



May 19, 2020

Brad Smith  
Senior Advisor for Value-Based Transformation  
U.S. Department of Health & Human Services  
Director of the Center for Medicare & Medicaid Innovation  
Centers for Medicare & Medicaid Services  
Hubert H. Humphrey Building  
200 Independence Avenue, S.W.  
Washington, D.C. 20201

RE: The Future of Direct Contracting and the Next Generation ACO Model

Dear Director Smith:

On behalf of our organization and members, the National Association of Accountable Care Organizations (NAACOS) thanks the leadership of the Centers for Medicare & Medicaid Services (CMS) for its efforts to stabilize our healthcare system in the face of the COVID-19 pandemic. You have acted with urgency to give the healthcare industry many needed resources to protect patients from this deadly virus. With that said, we hope efforts to fight COVID-19 don't slow the important work of transforming our payment and delivery system to one focused on value. As part of that critical evolution, **we write to request that CMS take swift action to extend the Next Generation ACO Model and announce plans for the future of the Direct Contracting Model.**

As the largest association of ACOs, NAACOS and its ACO members serve more than 12 million beneficiary lives through hundreds of organizations participating in population health-focused payment and delivery models in Medicare, Medicaid and commercial insurance. NAACOS and its members are deeply committed to the transition to value-based care. NAACOS is an ACO member-led and member-owned non-profit organization that works on behalf of ACOs across the nation to improve the quality of Medicare delivery, population health and outcomes, and healthcare efficiency.

The Next Generation ACO Model is due to sunset at the end of this year with no public acknowledgement of its future. The application period for the first performance year of the Direct Contracting Model recently came and went without the application portal being opened. Furthermore, key details on Direct Contracting, such as those around risk adjustment and benchmarking, have yet to be released. With no 2021 application period for the Medicare Shared Savings Program (MSSP), our members are increasingly frustrated that they will not have time to evaluate their participation options for the upcoming year. **NAACOS urges CMS to extend the Next**

**Gen model for at least another year and provide clarity around Direct Contracting as soon as possible so that providers have time to formulate their participation plans for the upcoming year.**

For over the past year, NAACOS has been deeply involved providing input on the formulation of the Direct Contracting Model. In late February, we sent [a letter](#) offering our suggestions on key remaining programmatic details. We [launched](#) our Direct Contracting Taskforce to help educate the future participants about the model and to collect and provide detailed feedback to CMS on the model.

NAACOS has also been a consistent partner in advancing the Next Generation ACO Model since its formation, through a variety of initiatives aimed at improving the model through advocacy and educating ACOs about the model. These ACOs are the most advanced and biggest risk-taking ACOs and should be recognized for their work, which has created a successful model that has helped our health system's move to value. Comparing performance to benchmarks, Next Gen ACOs generated [\\$337 million](#) in gross savings in 2017 and [\\$406 million](#) in 2018, the two most recent years for which data are available.

**In addition to our request to extend the Next Gen model for at least another year, we urge the Innovation Center to announce protections and adjustments for Next Gen ACOs in response to COVID-19.** CMS has yet to provide clarity to Next Gen ACOs on how the model's financial methodology will be adjusted to account for the COVID-19 pandemic. The Innovation Center has broad authority to unilaterally alter the program to help protect ACOs from circumstances beyond their control, including the ongoing pandemic. Because of tremendous disruptions to our health system, including spikes in hospitalizations from COVID-19 infections and delays in routine, preventive care and chronic disease management that may create complications later in the performance year, NAACOS asks that the Innovation Center implement a number of policies to protect Next Gen ACOs, who take on higher levels of risk in exchange for greater freedoms and flexibilities. Specifically, we request the following actions.

- **CMS should provide Next Gen ACOs the option to be protected from losses in exchange for a reduced shared savings rate of no less than 40 percent. CMS has moved to give MSSP ACOs protections from the pandemic, including the removing of expenditures from in-patient COVID-19 patients and mitigating shared losses for the percentage of months during which the COVID-19 public health emergency is in effect. The Innovation Center should release details as soon as possible about program changes to account for the COVID pandemic and should provide additional protections for Next Gen ACOs.**
- **CMS should make 2020 quality reporting pay-for-reporting only. In an effort to prevent the spread of the virus, healthcare providers have shifted resources to focus less on prevention and screening of non-urgent cases. For example, this includes reductions in services such as colonoscopies and mammograms, for which ACOs are evaluated by how many of their patients receive such screenings. Because of this decrease in preventive screenings and services and the fact that ACOs have had to redeploy quality improvement staff to COVID response efforts, it would be inappropriate to compare performance to typical quality benchmarks. Therefore, we urge the agency to make all measures pay-for-reporting in 2020.**
- **CMS should pay Next Gen ACOs shared savings payments and Advanced Alternative Payment Model (APM) bonuses as soon as possible.** ACO shared savings payments are typically distributed in late summer or early fall and last year the Advanced APM bonuses

were issued in late fall. ACOs and those qualifying for Advanced APM bonuses need these funds now to help them deal with reduced revenue from utilization disruptions caused by the pandemic.

During this pandemic and in its aftermath, accountable care models will be more important than ever as we better focus on population health and lowering medical spending. To help combat this pandemic, our members are using their ACO infrastructure to identify high-risk patients, reach out regarding their chronic diseases, offer counseling and support when and where needed, and providing proper post-acute care management for those COVID-19 patients. Innovation Center models have incentivized this work. In sum, we need to grow accountable care models to support population health management and give providers the support they need, rather than leaving them uncertain about their future.

NAACOS supports the Innovation Center's efforts to transform healthcare payment and delivery systems to reward value and incentivize high quality, well-coordinated care. We share the goal of wanting accountable care models to be successful and hope you'll act on our above recommendations. If you have any questions, please contact Allison Brennan, Senior Vice President of Government Affairs, NAACOS at [abrennen@naacos.com](mailto:abrennen@naacos.com).

Sincerely,



Clif Gaus, Sc.D.  
President and CEO  
National Association of ACOs