



# Geographic Direct Contracting Model

## A Unique and Unprecedented Opportunity for Organizations That Can Act Quickly.

On January 15, 2021, the Center for Medicare & Medicaid Services (CMS) Innovation Center released the Geographic Direct Contracting Model (Geo) request for applications, along with an informational data book and the Geo Proposed Discount Tool. This brief will provide a summary of the Geo model design, application requirements, and Wakely's considerations and expertise with regard to the model.

### Geo Model

CMS has been implementing new payment and care delivery models over the past several years. Direct contracting is a set of three innovative program models addressing care for beneficiaries receiving coverage through Original Medicare. Two of the three models, the Professional and Global models, have been implemented in 2020 with initial performance periods beginning in 2021. The Geographic Direct Contracting Model is the third and newest innovation and is set to begin its initial participation period on January 1, 2022.

### Goals of the Model

According to CMS, the testing of the Geo Model is intended to examine whether improved health and reduced costs in the Medicare Fee-for-Service (FFS) population can be achieved through increased risk accountability along with care management, benefit enhancements, beneficiary engagement incentives and payment integrity and medical review programs.

### Geo Organization Types

A variety of different organizations are expected to participate as Geo Direct Contracting Entities (DCEs), including Accountable Care Organizations (ACOs), health systems, health provider groups and health plans.

### Geo Regions

A list of target regions for the Geo Model were selected based on a number of criteria, including cost savings potential and applicant interest expressed during the Letter of Interest period. Target regions include a set of counties centered on a core based statistical area (CBSA). The target regions are: **Atlanta, Dallas, Houston, Los Angeles, Miami, Orlando, Philadelphia, Phoenix, San Diego, and Tampa.**

The final model regions must have a minimum of three eligible organizations selected to participate as Geo DCEs. CMS anticipates selecting a minimum of four final model regions.

## Key Model Components

The Geo Model requires participating DCEs to take full risk for the total cost of care for Medicare FFS beneficiaries in a defined region. The model will span across two three-year performance periods. Key model design components include:

**Beneficiary Alignment** – beneficiaries are prospectively aligned to a Geo DCE, voluntarily or through a specified algorithm. The Geo DCE assumes accountability for the total cost of care for its aligned beneficiaries in a given performance year.

**Performance Year Benchmark** – a prospective per-beneficiary per-month (PBPM) benchmark will be developed, separately for Aged & Disabled and ESRD beneficiaries. The benchmark will be risk adjusted and will also be adjusted for quality performance and the proposed discount.

**Risk Sharing** – the Geo DCE assumes 100% of the shared savings / shared losses for actual performance within 5% of the performance year benchmark. The Geo DCE's percentage of shared savings / shared losses decreases according to a risk corridor beyond 5% of the benchmark. An administrative load is considered in the shared savings/share losses calculation.

**Capitation** – A Geo DCE must select partial capitation or total capitation as a prospectively determined monthly revenue stream. Capitation payments will be included in the performance year expenditures, along with other costs for covered services, for comparison to the benchmark.

**Benefit Enhancements** – A Geo DCE may choose to implement all or any of a specified list of benefit enhancements that waives certain requirements in the original Medicare coverage, for example, the 3-day skilled nursing facility rule.

**Beneficiary Engagement Incentives** – Geo DCEs have the flexibility to implement a number of incentives based on defined participant eligibility and conditions, such as cost sharing support, Part B premium subsidies, and in-kind incentives such as vouchers for over-the-counter medications or transportation services. The costs of such incentives must be funded by the DCE.

## Application Process

*All entities are required to submit an application to participate in the Geo Model for each region they intend to participate in. The application timeline for the first performance period is as follows. Please note that submission of an LOI is not required for submitting an application.*



## SUBMISSION REQUIREMENTS

A proposed discount for each region in which DCEs intend to provide services under the Geo Model is required, with the following requirements:

- A discount for each of the three performance years for each region using the **Geo Proposed Discount Tool (PDT)** released by CMS
- An actuarial certification for each PDT submission
- Supporting documentation upon request
- Review and audit by CMS or by any person or organization that CMS designates

## SELECTION

CMS will select participants based on their capacity to carry out the Geo model requirements as well as the proposed discounts, which will be compared against a regional minimum discount set by CMS (expected to be between 2-3%) and against the other applicants within the region. Applicants with higher average proposed discounts will receive preference.

Applicants are not expected to have formed their legal entity or verified the requisite state licensure until after selection. However, these requirements must be satisfied before the Geo Model Participation Agreement is executed with CMS.

## Considerations

In our opinion, the Geo Model represents a significant milestone in CMS’s innovation journey. This initiative invites private organizations to take the highest level of accountability for Medicare fee-for-service beneficiaries with the highest level of flexibility thus far. It offers tremendous opportunities for:

- **Market expansion** – The number<sup>1</sup> of Medicare FFS beneficiaries range from 235,000 to close to 900,000 in the target regions. Market research has shown it is difficult to attract Medicare FFS beneficiaries to Medicare Advantage (MA) plans. With many of its MA-like features, the Geo Model provides an unprecedented opportunity for MA plans looking for a breakthrough in growth.
- **Beneficiary impact** – With the flexibility of benefit enhancements and incentives, as well as the freedom to implement care management and care coordination programs, DCEs, especially health systems, providers, and managed care organizations who have demonstrated a track record in these areas, have a unique chance to make a positive and lasting impact on the health outcomes of the Medicare FFS population.
- **Financial rewards** – If managed well, the full-risk nature of the Geo Model can provide significant financial rewards to DCEs and savings to CMS.

On the other hand, there are significant risks facing the financial, operational, and compliance areas for organizations who opt to participate in this model. Organizations need to carefully assess their capabilities, readiness, and risk tolerance before participating. Geo DCEs will be required to obtain a financial guarantee equal to at least 10% of the Geo DCE's Performance Year Benchmark. This may be burdensome for many organizations.

## How Wakely Can Help

We are healthcare and data experts, helping clients understand the complex and evolving world of health care, using the best tools, talent and data. For the Geo Model, we can support your strategic and technical needs, assisting with:

- **Market and competitive analysis** – our access to large sets of Medicare FFS membership and claims data, coupled with our advanced tools, can help drive unique insights in market selection and discount bidding strategy.
- **Pro Forma projections** – our existing tools for benchmark and risk sharing projections under the Professional and Global DC Model, as well as our projection models for various other value-based payment options can be readily adapted for the Geo Model.

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<sup>1</sup> 2017 enrollment provided in the Geographic Direct Contracting Model Data Book. <https://innovation.cms.gov/innovation-models/geographic-direct-contracting-model>

- **Readiness assessment including network and operations** – We have experts in provider network, risk adjustment, medical management and can help assess operational readiness.
- **Proposed Discount Tool submission and Actuarial Certification** – We are developing a tool with capabilities to develop and complete the PDT submission required for application. Wakely has credentialed actuaries who are qualified for actuarial certifications.
- **Ongoing data, analytics and reporting** – a timely and accurate feedback loop on relevant metrics is key to success. We can help build analytics, dashboards and reports to monitor ongoing performance and provide operational guidance.

Reach out to your Wakely consultant to learn more about the Geo Model and how Wakely can help. Stay tuned for a Wakely webinar and detailed Whitepaper on the Geo Model in the coming weeks.