ACO Accelerated Development Learning Session

San Francisco, CA
September 15-16, 2011

Module 4B: Risk Sharing, Incentives, and Start-Up/Capital Needs

September 16, 2011
10:30 a.m.–12:30 p.m.

Matthew Mazdyasni, MS, Executive Vice President
HealthCare Partners

HealthCare Partners Operates in California, Nevada, and Florida

- Senior members: 171,200
- Commercial members: 486,400
- Primary care physicians (PCPs) – employed: 395
- Primary care physicians – IPA: 1,190
- Specialists – employed: 320
- Specialists – contracted: 6,180
- Staff model facilities: (primary care, urgent care, walk-in, ambulatory surgery, pharmacy): 152
- IPA PCP medical offices: 856
- Health plans accepted: 17 Medicare Advantage, 10 commercial (HMO and POS)
- Affiliated hospitals: 111
- Languages spoken: More than 50

Mission

HCP partners with our patients to live life to the fullest by providing outstanding healthcare and supporting our physicians to excel in the healing arts.

Vision

HCP will be the role model for integrated and coordinated care, leading the transformation of the national healthcare delivery system to assure quality, access and affordable care for all.

HealthCare Partners Delivery System

The preeminent physician-owned, professionally managed, patient-centered coordinated care system and an important delivery system in the many communities we serve

- Global capitation predominates
- Physician-owned
- Centrally coordinated
- Regionally driven
- Strong medical management infrastructure
- Robust business support units

Technology Backbone

- Allscripts / Touchworks EHR
  - Fully deployed Group Model
- NextGen / PACIS for Affiliated Model
  - Physician practices at 200+ / year
- GE/IDX Practice Management
- EPIC Practice Management and HER
- CCMIS – Complex Care Management Information System
- Patient Keeper Hospitalist System

Technology Backbone *continued*

- All feeds to Integrated Data Warehouse
  - Clinical EHR
  - Lab
  - Rx
  - Images
  - Encounters
  - Claims
  - Hospital A/D/C
- Predictive Modeling
- PIP – Physician Information Portal
- POP – Patient On Line / PHR
- Ingenix ETG
- Report Center

Hospital Strategy

- HCP does not own hospitals
- HCP – long-term hospital partnerships > 10 years
- Innovative hospital contracting strategy, including Cost Plus model where savings are shared with hospital partners for increased efficiency
- Hospital TCUs with Cost Plus reimbursement
- Hospital partnerships include hospital efficiency and through-put benefiting hospital Medicare FFS DRG management
- Hospitalist strategy with hospitals for non-HCP patients benefiting the hospitals and community physicians

HealthCare Partners – ACO

HealthCare Partners in collaboration with Anthem Blue Cross is one of the five entities in an ACO pilot project led by the Engelberg Center for Health Care Reform at Brookings and the Dartmouth Institute for Health Policy and Clinical Practice. The first year of the pilot program is 2011. HCP has only agreed to the first-year financial arrangement, which is shared savings based on achieving quality metrics.

