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Individual stop-loss is now optional for Next Generation ACOs

Individual stop-loss can have a significant positive or negative impact on Next Generation ACOs

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This choice is a significant change to the NGACO program.

The Centers for Medicare and Medicaid Services (CMS) announced that Next Generation Accountable Care Organizations (NGACOs) need to choose whether they want to have their annual financial reconciliation based upon capped claims (i.e., the NGACO "purchases" individual stop-loss) or uncapped claims (i.e., the NGACO does not "purchase" individual stop-loss). Previously, NGACOs did not have a choice; the financial reconciliations were based upon capped claims (i.e., individual stop-loss was mandatory). CMS is offering this choice for both the 2017 and 2018 reconciliations, and the window for making a 2017 selection is extremely short. For some NGACOs, this choice could have a significant impact on their financial reconciliation.

The NGACO program has two types of stop-loss.

An NGACO has two methods for limiting its risk:

1. By capping aggregate savings/losses at 5% to 15% of the aggregate benchmark expenditure for a given performance year. This is aggregate stop-loss.
2. By calculating the 99th percentile of expenditures for all "alignment-eligible" beneficiaries nationwide and using it as an attachment point to cap per beneficiary expenditures for an NGACO's baseline and performance years. This is individual stop-loss.

The methodology CMS uses for establishing the individual stop-loss component could result in significant variation in the individual stop-loss premiums and net costs across ACOs; an NGACO's premium is based on the NGACO's 2014 claim experience using nationwide attachment points. For some NGACOs, this methodology could bias the individual stop-loss premiums "too high" or "too low" depending on whether the NGACO had many claims exceeding the attachment point in 2014 or few claims exceeding the attachment point in 2014.

It is hard to choose whether to participate in individual stop-loss.

As NGACOs evaluate whether they should participate in the individual NGACO stop-loss program, many aspects of the NGACO stop-loss methodology must be considered. Several factors will make it difficult for an NGACO to choose whether to have its financial settlement based upon capped or uncapped claims, including:

- The magnitude of claims over the attachment point is volatile and thus difficult to predict.
- There is little individual stop-loss data available in the early part of a year because claims must exceed the attachment point before they are removed.
- An NGACO may not be aware of the net impact of stop-loss on its past financial reconciliation. For example, an NGACO needs to pull together disparate values from its reports to calculate the impact of individual stop-loss on its 2016 financial results. Changes in the aligned beneficiaries and physician roster can affect the net impact of stop-loss.

For some NGACOs, the difference between their stop-loss premiums and claims could be millions of dollars annually regardless of whether the NGACO had overall savings or losses. Individual stop-loss could increase or decrease overall savings or increase or decrease overall losses. Each NGACO needs to look closely at this choice.

An NGACO should consider the choices it makes for the aggregate stop-loss (i.e., 5% to 15% of the aggregate benchmark) as well as its risk-sharing rate (i.e., 80% or 100%) in selecting capped or uncapped claims. Furthermore, an NGACO may want to do some sensitivity analyses around all of these parameters to guide its selections.

NGACOs must make their choice soon.

NGACOs must make their capped/uncapped decision for contract year 2017 by **October 31, 2017**. NGACOs must make their capped/uncapped decision (as well as their other risk parameters) for 2018 by **December 27, 2017**.

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