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I express my gratitude to the American College of Surgeons (ACS) for its development of a proposal for a new physician-focused payment model (PFPM), the *ACS-Brandeis Advanced Alternative Payment Model*, and for its submission of this proposal to the Physician-Focused Payment Model Technical Advisory Committee (PTAC). ACS' strong commitment to innovation and improving health care is manifest in the proposed episode-based payment model that addresses a broad array of health conditions and procedures experienced by many Medicare beneficiaries. ACS' work on this proposed model, together with PTAC's detailed and rigorous review of it, has added much to the Department of Health and Human Services' (HHS') thinking about this model and about episode-based payment models in general.

HHS agrees with PTAC that this proposal holds promise for testing because of the model's broad scope and focus on many different health care procedures and conditions addressed by the episode grouper which is the linchpin of ACS' model. However, we also acknowledge and share PTAC's concerns regarding the construct of the model. Supplemental information provided by the Centers for Medicare & Medicaid Services (CMS) about these issues is included in the attached appendix.

In light of these considerations, I am asking ACS, Brandeis University, and other stakeholders as appropriate to address these design concerns before HHS makes a final determination about testing this proposed model. I am also asking CMS staff to contact ACS about next steps for addressing these design concerns.

We all share a common goal of improving health care for all Americans. To do this, we must think creatively and leverage experience from across the nation. We must learn from health care providers in the field who have changed care delivery to encourage better outcomes and patient experience of care. We recognize the contributions of practicing physicians in driving this transformation.

I look forward to the continued engagement of stakeholders to submit proposals to PTAC and the future recommendations of PTAC regarding physician-focused payment models that would reduce expenditures while preserving or enhancing the quality of care.

Thomas E. Price, M.D.
Secretary

Appendix: Supplemental Information

The following is additional information related to the Secretary's response to PTAC comments and recommendation on *The ACS-Brandeis Advanced Alternative Payment Model* submitted by the American College of Surgeons.

HHS agrees with PTAC that this PFPM offers promise because of its broad scope and focus on episodes of care for many different health care procedures and conditions. However, the large scope of the model is also a concern, given the uncertainties with regard to the anticipated impacts of the model. As a result, HHS agrees with PTAC that if testing were to begin, it should be for a significantly smaller amount of episodes than the 54 proposed. While some of the proposed model's uncertainties may be resolved through collaboration with the submitters, other components will need further development by the submitter before HHS can determine its appropriateness for testing. Additional detail regarding HHS' concerns is outlined below.

- Payment Methodology

There are several concerns with the proposed model's payment methodology, beginning with the mechanics of the grouper. The model includes the Episode Grouper for Medicare (EGM), a series of algorithms initiated by CMS that organizes administrative claims data into episodes of care, which are the services furnished to treat an illness or injury over a period of time. Since the submitters indicated that the proposed model augments the original EGM, any changes to the EGM would need to be determined valid and reliable for each episode before model testing could be considered. Additionally, while CMS has suggested the use of a grouper tool to identify with greater detail the resources necessary to provide care across a defined episode (https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/Value-Based-Programs/MACRA-MIPS-and-APMs/MACRA-Feedback.html), the proposed model goes beyond relative resource utilization envisioned to date, and proposes to use the tool to determine payment to model participants by defining episode target prices and attributing costs to individual clinicians. To date, examples of grouper execution furnished by the submitters have been insufficient to authenticate these components of the model.

Similar to concerns about the functioning of the grouper tool, HHS recognizes the issues PTAC identified about the model's clinician attribution methodology. The proposed ability to apportion financial responsibility by clinical team role and model participation is responsive to concerns from clinicians that they have not been able to benefit from episodes where they were not the predominant clinician or have previously been held responsible for all services in an episode, regardless of clinical relevance to their specific services. However, methodological information and episode examples provided by the submitter lack the detail to validate this component of the model. Given the importance of this approach to attribution in the model's payment methodology, HHS would need to ensure that it is valid and reliable before determining the appropriateness for testing the model.

In addition to the uncertainties of the grouper tool and the attribution methodology functioning as proposed, other components of the payment methodology are novel and would require further review prior to determining the prospects for model implementation. There was insufficient detail provided in examples from the submitters for HHS to determine the ability of the payment methodology to appropriately incorporate care provided by clinicians not formally participating in

the model under an APM Entity. This lack of detail also prevented HHS from validating the proposed risk adjustment methodology and target price calculation, which are both novel.

- How Performance Ties to Payment

The payment methodology does not incorporate the outcomes of quality measurement in the initial phase of the model; the submitters suggest that during initial implementation, participants would only be required to report quality measures and would not be held accountable for their performance. Both to further quality improvement and qualify the model as an Advanced APM, HHS would need to adjust payment based on performance on Merit-Based Incentive Payment System (MIPS)-comparable quality measures.

- Care Coordination

The submitters claim the model's informatics platform would allow participants to identify cost drivers and utilization patterns, but there is little detail offered on the accessibility of this information or participants' ability to draw from it actionable conclusions regarding care redesign or enhanced coordination. There is uncertainty regarding the ways in which care delivery would change in order to improve quality or reduce costs and the reasons those changes could not occur under current payment systems.

- Accessibility of Essential Model Tools

HHS agrees with PTAC that the algorithms and construct of the episode grouper and other logic central to the payment methodology of the model should be made publicly available if the model is to be tested. The proposal did not fully clarify these details, nor did the submitters during the public meeting. Additionally, a mechanism should be in place for continuous update of the grouper so that it remains current with advances in health care. These issues would need to be addressed before HHS could determine whether the proposed model is appropriate for testing.