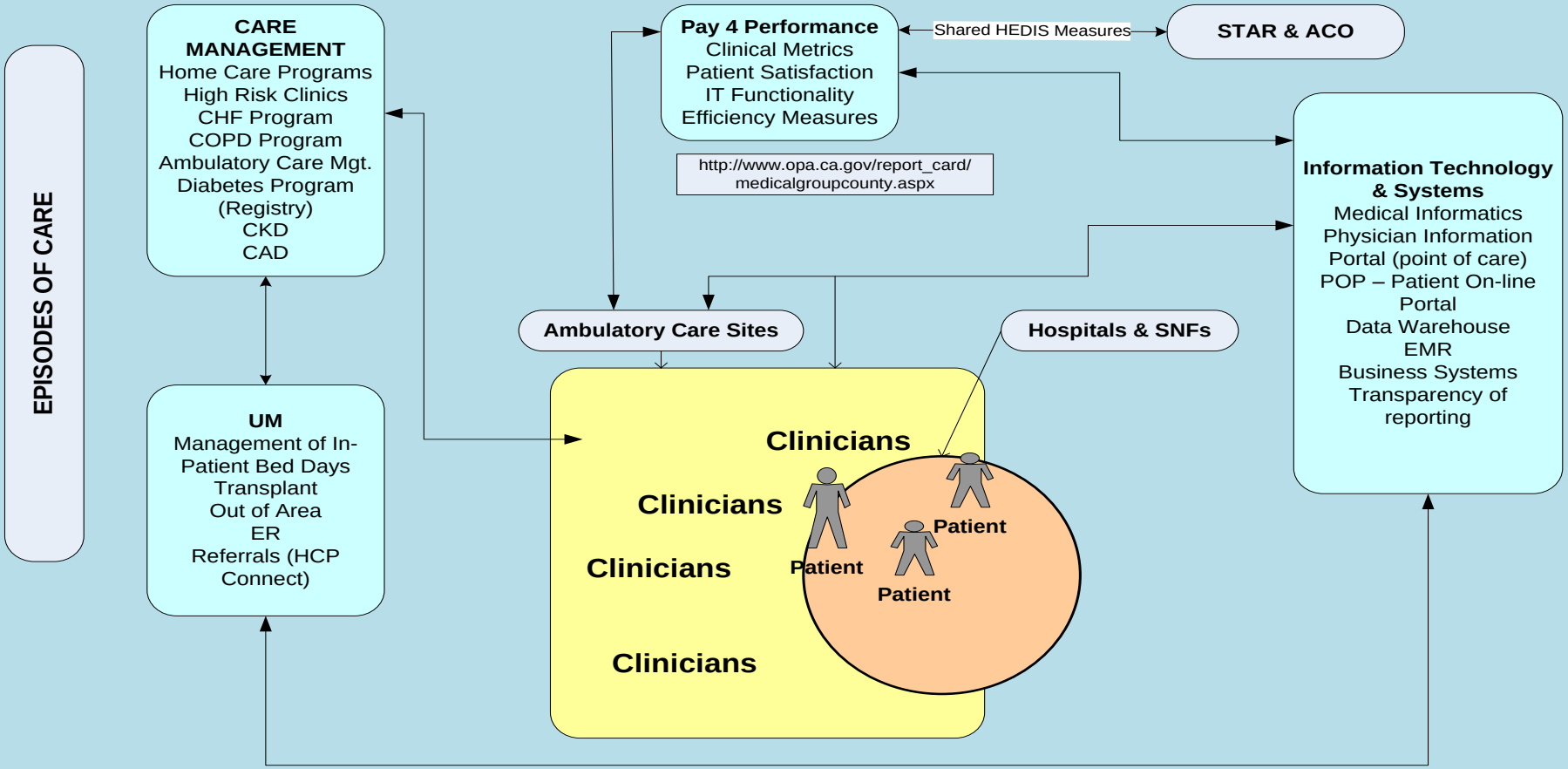
Why Anthem Pursues Development of an ACO

- Anthem is developing ACOs to respond to changes in U.S. health care flowing from the new federal health care reform law
- Improve the quality and coordination of health care
- Slow the growth of spending
- California is the optimal site for development of an ACO because the HMO delivery model is already in place
- Existing provider infrastructure makes it easier to develop related processes

