Webinar Agenda

Payment Part 1 Webinar Agenda (Today)

• Direct Contracting Overview
• Payment Mechanisms
• Risk Mitigation
• Reconciliation

Payment Part 2 Webinar Agenda (Jan 22\textsuperscript{nd})

• Benchmarking
• Reconciliation Example
Direct Contracting Overview
Model Goals

Transform risk-sharing arrangements in Medicare Fee-For-Service (FFS)

Empower beneficiaries to personally engage in their own care delivery

Reduce provider burden to meet health care needs effectively
The Direct Contracting Model builds on the Next Generation ACO Model, introducing several new model design elements including:

- **New performance year benchmark methodologies** focused on increasing benchmark stability, simplicity, and prospectivity;

- **Capitation and other advanced payment alternatives** for model participants; and

- Financial model that **supports broader participation** by entities new to Medicare FFS and/or focused on delivering care for high needs populations.
## Provider Relationships

### Direct Contracting Entity (DCE)

- Must have arrangements with Medicare-enrolled providers or suppliers, who agree to participate in the Model and contribute to the DCE’s goals pursuant to a written agreement with the DCE.
- DCEs form relationships with two types of provider or supplier:

<table>
<thead>
<tr>
<th>DC Participant Providers</th>
<th>Preferred Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Used to align beneficiaries to the DCE</td>
<td>• Not used to align beneficiaries to the DCE</td>
</tr>
<tr>
<td>• Required to accept payment from the DCE through their negotiated payment arrangement with the DCE, continue to submit claims to Medicare, and accept claims reduction</td>
<td>• Can elect to accept payment from the DCE through their a negotiated payment arrangement with the DCE, continue to submit claims to Medicare, and accept claims reduction</td>
</tr>
<tr>
<td>• Report quality</td>
<td>• Eligible to receive shared savings</td>
</tr>
<tr>
<td>• Eligible to receive shared savings</td>
<td>• Have the option to participate in benefit enhancements and patient engagement incentives</td>
</tr>
<tr>
<td>• Have the option to participate in benefit enhancements or patient engagement incentives</td>
<td></td>
</tr>
</tbody>
</table>
## Risk Options

<table>
<thead>
<tr>
<th>Professional</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>50% shared savings / shared losses risk arrangement</strong>&lt;br&gt;• Must select the Primary Care Capitation Payment Mechanism&lt;br&gt;• No discount for the Performance Year Benchmark</td>
<td><strong>100% shared savings / shared losses risk arrangement</strong>&lt;br&gt;• Must choose either the Total Care Capitation or Primary Care Capitation&lt;br&gt;• Performance Year Benchmark includes a discount that begins at 2% in PY1 and increases to 5% by PY5</td>
</tr>
</tbody>
</table>
## Summary of DCE Types

<table>
<thead>
<tr>
<th>DCE Types</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Standard</strong></td>
<td>DCEs with substantial historical claims-based experience serving Medicare FFS</td>
</tr>
<tr>
<td><strong>New Entrant</strong></td>
<td>DCEs with limited experience delivering care to Medicare FFS beneficiaries</td>
</tr>
<tr>
<td><strong>High Needs</strong></td>
<td>DCEs that focus on beneficiaries with complex, high needs, including individuals dually eligible for Medicare and Medicaid</td>
</tr>
</tbody>
</table>

**Risk Arrangement Options**

*Professional and Global are available for each DCE type*
Payment Mechanisms
Direct Contracting offers DCEs several mechanisms so that they can receive stable monthly payments from CMS.

The Thesis

Having control of the flow of funds with their downstream providers will enable DCEs to improve care coordination and delivery and to better manage the health needs of their aligned population, resulting in reduced costs and better outcomes.
Payment Mechanism Value Proposition

DCEs have the flexibility to use Direct Contracting’s Payment Mechanisms to invest in their population health capabilities, enhance primary care delivery, and reimburse their providers.

