

Direct Contracting: Global and Professional Options

Payment Part One Webinar

January 15, 2020

Center for Medicare and Medicaid Innovation
Centers for Medicare & Medicaid Services (CMS)



Webinar Agenda

Payment Part 1 Webinar Agenda (Today)

- **Direct Contracting Overview**
- **Payment Mechanisms**
- **Risk Mitigation**
- **Reconciliation**

Payment Part 2 Webinar Agenda (Jan 22nd)

- **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



Financial Goals and Opportunities

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:

DC Participant Providers

- Used to align beneficiaries to the DCE
- 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
- Report quality
- Eligible to receive shared savings
- Have the option to participate in benefit enhancements or patient engagement incentives

Preferred Providers

- Not used to align beneficiaries to the DCE
- 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
- Eligible to receive shared savings
- Have the option to participate in benefit enhancements and patient engagement incentives

Risk Options

Professional

50% shared savings / shared losses risk arrangement

- Must select the Primary Care Capitation Payment Mechanism
- No discount for the Performance Year Benchmark

Global

100% shared savings / shared losses risk arrangement

- Must choose either the Total Care Capitation or Primary Care Capitation
- Performance Year Benchmark includes a discount that begins at 2% in PY1 and increases to 5% by PY5

Summary of DCE Types

DCE Types

Standard	New Entrant	High Needs
DCEs with substantial historical claims-based experience serving Medicare FFS	DCEs with limited experience delivering care to Medicare FFS beneficiaries	DCEs that focus on beneficiaries with complex, high needs, including individuals dually eligible for Medicare and Medicaid

Risk Arrangement Options

Professional and Global are available for each DCE type

Payment Mechanisms

Direct Contracting Payment Mechanisms

Direct Contracting offers DCEs several mechanisms so that they can receive stable monthly payments from CMS.

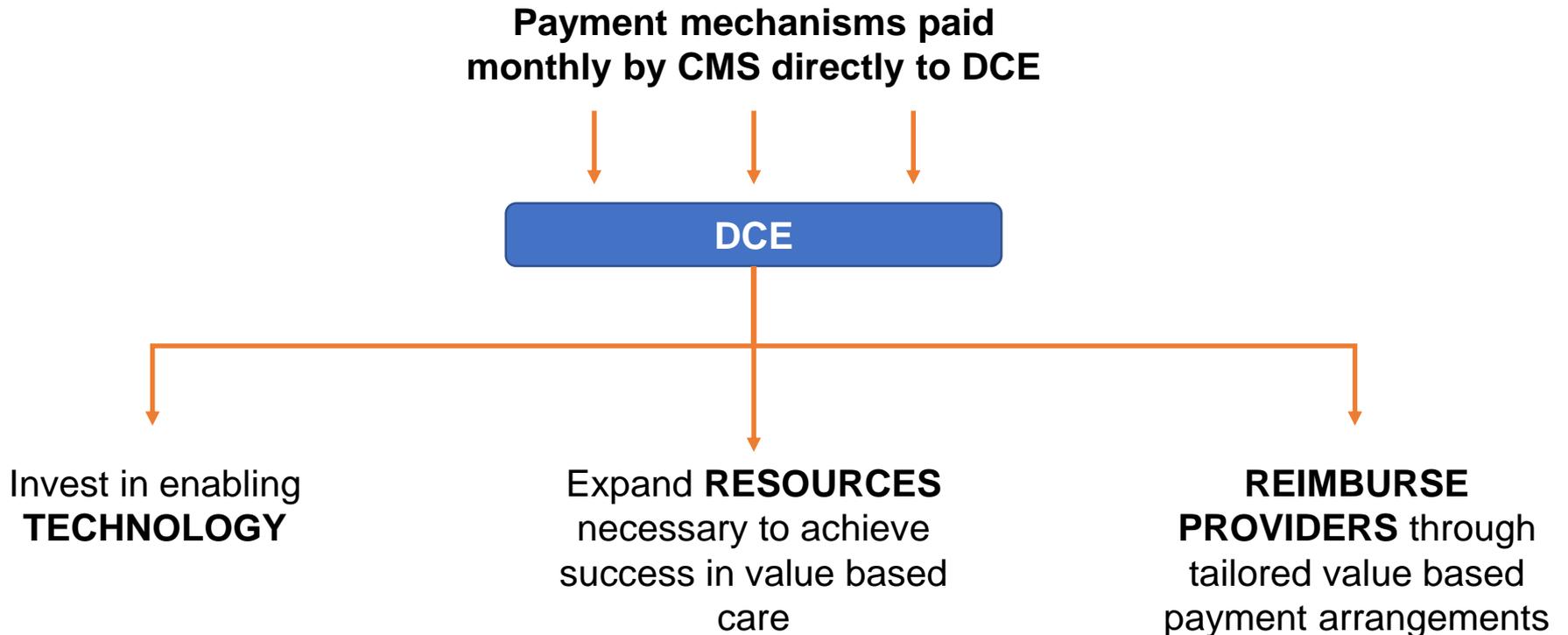


The Thesis

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.