Why Anthem Pursues Development of an ACO *continued*

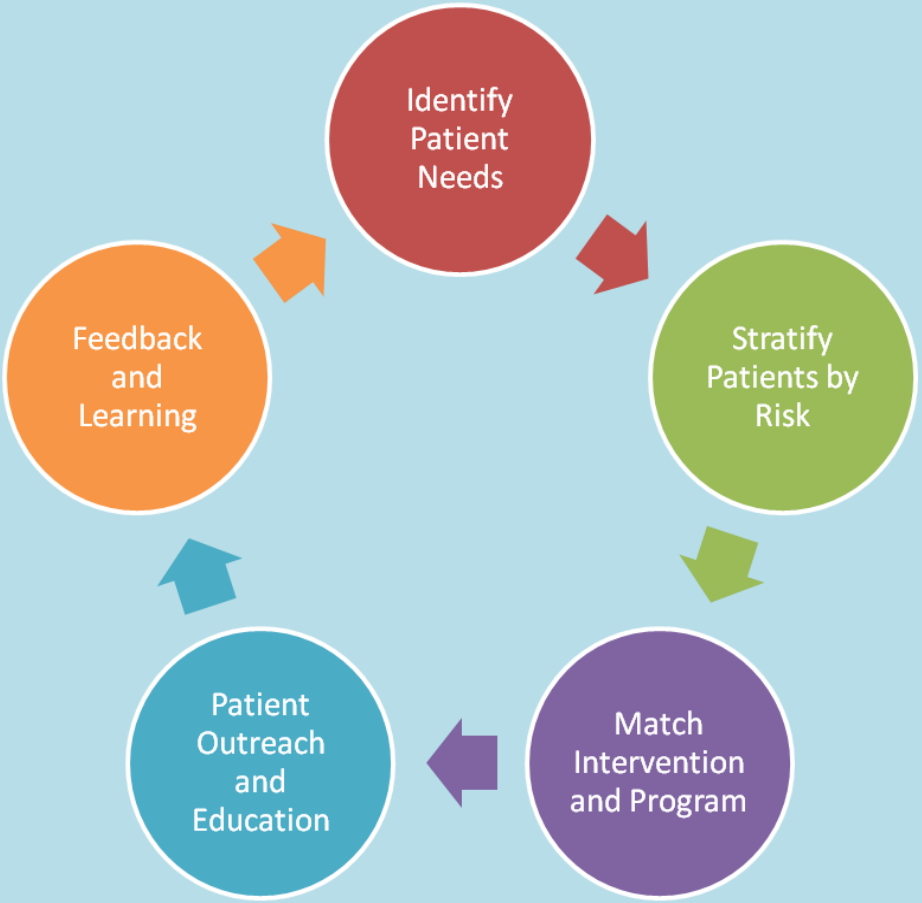
According to California Health Care Foundation, between 2002 and 2010, health insurance premiums in California increased by 134.4%, more than five times the 25.4% increase in California's overall inflation rate

According to State of California Office of Health Planning and Development (OSHPD), between 2000 and 2009, absolute growth in Net Inpatient Revenue per Day grew by 18% for Medicaid, 76% for Medicare, and 159% for commercial line of business



