ACO Programs and State Agency Oversight Responsibility

Financial Solvency Standards Board

Jay J. Cohen, MD, MBA
Executive Chairman
Monarch HealthCare, a Medical Group, Inc.
May 19, 2011

Accountable Care Organization Oversight

California Model is Best Hope for Successful ACO Implementation

- Vision and values
- Ability to hit quality performance metrics AND reduce costs
  - Engaged physician leadership
  - Appropriate physician incentives
  - Robust investment in IT systems
  - Care coordination expertise
- Collaborative doctor, hospital, and payer relationships
- Strong financial performance and financial reserves
  - Ability to successfully bear risk and generate bonuses
  - Ability to comply with regulatory requirements
- Transparent with quality and cost data

New CMS Option – "Pioneer ACO"

- Designed for organizations already experienced in coordinating patient care who can "hit the ground running"
  - Estimated to begin Fall, 2011
- Transition from Shared Savings to Population-Based Payment after 2 years
  - Must show quality and cost savings achievement to stay in program
- Aligns incentives to promote outcomes-based contracts with private payers
- Improves quality and health outcomes
- Achieves costs savings

“Pioneer ACO” Elements

- 3 year agreement, can be extended 2 more years if program requirements are met
- Must have 15,000 aligned beneficiaries (5,000 for rural)
  - Prospective or retrospective alignment of beneficiaries
- Medicare beneficiaries remain free to select providers of choice (but may *not* opt-out of alignment)
- Additional requirement to have a patient *and* a consumer advocate included in governing body

“Pioneer ACO” Elements

- Quality metrics will mirror the Medicare Shared Savings Program (MSSP) final rules and support the “triple-aim”
- Must have *majority of ACO revenues* derived from “Outcomes-Based contracts” by December 2013
- Various payment models being tested
  - Shared Savings & Loss ranges with various “caps”
  - Population-Based payment
- Must demonstrate risk-bearing capability

Pioneer ACO Risk Bearing Capability

- “Applications must include either an attestation that the organization has been licensed by the state in which it is located as a risk-bearing entity, or that it is exempt from such licensure or other related licensure requirements.”

“Pioneer ACO” Payment Arrangements

- Minimum savings/loss rate is a flat 1%
- Quality score will impact shared savings and losses
  - Higher score = greater savings and lesser losses
- Several models of risk/reward offered, with various “caps” on downside risk
- Population-Based payment proposed at 50% of ACO’s projected fee-for-service (FFS) revenue
  - CMS to pay 50% of FFS rate based on claims submitted
- Accepting other payment ideas with applications
  - 2 models will be chosen for all “Pioneer ACOs” to select from

Questions and Discussion