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

MANDATORY

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

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

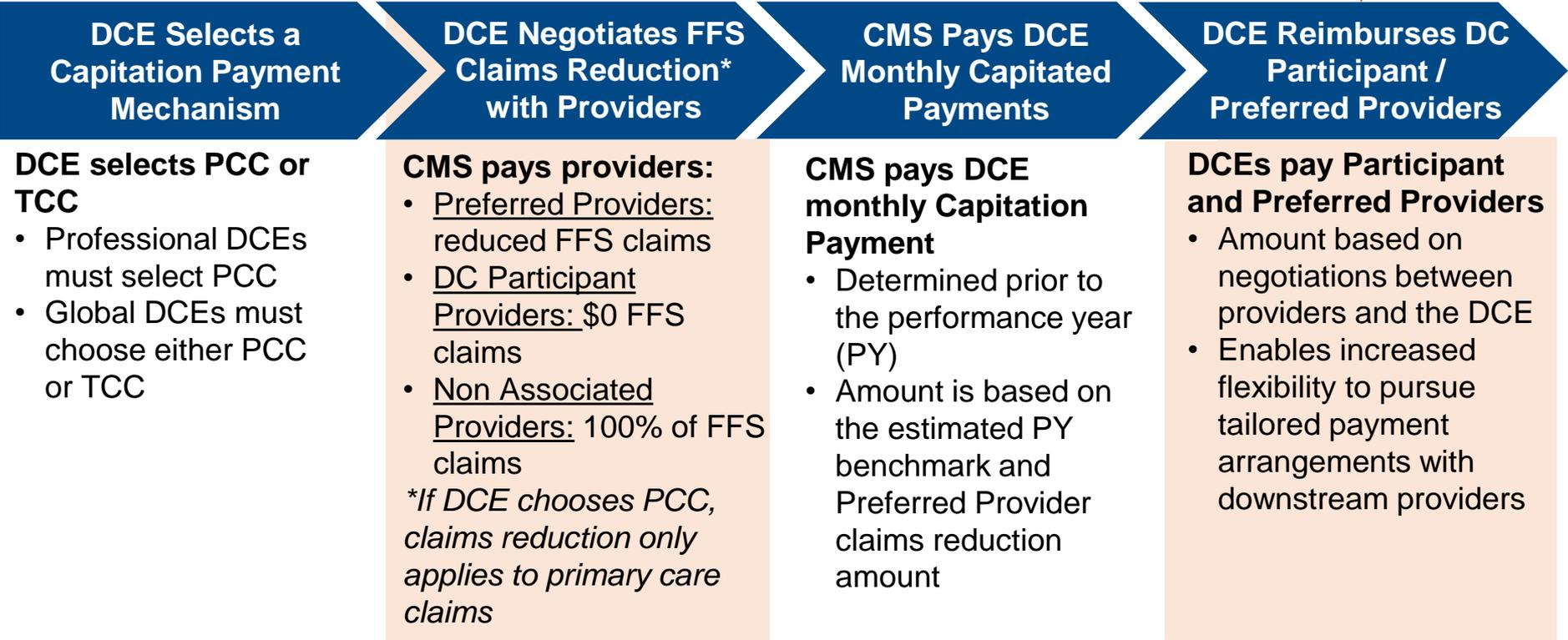
Payment amount is **RECONCILED** against actual claims expenditures

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

These amounts are determined based off of negotiations between DCEs and providers



