efficiency of clinicians and hospitals in your organization and identify the factors driving variations in spending.

3. **Identify downstream providers or services that are driving up per-episode spending**. Post-acute spending is a major reason for variation in per-episode costs. The episode reports can help you identify potential areas with excess post-acute spending (i.e., SNF, HHA, IRF). IAC can also provide reports with detailed information about SNF performance, which can help you drill down to determine if the issues are systematic or associated with a specific set of providers.

4. **Support gainsharing arrangements with hospitals and specialist providers**. Research has shown that ACO patients who are also in bundles have lower per-episode costs. ACOs can use episode data to demonstrate the value-add they offer and use this to develop partnerships with hospitals and specialists participating in bundled payments.

Please visit us at https://www.institute4ac.org/bpci-advanced-data-analytics-and-program-support/ or contact us at analytics@institute4ac.org.

How do I Interpret the Episode Reports?

The reports are provided in Microsoft Excel spreadsheets that include three Tabs: 1) Report Description; 2) ACO_State_Compare; and 3) ACO_Only_Episodes. We recommend starting with the ACO_Only tab which is a sortable worksheet. Each row in the worksheet displays a specific BPCI-Advanced episode. We only display data if your ACO has at least 11 episodes in 2022. Large ACOs should have all 34 episodes while smaller ACOs may have fewer than 34. The second tab adds a state level comparison that helps you identify areas where your ACO is more or less efficient than the state average. This tab is not intended to be sorted because there are three rows for each episode. However, you can use the Excel filter function to look at specific episodes or groups of episodes. The variable definitions are shown in Exhibit 1.

Exhibit 1: Variable Definitions

Variables	Description
ACO or State	ACO Name and state with the plurality of the ACO's beneficiaries.
Clinical Episode Group	Eight groups of related episodes which BPCI participants select from.
Episode Category	This column is the specific BPCI episode.
Total Cases	Total cases that could be triggered for ACO beneficiaries in 2022.
Observed Amount	Actual average spending per 90-day episode.
Expected Amount	Predicted episode spending based on beneficiary and hospital factors
O/E Ratio	Ratio of observed spending to expected spending.
Anchor Amount	Spending during the initial hospitalization including Part B billing.
SNF Amount	Average spending per episode for skilled nursing facility services.
IRF Amount	Average spending per episode for inpatient rehabilitation hospitals
HHA Amount	Average spending per episode for home health agency services
LTAC Amount	Average spending per episode for long term acute care hospitals
IP Readmits Amount	Average spending per episode for acute inpatient readmissions
Part B Amount	Average spending per episode for Part B professional services
Outpatient Amount	Average spending per episode for hospital outpatient facility services
Other Amount	Average other spending per episode.
Mean ED Visits	Average number of ED visits per episode during the 90-day window
Percent with Readmit	Percent of episodes with an acute readmission.
Percent with PAC	Percent of episodes with facility-based post-acute care.
Episodes w/Swing Bed	Number of episodes where post-acute care provided in a swing bed

In the ***ACO_Only tab*** use the arrows next to the column heading to sort or filter the results. We generally suggest sorting by episode volume to get an idea on how episodes are affecting overall spending. You can sort by any category of spending to see which episodes have the highest rates of use for specific services. You can also sort by clinical episode category to see the overall episode volume for BPCI episodes within clinical service lines.

The ***ACO_State_Compare*** tab allows you to compare your organization to your primary state's average on a wage-standardized basis that eliminates Medicare's geographic pricing differences. For each episode there are three rows with results for: 1) the ACO; 2) the state; and 3) the difference between the state and ACO averages. ***You should not sort this worksheet*** but you can use the arrows next to the column headings to filter the results if you want to look at a particular episode or clinical episode group.

The observed amount is the actual per-episode spending and the expected amount is the predicted amount using a regression model based on the BPCI-A payment rules. If your ACO has higher expected spending than your state average, this indicates that your ACO patients are more complex than the average patient receiving these services. The observed-to-expected (O/E) ratio shows the relative efficiency of the care provided to your ACO beneficiaries and the relative efficiency of the care provided to the average beneficiaries in your state. Please note that ***the reliability of the O/E ratio is limited for episodes with low volumes***. You should probably not make decisions based on O/E ratios for episodes with fewer than 50 - 100 cases.

The costs reported for the Anchor Admission and each of the post-acute spending categories are not risk adjusted, so that a portion of the difference shown between you ACO and the state average may reflect differences in the characteristics of the patients served.

As questions are received, we will post a Frequently Asked Questions document with answers to common questions. Please send your questions to us at analytics@institute4ac.org