Payment mechanisms paid monthly by CMS directly to DCE

Invest in enabling TECHNOLOGY

Expand RESOURCES necessary to achieve success in value based care

REIMBURSE PROVIDERS through tailored value based payment arrangements
Direct Contracting Payment Mechanisms

DCEs must select one of the Capitation Payment Mechanisms. They also have the option to select Advanced Payment, in addition to the Capitation Payment Mechanism.

**Capitation Payment Mechanisms**

**MANDATORY**

Payment amount is **NOT RECONCILED** against actual claims expenditures

**Advanced Payment**

**VOLUNTARY**

Payment amount is **RECONCILED** against actual claims expenditures
Direct Contracting Payment Mechanisms (cont.)

DCEs must select one of the Capitation Payment Mechanisms: Total Care Capitation or Primary Care Capitation.

Capitation Payment Mechanisms

DCEs receive monthly capitation payment from CMS in lieu of some or all of their providers’ FFS claims

- Monthly payment tied to the DCE’s PY benchmark
- Providers’ FFS claims received from CMS for services to aligned beneficiaries are reduced
- CMS pays the DCE the Capitated Payment and the DCE pays its providers

All DCEs must select one of the Capitation Payment Mechanisms

- *Total Care Capitation (TCC)* (available for Global only): capitation for the total cost of care
- *Primary Care Capitation (PCC)* (available for Global or Professional): capitation for defined primary care services
Direct Contracting Payment Mechanisms (cont.)

DCEs also have the option to select Advanced Payment, in addition to the Capitation Payment Mechanism

**Advanced Payment**

**VOLUNTARY**

Payment amount is **RECONCILED** against actual claims expenditures

DCEs receive an advanced payment of their FFS non-primary care claims, paid monthly

- Expands upon the Population Based Payments (PBP) introduced in the Next Generation ACO model
- CMS prospectively pays DCEs an estimation of non-primary care spending based on historical utilization
- This amount is reconciled against the DCE’s actual utilization during Final Financial Reconciliation
- This option is only available to DCEs pursuing the PCC Capitation Payment Mechanism
Capitation Payment Mechanisms

DCE Selects a Capitation Payment Mechanism
- DCE selects PCC or TCC
  - Professional DCEs must select PCC
  - Global DCEs must choose either PCC or TCC

DCE Negotiates FFS Claims Reduction* with Providers
- CMS pays providers:
  - Preferred Providers: reduced FFS claims
  - DC Participant Providers: $0 FFS claims
  - Non Associated Providers: 100% of FFS claims
- *If DCE chooses PCC, claims reduction only applies to primary care claims

CMS Pays DCE Monthly Capitated Payments
- CMS pays DCE monthly Capitation Payment
  - Determined prior to the performance year (PY)
  - Amount is based on the estimated PY benchmark and Preferred Provider claims reduction amount

DCE Reimburses DC Participant / Preferred Providers
- DCEs pay Participant and Preferred Providers
  - Amount based on negotiations between providers and the DCE
  - Enables increased flexibility to pursue tailored payment arrangements with downstream providers

These amounts are determined based off of negotiations between DCEs and providers
DCEs must select one of the two Capitation Payment Mechanisms. The Capitation Payment Mechanisms available vary based on the Risk Option selected.

<table>
<thead>
<tr>
<th>Step</th>
<th>Mechanism</th>
<th>Description</th>
<th>Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Primary Care Capitation (PCC)</td>
<td>Monthly capitation payments for primary care services furnished to aligned beneficiaries.</td>
<td>Available for Global and Professional</td>
</tr>
<tr>
<td>2</td>
<td>Total Care Capitation (TCC)</td>
<td>Monthly capitation payments for all services furnished to aligned beneficiaries.</td>
<td>Available for Global Only</td>
</tr>
</tbody>
</table>
Primary and Total Care Capitation

Regardless of payment option, all providers send their claims to CMS

**Clinician Type**

- DC Participant Providers
- Preferred Providers
- Non-Associated Providers

**Claims’ data supports…**

- Monitoring
- Evaluation
- Quality
Capitation Amounts Received by DCEs

**Total Care Capitation**
DCEs receive monthly amount representing estimated total cost of care less a withhold

\[
\text{Monthly TCC} = \text{PY Benchmark} - \text{Withhold for remaining FFS claims}
\]