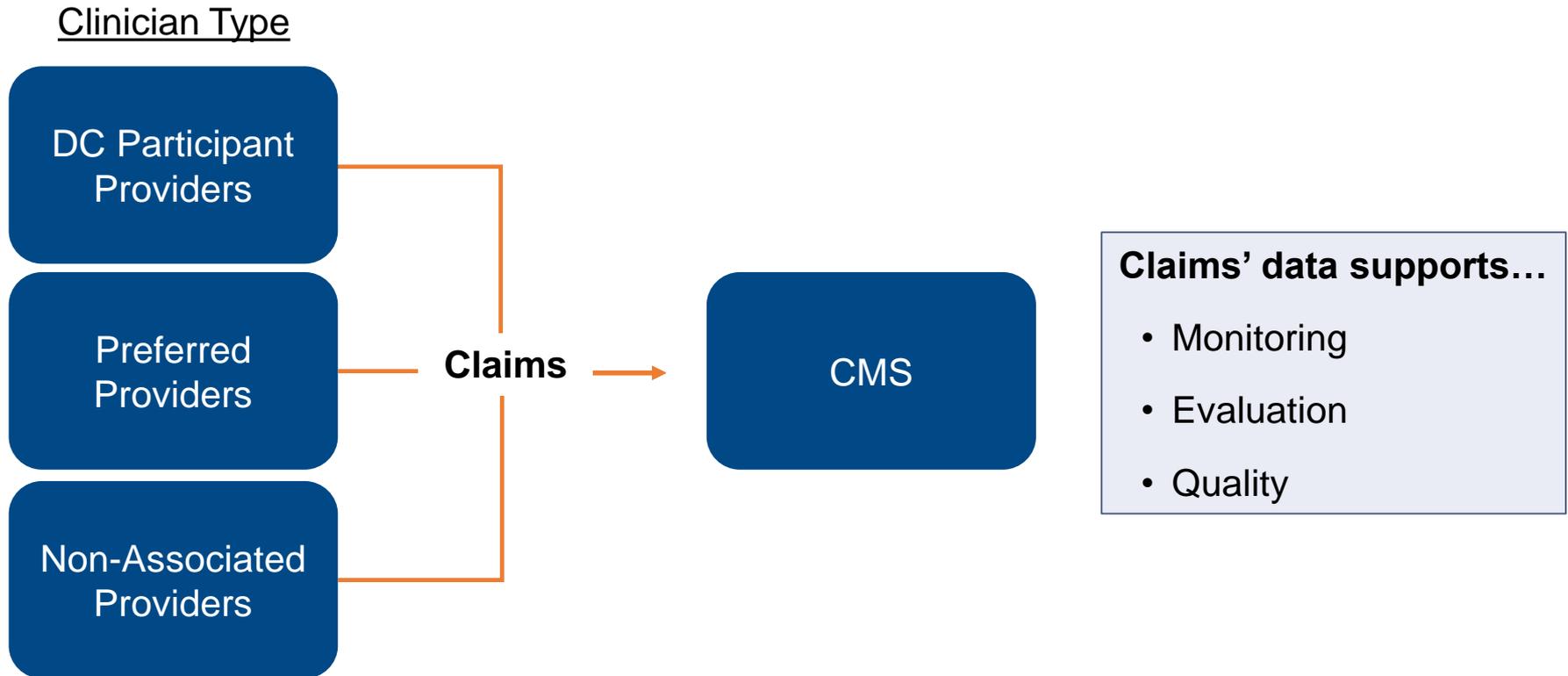
Capitation Payment Mechanisms (cont.)

DCEs must select one of the two Capitation Payment Mechanisms. The Capitation Payment Mechanisms available vary based on the Risk Option selected.

- 1 Primary Care Capitation (PCC)** { Monthly capitation payments for primary care services furnished to aligned beneficiaries. *Available for Global and Professional*
- 2 Total Care Capitation (TCC)** { Monthly capitation payments for all services furnished to aligned beneficiaries. *Available for Global Only*

Primary and Total Care Capitation

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



Capitation Amounts Received by DCEs

Total Care Capitation

DCEs receive monthly amount representing estimated total cost of care less a withhold



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



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

	Total Care Capitation Available in Global Only		Primary Care Capitation Available in Professional & Global	
	DC Participant Providers	Preferred Providers	DC Participant Providers	Preferred Providers
What FFS claims are capitated?	All FFS Claims	Portion of FFS Claims (0 – 100%)	All Primary Care FFS Claims	Portion of Primary Care FFS Claims (0 – 100%)
What FFS claims payments are suitable for advanced payment?	None	None	Non Primary Care FFS Claims	Non Primary Care FFS Claims

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

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

	Which claims are included?	What is the run out on claims?	Will this include the (optional) Net Stop-Loss amount?
Provisional	Claims through Quarter 2 (June 30)	6 months (through Dec 31)	No – it is excluded
Final	Claims through Quarter 4 (Dec 31)	3 months (through Mar 31)	Yes – it is included

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

Timeline	Implementation Period (IP) DCE Applicants	Performance Period (PY1) DCE Applicants
Application Period	November 25, 2019 – February 25, 2020 (Application tool opened December 20, 2019)	March 2020 – May 2020
DCE Selection	May 2020	September 2020
Deadline for applicants to sign and return Participant Agreement (PA)	June 2020 (IP PA) December 2020 (Performance Period PA)	December 2020
Initial Voluntary Alignment Outreach and start of IP or PY	June 2020	January 2021

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

Webinar

**Payment – Part 2
(Benchmarking, Quality)**

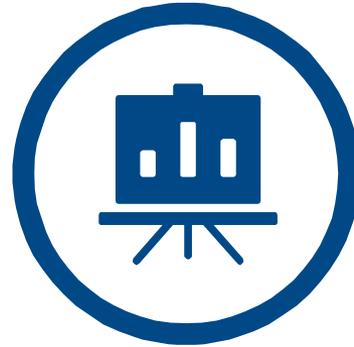
Date

January 22, 2020
([register 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.

Audience Poll



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