

April 12, 2021

The Honorable Xavier Becerra  
Secretary  
US Department of Health and Human Services  
200 Independence Ave SW  
Washington, DC 20201

**Re: Extending the Next Generation Accountable Care Organization Model**

Dear Secretary Becerra:

On behalf of the undersigned organizations, we look forward to working with you to advance value-based care policy at the Department of Health and Human Services (HHS). Providers across the country have been on the value-based care journey for more than a decade. Along the way, they have made significant investments to improve patient care and set Medicare and Medicaid on a more sustainable financial future. We are excited to continue to work with you to move to a stronger, more resilient healthcare delivery system in the future.

We are writing to ask you to take a few immediate steps to advance the value movement. Medicare Accountable Care Organizations (ACOs) have provided one path for clinicians to move to alternative payment models (APMs). Over the past several years, Medicare ACO models have demonstrated success in lowering Medicare spending and improving quality for beneficiaries. One type of Medicare ACO is the Next Generation ACO model, offered through the CMS Innovation Center. **We are writing to urge HHS to extend this model through 2022 and create a permanent full risk ACO option based on Next Gen for the future. We also ask that HHS reexamine the model evaluation reports.**

Next Gen allows participating entities to elect full financial risk and reward and offers additional waiver flexibilities and cash flow mechanisms beyond traditional fee-for-service payments that are attractive to model participants. Next Gen ACOs have invested in data analytic capabilities to manage patient populations, engage beneficiaries in care management and provide annual wellness visits, engage physicians and other providers using incentives, and collaborate with skilled nursing facilities for improved delivery of post-acute care and lower spending.<sup>1</sup> Next Gens have also focused efforts on primary care and prevention, achieving a 16 percent increase in the use of annual wellness visits from the second year of the model to the third. During the COVID-19 pandemic, Next Gens have deployed their care coordination and population health infrastructure to improve care in their communities and ensure that the most vulnerable patients have access to healthcare services, via telehealth, home visits, and other innovative care management strategies. The model is currently slated to end in 2021.

If the model ends this year, Next Gens will be faced with the choice of moving to the Medicare Shared Savings Program (MSSP) ENHANCED track or out of alternative payment models. While MSSP ENHANCED may be an attractive option for some, it will not meet the needs of all Next Gens. Specifically, Next Gen represents a more advanced, full risk (100 percent

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<sup>1</sup> <https://innovation.cms.gov/data-and-reports/2020/nextgenaco-thirdevalrpt-ataglance>

savings/losses) option compared to MSSP ENHANCED, which offers only 75 percent savings/losses. Other features of Next Gen are not available in MSSP, such as the ability to modify downstream payments, and other waiver flexibilities.

Next Gens were previously offered the option of Direct Contracting; however, CMS has recently announced it will no longer seek applications from new organizations for a 2022 start. Next Gens that previously applied in 2020 and deferred their start date to 2022 have the option to enter Direct Contracting when Next Gen ends. Direct Contracting offers 100 percent risk and the ability to modify downstream payments, but requires participants to take capitation. While that option is attractive for some entities, others are not ready for the resource deployment it will require. In addition, the financial model in Direct Contracting places ACOs at a competitive disadvantage as compared to other types of Direct Contracting participants. The financial model favors organizations without historical experience in traditional Medicare. For these reasons, a third, Next Gen-like pathway is necessary.

Finally, we encourage the Biden Administration to revisit model evaluations that concluded Next Gen has not generated sufficient savings to justify permanent expansion under the Innovation Center's authority. The most recent evaluation report concluded that the model reduced gross Medicare spending by -0.9%, but resulted in a non-significant increase in spending (0.3%) after shared savings and other incentive payments were taken into account.<sup>2</sup> We believe a deeper analysis – particularly using more recent data, as the model has changed significantly over time – is needed before concluding that the model has not generated savings.

Individual Next Gens have achieved significant savings against their benchmarks.<sup>3</sup> The fourth partial dataset CMS released shows savings of over \$558 million in 2019. Thirty-five of 37 Next Gen ACOs qualified for shared savings payments. There is a disconnect between the Next Gens performance and the evaluation reports. We believe this can at least be partially explained by the caveats the evaluators cite in their report, including that the comparison population against which Next Gens are evaluated includes beneficiaries assigned to MSSP and other Innovation Center models. In addition, two-thirds of Next Gen clinicians participated in a Medicare ACO prior to Next Gen. Therefore, the impact of the Next Gen model reflects the incremental effects of Next Gen over other initiatives. In our view, both of these factors, and others, contribute to an under-reporting of savings for the model.

The Next Generation ACOs have shown the potential to dramatically improve the care experience for patients in traditional Medicare, bringing coordinated care delivery to this population for the first time in some markets. Providers in this model bear greater amounts of financial risk than any other offering in the traditional Medicare portfolio and serve as a model for the future of risk contracting, including higher levels of financial risk and reward for providers and better care for seniors.

We would welcome the opportunity to discuss this further and look forward to our continued partnership to advance performance-based risk arrangements and improve patient care.

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<sup>2</sup> <https://innovation.cms.gov/data-and-reports/2020/nextgenaco-thirdevalrpt-ata glance>

<sup>3</sup> <https://innovation.cms.gov/media/document/nextgenaco-py4finqualresults>

Sincerely,

Association of American Medical Colleges  
Aledade  
American Hospital Association  
American Medical Group Association  
Archway Health  
Caravan Health  
Evolent Health  
Federation of American Hospitals  
Health Care Transformation Task Force  
Medical Group Management Association  
National Association of ACOs  
NextGen Coalition  
Partnership to Empower Physician-Led Care  
Premier healthcare alliance

cc: Elizabeth Fowler, Deputy Administrator and Director, Center for Medicare and Medicaid Innovation