- *Using a provisional benchmark calculated prior to the performance year*
- *Accounts for (1) leakage, estimated utilization by providers not in the capitated arrangement and (2) remaining Preferred Provider claims not 100% reduced*

**Primary Care Capitation**
DCEs receive 7% of the benchmark, divided between the Base Primary Care Capitation and Enhanced Primary Care Capitation, which enables DCEs to invest in expanding their primary care capabilities

\[
\text{Monthly PCC (equals 7% of PY Benchmark)} = \text{Base Primary Care Capitation Amount} + \text{Enhanced Primary Care Capitation Amount}
\]

- *Determined from historical primary care experience of aligned beneficiaries*
- *Defined as the difference between 7% of the PY benchmark and the Base Primary Care Capitation Amount*
- *CMS will recoup the value of the enhanced amount (prior to application of the risk arrangement) at the end of the PY*
Advanced Payment

Advanced payments function in a similar way to the population-based payments in the Next Generation ACO model.

Advanced Payment is an optional payment mechanism, only available to DCEs that select the PCC capitation payment.

Advanced Payments are a cash flow mechanism to prospectively pay DCEs the value of the non-primary care claims we estimate their DC Participant and Preferred Providers will submit.

DCEs can negotiate with their DC Participant and Preferred Providers to agree to FFS Medicare claims reduction (between 1 – 100% of FFS claims). In exchange, CMS will pay the DCE a prospective per beneficiary per month (PBPM) payment representing the estimated value of the reduced FFS claims and reduce FFS claims payments made to providers through the Medicare payment systems by the difference.

Unlike the Capitated Payment Mechanisms, the value of Advanced Payments made to DCEs will be reconciled against the actual value of the Medicare FFS claims after the Performance Year.
## Summary of Capitated Payment and Advanced Payments

<table>
<thead>
<tr>
<th></th>
<th>Total Care Capitation</th>
<th>Primary Care Capitation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DC Participant Providers</td>
<td>Preferred Providers</td>
</tr>
<tr>
<td><strong>What FFS claims are capitated?</strong></td>
<td>All FFS Claims</td>
<td>Portion of FFS Claims (0 – 100%)</td>
</tr>
<tr>
<td><strong>What FFS claims payments are suitable for advanced payment?</strong></td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>
Risk Mitigation
Risk Mitigation Mechanisms

**Risk Corridors**

- Automatically applied for all DCEs
- Mitigates extreme shared savings or losses for DCEs if their actual performance year expenditures are far lower or higher than the benchmark
- Calculated as an aggregate expenditure amount, relative to the PY benchmark

**Stop Loss**

- Optional, DCEs must select whether to elect stop loss prior to the PY. For DCEs that elect stop loss, the benchmark is adjusted to account for this benefit.
- Calculated at the level of the individual beneficiary
- Intended to reduce financial uncertainty associated with infrequent, but high-cost, expenditures for aligned DCE beneficiaries
- CMS will develop the stop-loss attachment points prospectively, prior to the start of each Performance Year
## Risk Corridors

<table>
<thead>
<tr>
<th>Risk Option</th>
<th>Risk Band</th>
<th>Gross Savings / Losses as Percent (%) of Final PY Benchmark</th>
<th>DCE Shared Savings / Shared Losses Cap</th>
<th>CMS Shared Savings / Shared Losses Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>1</td>
<td>Less than 25%</td>
<td>100% of Savings/Losses</td>
<td>0% of Savings/Losses</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Between 25% and 35%</td>
<td>50% of Savings/Losses</td>
<td>50% of Savings/Losses</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Between 35% and 50%</td>
<td>25% of Savings/Losses</td>
<td>75% of Savings/Losses</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Greater than 50%</td>
<td>10% of Savings/Losses</td>
<td>90% of Savings/Losses</td>
</tr>
</tbody>
</table>

| Professional | 1         | Less than 5%                                               | 50% of Savings/Losses                 | 50% of Savings/Losses                 |
|             | 2         | Between 5% and 10%                                         | 35% of Savings/Losses                 | 65% of Savings/Losses                 |
|             | 3         | Between 10% and 15%                                        | 15% of Savings/Losses                 | 85% of Savings/Losses                 |
|             | 4         | Greater than 15%                                           | 5% of Savings/Losses                  | 95% of Savings/Losses                 |
Reconciliation
Reconciliation