HEALTHCARE PARTNERS MEDICAL GROUP
COORDINATED CARE

Proactive Population Management

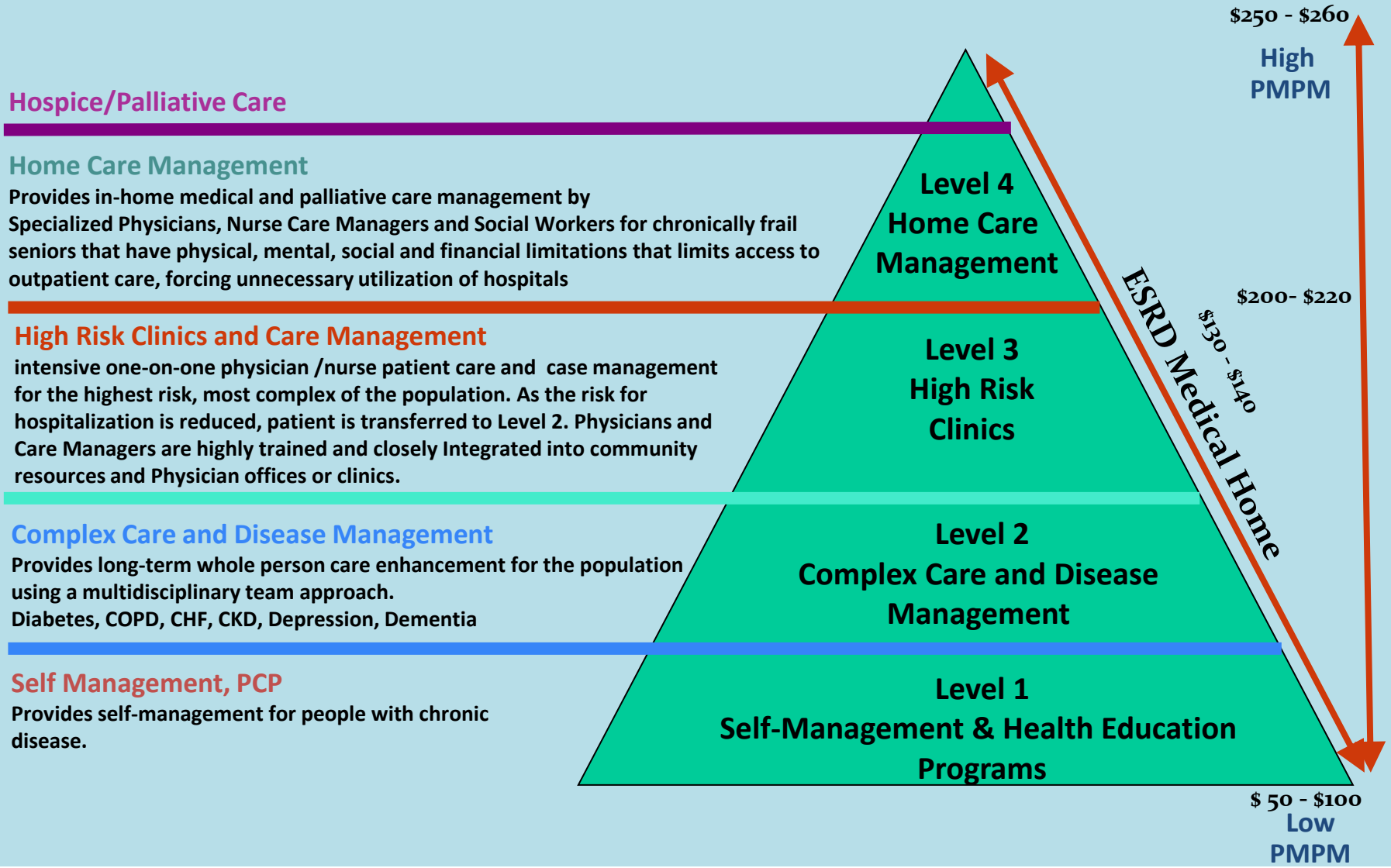


The continuous "Virtuous Cycle" of improved care and outcomes is at the heart of HCP's proactive population management

Continuous improvement to drive:

- Better care
- Better quality
- Better efficiency
- Better patient experience

Stratifying Patients into the Appropriate Program



Quality Metrics

Preventive Measures	Source
This identifies the percentage of women 42 and 69 years old who had a mammogram during the measurement year or year prior to the measurement year.	NCQA, HEDIS
This rule measures the percentage of children between 24 and 36 months of age with 1 or more Varicella Zoster Virus (VZV) immunizations or prior history of chicken pox in the 1st 2 years of life.	NCQA, HEDIS
This rule measures the percentage of children between 24 and 36 months of age with 1 or more measles, mumps and rubella (MMR) immunizations in the 1st 2 years of life.	NCQA, HEDIS
This rule measures the percentage of children between 24 and 36 months of age with 4 or more Diphthereia Tetanus a cellular Pertussis (DTaP) immunizations in the 1st 2 years of life.	NCQA, HEDIS
This rule measures the percentage of children between 24 and 36 months of age with 3 or more Hepatitis B Virus (HBV) immunizations in the 1st 2 years of life.	NCQA, HEDIS
This rule measures the percentage of children between 24 and 36 months of age with 3 or more inactivated polio virus (IPV) immunizations in the 1st 2 years of life.	NCQA, HEDIS
This rule measures the percentage of children between 24 and 36 months of age with 3 or more Haemophilus influenza type B (Hib) immunizations in the 1st 2 years of life.	NCQA, HEDIS
This rule measures the percentage of children between 24 and 36 months of age with 4 or more pneumococcal immunizations in the 1st 2 years of life.	NCQA, HEDIS
This measure identifies the percentage of women 16 and 25 years old identified as sexually active who had at least one Chlamydia test during the measurement year.	NCQA, HEDIS

Quality Metrics *continued*

Diabetes	Source
The measure identifies the percentage of diabetic patients who had HgbA1c test during the past year.	AQA, CMS-PQRI, NCQA, NQF, HEDIS
This measure identifies the percentage of diabetic patients who had a lipid panel checked during the measurement year.	NCQA, HEDIS
This measure identifies the percentage of patients with diabetes without evidence of chronic kidney disease who have evidence of having had their urine checked for micro albumin during the measurement year.	NCQA, HEDIS
This measure identifies the percentage of patients with diabetes, hypertension, and nephropathy who are on an ACE Inhibitor or ARB during the measurement year.	NHLBI 2004, ADA 2008

