§ 425.602 Establishing the benchmark.

(a) Computing per capita Medicare Part A and Part B benchmark expenditures. In computing an ACO’s fixed historical benchmark that is adjusted for historical growth and beneficiary characteristics, including health status, CMS determines the per capita Parts A and B fee-for-service expenditures for beneficiaries that would have been assigned to the ACO in any of the 3 most recent years prior to the agreement period using the ACO participants’ TINs identified at the start of the agreement period. CMS does all of the following:

1. Calculates the payment amounts included in Parts A and B fee-for-service claims using a 3-month claims runout with a completion factor.
   (i) This calculation excludes indirect medical education (IME) and disproportionate share hospital (DSH) payments.
   (ii) This calculation considers individually beneficiary identifiable payments made under a demonstration, pilot or time limited program.
2. Makes separate expenditure calculations for each of the following populations of beneficiaries: ESRD, disabled, aged/dual eligible Medicare and Medicaid beneficiaries and aged/non-dual eligible Medicare and Medicaid beneficiaries.
3. Adjusts expenditures for changes in severity and case mix using prospective HCC risk scores.
4. Truncates an assigned beneficiary’s total annual Parts A and B fee-for-service per capita expenditures at the 99th percentile of national Medicare fee-for-service expenditures as determined for each benchmark year in order to minimize variation from catastrophically large claims.
5. Using CMS Office of the Actuary national Medicare expenditure data for each of the years making up the historical benchmark, determines national growth rates and trends expenditures for each benchmark year (BY1 and BY2) to the third benchmark year (BY3) dollars.

(b) Updating the benchmark. CMS updates the historical benchmark annually for each year of the agreement period based on the flat dollar equivalent of the projected absolute amount of growth in national per capita expenditures for Parts A and B services under the original Medicare fee-for-service program.

1. CMS updates this fixed benchmark by the projected absolute amount of growth in national per capita expenditures for Parts A and B services under the original Medicare fee-for-service program using data from CMS’s Office of the Actuary.
2. To update the benchmark, CMS makes expenditure calculations for separate categories for each of the following populations of beneficiaries:
   (i) ESRD.
   (ii) Disabled.
   (iii) Aged/dual eligible Medicare and Medicaid beneficiaries.
   (iv) Aged/non-dual eligible Medicare and Medicaid beneficiaries.

(c) Resetting the benchmark. An ACO’s benchmark will be reset at the start of each agreement period.

§ 425.604 Calculation of savings under the one-sided model.

(a) Savings determination. For each performance year, CMS determines whether the estimated average per capita Medicare expenditures under the ACO for Medicare fee-for-service beneficiaries for Parts A and B services are below the applicable updated benchmark determined under § 425.602.