- At reconciliation, CMS compares all Medicare expenditures for services delivered to aligned beneficiaries against the DCE’s benchmark to determine shared savings or losses.
- Medicare expenditures include FFS claims, the TCC or PCC, and FFS claims paid to the DCE under Advanced Payment, if any.
- In an effort to provide more timely distribution of shared savings/losses, CMS will provide the option for DCEs to select a provisional reconciliation option (selected at the start of the Performance Year).
- Under this provisional reconciliation, CMS will distribute interim shared losses/savings, with a final reconciliation taking place once full data are available.

Provisional Reconciliation (optional)
Immediately following the performance year, reflecting cost experience through first six months (with seasonality and claims run-out adjustments)

January of the following PY

Final Reconciliation
Following full claims run out and data availability, reflecting complete performance year

June of the following PY
## Provisional vs. Final Reconciliation

<table>
<thead>
<tr>
<th></th>
<th>Which claims are included?</th>
<th>What is the run out on claims?</th>
<th>Will this include the (optional) Net Stop-Loss amount?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Provisional</strong></td>
<td>Claims through Quarter 2 (June 30)</td>
<td>6 months (through Dec 31)</td>
<td>No – it is excluded</td>
</tr>
<tr>
<td><strong>Final</strong></td>
<td>Claims through Quarter 4 (Dec 31)</td>
<td>3 months (through Mar 31)</td>
<td>Yes – it is included</td>
</tr>
</tbody>
</table>
Open Q&A
Direct Contracting Open Q&A

Open Q&A

Please submit questions via the Q&A pod to the right of your screen. Specific questions about your organization can be submitted to DPC@cms.hhs.gov.
Model Timeline
## Model Timeline

<table>
<thead>
<tr>
<th>Timeline</th>
<th>Implementation Period (IP) DCE Applicants</th>
<th>Performance Period (PY1) DCE Applicants</th>
</tr>
</thead>
<tbody>
<tr>
<td>DCE Selection</td>
<td>May 2020</td>
<td>September 2020</td>
</tr>
<tr>
<td>Deadline for applicants to sign and return</td>
<td>June 2020 (IP PA)</td>
<td>December 2020</td>
</tr>
<tr>
<td>Participant Agreement (PA)</td>
<td>December 2020 (Performance Period PA)</td>
<td></td>
</tr>
<tr>
<td>Initial Voluntary Alignment Outreach and</td>
<td>June 2020</td>
<td>January 2021</td>
</tr>
<tr>
<td>start of IP or PY</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*This timeline may be subject to change. Please check the Directing Contracting webpage for webinar and office hour dates and times.*
Upcoming Webinars and Office Hours
# Upcoming Webinars and Office Hours

<table>
<thead>
<tr>
<th>Webinar</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment – Part 2 (Benchmarking, Quality)</td>
<td>January 22, 2020</td>
</tr>
</tbody>
</table>

(registered here)

Stay tuned for additional Direct Contracting payment events in February.

_This timeline may be subject to change. Please check the Direct Contracting webpage for webinar and office hour dates and times._
How likely are you to apply to participate in the Direct Contracting model?

a) Very likely
b) Likely
c) Unlikely
d) Very unlikely
e) Unsure
Contact Information

Direct Contracting Webpage
(includes link to application):
https://innovation.cms.gov/initiatives/direct-contracting-model-options/

Email:
DPC@cms.hhs.gov

Salesforce Support:
CMMIForceSupport@cms.hhs.gov