Hypertension	Source
This measure identifies the percentage of patients with newly diagnosed hypertension with a lab claim for a blood glucose test within 30 days of the time of diagnosis.	NHLBI 2004
This measure identifies the percentage of patients with newly diagnosed hypertension with a lab claim for a creatinine test within 30 days of the time of diagnosis.	NHLBI 2004

Quality Metrics *continued*

URI	Source
This measure identifies the percentage of children 3 months to 18 years old with a diagnosis of an upper respiratory infection (URI) who did not receive an antibiotic prescription on or within three days after diagnosis.	NCQA, HEDIS

Wellness	Source
This measure identifies infants who have had at least 5 office visits during the first year of life.	AAP, CDC
This measure identifies children who turned 3 years old during the measurement year and had >=5 office visits between the ages of 1 and 3 years of age.	AAP, CDC
This measure identifies children ages 3 to 18 years old during the measurement year who have >=1 office visit during the measurement year.	AAP, CDC

Quality Metrics *continued*

Heart Disease	Source
This measure identifies the percentage of patients who were hospitalized for acute myocardial infarction (AMI) and discharged from the hospital sometime between July 1 of the year prior to the measurement year and June 30 of the measurement year who have been on beta-blocker treatment for at least 6 months post discharge.	AQA, CMS-PQRI, NCQA, NQF
This measure identifies the percentage of patients with a history of a coronary heart disease who are on a statin medication during the measurement year..	NHLBI, 2001, AQA
This measure identifies patients 18-75 years old discharged alive for acute myocardial infarction (AMI), coronary bypass graft (CABG) or percutaneous transluminal coronary angioplasty (PTCA) from January 1 to November 1 of the year prior to the measurement year, or who had a diagnosis of ischemic vascular disease (IVD) during or in the year prior to the measurement year, who had a LDL-C check during the measurement year.	NHLBI, 2004

Pharyngitis	Source
This measure identifies the percentage of children 2 and 18 years old, who were diagnosed with pharyngitis, prescribed an antibiotic, and received a test for group A streptococcus.	NCQA, HEDIS

Asthma	Source
This measure identifies the percentage of patients 5 to 56 years of age during the measurement year who were identified as having persistent asthma and who were appropriately prescribed medication during the measurement year	NCQA, HEDIS

Quality Metrics *continued*

Medications	Source
This measure identifies the percentage of adults who are taking digoxin on a regular basis and has received a serum creatinine and potassium check during the measurement year	NCQA, HEDIS
This measure identifies the percentage of adults who are taking diuretics on a persistent basis with a serum potassium or creatinine check during the measurement year	NCQA, HEDIS
This measure identifies the percentage of adults who are taking an anticonvulsant on a persistent basis with a drug level check during the measurement year	NCQA, HEDIS

Additional Measures	Source
This measure identifies adults age 18 to 64 years with a diagnosis of acute bronchitis who were not dispensed an antibiotic prescription on or within three days after the Index Episode Start Date.	NCQA, HEDIS

Efficiency Metrics – Hospital

Days/1000
Admits/1000
Length of Stay
Readmissions/1000 • Overall • Acute Coronary Syndrome • Congestive Heart Failure

Efficiency Metrics – Physician

ED visits/1000 or PMPY

- Diabetes
- Asthma

Drug

- Rx/1000
- Generic Utilization

Global Medical Care

- Office visits/1000
- Risk adjusted overall cost PMPM
- Risk adjusted overall cost/episode

Efficiency Metrics – Physician *continued*

Specialists • Office visits/1000 • Cost/episode • Cost PMPM
Imaging • Back MRIs/1000 • scans/1000 • scans/1000
Outpatient • Outpatient Surgery visits/1000 • SNF days/1000

Lessons Learned

- **Dialogue**: Initial step is beginning a dialogue with community physicians/ ACO partners.
- **Align incentives**: Quality improvement and cost reduction require careful discussions.
- **Resources**: Carefully assessing the current environment and taking inventory of available resources and identifying additional needs.
- **Transparency**: Participants commit to the open sharing of performance data across the organization.
- **IT Development**: Must involve the IT department early in the process to assure that it has the data and infrastructure needed to support integration.
- **Time**: Requires substantial time and ongoing internal and external support.
- **Flexibility**: Process of refining and improving ACO performance is ongoing. The ACO is a dynamic organization; stakeholders must be equipped to adapt and execute.

The Goal of ACOs is to Transform the Current Health Care Delivery System

Current System

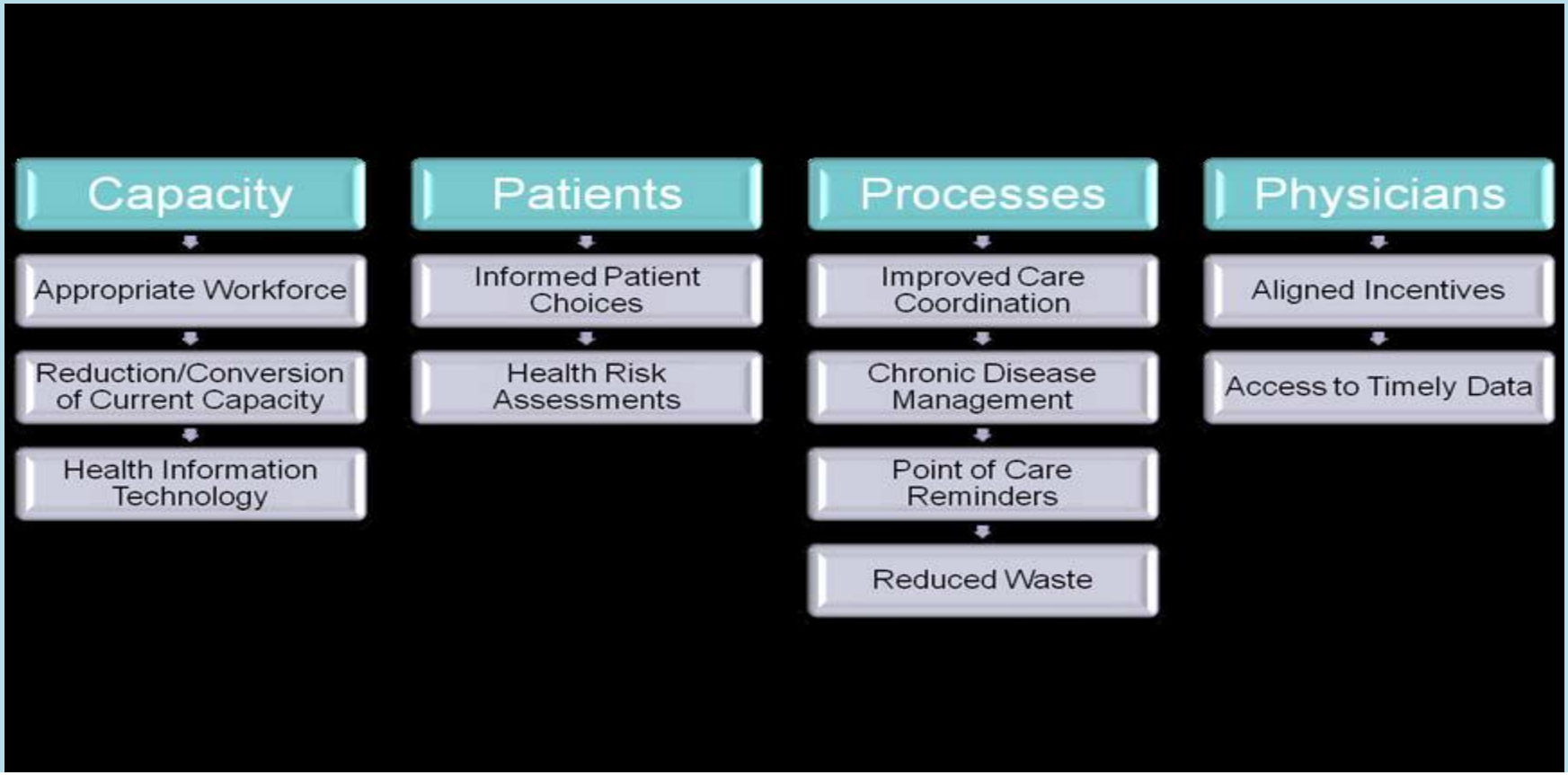
- Fragmentation
- Adversarial relationships
- Focus on "doing"
- One-to-one care
- Gatekeeper
- Perverse financial incentives
- Focus on volume/intensity

ACO System

- Integration
- Cooperation
- Focus on managing a population
- Team-based care
- System management
- Aligned incentives
- Focus on quality and efficiency

How Do ACOs Reduce Expenditures?

Through systematic efforts to improve quality and reduce costs across the organization:



Examples of Outcomes Required to Improve Quality and Reduce Costs

Payment Tactic	Incentives for Quality Care	Incentives for Affordable Care	Care Coordination	Account-ability per Capita	Risk to Providers	Administrative Complexity
Global Per Capita Payment	?	++	++	++	- -	+
ACO Shared Savings	?	+	++	++	-	-
Episodes – Chronic Dx	?	+/-	+	-	-	- -
Episodes – Procedures, Special Services	?	+/-	+	- -	-	-
Episodes – Hospital and Post-Acute	?	+/-	+	- -	-	-
Physician Capitation (PCP, SCP)	?	+/-	+	+	-	-
FFS (DRGs, RBRVS)	- -	- -	- -	- -	++	++

+ = favorable – = not favorable

Group Only ACO: Incremental Costs
Based on 15,000 Enrollees

	Medicare Member per FTE Ratio	Estimated Incremental FTEs	Cost per FTE	Total Incremental Cost
Incremental Staff				
Case Managers	3,000	5.0	$85,000	$425,000
Hospitalists, SNFists*	3,000	5.0	200,000	500,000
Quality, Attribution, Communication	10,000	2.0	75,000	150,000
Decision Support, Analysis	10,000	2.0	65,000	130,000
Medical Director	N/A	1.0	275,000	275,000
Project Manager	N/A	1.0	150,000	150,000
IT	N/A	2.0	85,000	170,000
HR and Other Overhead	per 15 FTEs	2.0	75,000	150,000
Total Incremental Staff		**20.0**		**$1,950,000**
Other Costs				
Start Up Consulting, Legal				$150,000
Recruiting and Training for Start Up staff	3 Months of Staffing Costs			487,500
On-going Space and Overhead Expense	per FTE		$2,000	40,000
Additional Cap Ex	per FTE		2,000	40,000

* Assumes hospitalists will generate FFS revenue equal to half of their salary/benefit costs.

Group Only ACO: Shared Savings, Track 1
Years 1 - 3

	Year 1	Year 2	Year 3
Enrollees	15,000	15,000	15,000
ACO Savings			
ACO Medical Cost Benchmark	$139,766	$141,862	$143,281
Cost Savings as a %	*8.5%*	*9.0%*	*9.5%*
Cost Savings Before MSR	$11,880	$12,768	$13,612
Cost Savings After MSR	**$9,085**	**$9,930**	**$13,612**
Quality Score	*100.0%*	*80.0%*	*85.0%*
Shared Savings Payment	**$9,085**	**$7,944**	**$11,570**
Distribution of Payment			
To CMS (50%)	$4,542	$3,972	$4,628
To Group (50%)	**$4,542**	**$3,972**	**$6,942**
As a percent of Benchmark	***3.3%***	***2.8%***	***4.8%***

Group Only ACO: Financial Performance, Track 1 (in 000's)
Start Up - Year 3

	Start Up	Year 1	Year 2	Year 3	Final Payment
ACO Shared Savings	$0	$4,542	$3,972	$6,942	
Incremental Costs					
Staffing	488	2,009	2,069	2,131	
Other Expenses	153	41	42	42	
Depreciation	1	12	20	28	
Total	642	2,061	2,130	2,201	
ACO Operating Margin	**($642)**	**$2,481**	**$1,842**	**$4,741**	
Cash Flow					
Add Depreciation	$1	$12	$20	$28	
Less Cap Ex	(40)	(40)	(40)	(40)	
Shared Savings Payment Lag	-	(4,542)	(3,972)	(6,942)	
CMS Payments	-	-	3,407	2,979	9,071
Total	**($681)**	**($2,089)**	**$1,256**	**$766**	**$9,071**
Cumulative		**($2,770)**	**($1,514)**	**($748)**	**$8,323**
ROI	**62%**				

Group Only ACO: Shared Savings, Track 2
Years 1 - 3

	Year 1	Year 2	Year 3
Enrollees	15,000	15,000	15,000
ACO Savings			
ACO Medical Cost Benchmark	$139,766	$141,862	$143,281
Cost Savings as a %	*8.5%*	*9.0%*	*9.5%*
Cost Savings	**$11,880**	**$12,768**	**$13,612**
Quality Score	*100.0%*	*80.0%*	*85.0%*
Shared Savings Payment	**$11,880**	**$10,214**	**$11,570**
Distribution of Payment			
To CMS (40%)	$4,752	$4,086	$4,628
To Group (60%)	**$7,128**	**$6,128**	**$6,942**
As a percent of Benchmark	***5.1%***	***4.3%***	***4.8%***

Group Only ACO: Financial Performance, Track 2 (in 000's)
Start Up to Year 3

	Start Up	Year 1	Year 2	Year 3	Final Payment
ACO Shared Savings	$0	$7,128	$6,128	$6,942	
Incremental Costs					
Staffing	488	2,009	2,069	2,131	
Other Expenses	153	41	42	42	
Depreciation	1	12	20	28	
Total	642	2,061	2,130	2,201	
ACO Operating Margin	**($642)**	**$5,067**	**$3,998**	**$4,741**	
Cash Flow					
Add Depreciation	$1	$12	$20	$28	
Less Cap Ex	(40)	(40)	(40)	(40)	
Shared Savings Payment Lag	-	(7,128)	(6,128)	(6,942)	
CMS Payments		-	5,346	4,596	10,256
Total	**($681)**	**($2,089)**	**$3,196**	**$2,383**	**$10,256**
Cumulative		**($2,770)**	**$425**	**$2,809**	**$13,065**
ROI	**101%**				

Group Only ACO: Shared Savings, Pioneer Model - Core Years 1 - 3

	Year 1	Year 2	Year 3
Enrollees	15,000	15,000	15,000
ACO Savings			
ACO Medical Cost Benchmark	$139,766	$141,862	$143,281
Cost Savings as a %	*8.5%*	*9.0%*	*9.5%*
Cost Savings	**$11,880**	**$12,768**	**$13,612**
Quality Score	*100.0%*	*80.0%*	*85.0%*
Shared Savings Payment	**$11,880**	**$10,214**	**$11,570**
Distribution of Payment			
To CMS (30-40%)	$4,752	$3,064	$3,471
To Group (60-70%)	**$7,128**	**$7,150**	**$8,099**
As a percent of Benchmark	***5.1%***	***5.0%***	***5.7%***

Group Only ACO: Financial Performance, Pioneer Model - Core (in 000's)
Start Up to Year 3

	Start Up	Year 1	Year 2	Year 3	Final Payment
ACO Shared Savings	$0	$7,128	$7,150	$8,099	
Incremental Costs					
Staffing	488	2,009	2,069	2,131	
Other Expenses	153	41	42	42	
Depreciation	-	12	20	28	
Total	641	2,061	2,130	2,201	
ACO Operating Margin	**($641)**	**$5,067**	**$5,019**	**$5,898**	
Cash Flow					
Add Depreciation	$0	$12	$20	$28	
Less Cap Ex	(40)	(40)	(40)	(40)	
Total	**($681)**	**$5,039**	**$4,999**	**$5,886**	
Cumulative		**$4,358**	**$9,357**	**$15,243**	**$15,243**
ROI	**740%**				

Implementation Steps

- What is the COST impact of delivering accountable care?
- What is the REVENUE impact of delivering accountable care?
- What is the COST impact of building an ACO?
- How do you manage the hospital and physician relationship through transition to an ACO?
- How do you manage two parallel entities through the transition?
- How will we measure success?

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Matthew Mazdyasni, EVP
HealthCare Partners
mmazdyasni@healthcarepartners.com