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Healthcare Brand Management

“A Conversation About Accountable Care Business Models”

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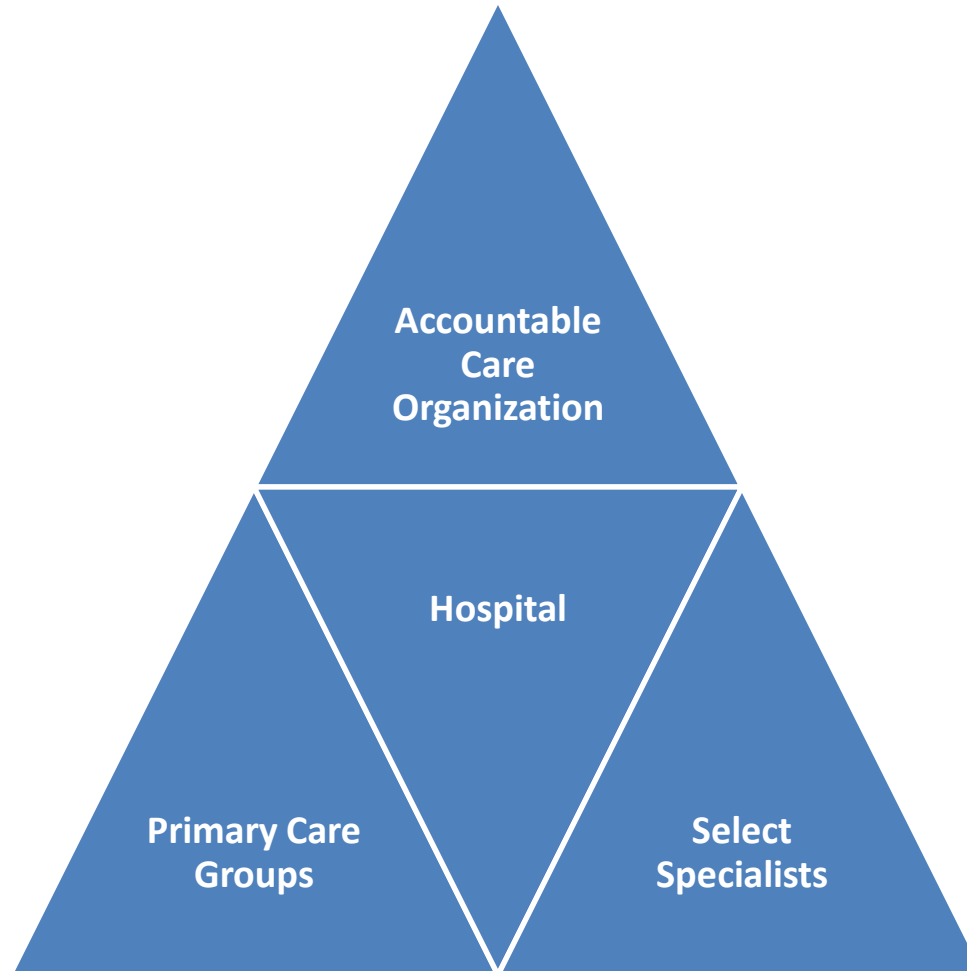
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Introduction

- Healthcare is a dynamically progressive industry, never satisfied with “leaving things the way they are” because patient care can always be improved, technology offers new options and there is a continued quest to serve patients better while lowering costs
- The traditional sense of an Accountable Care Organization (ACO) structure was envisioned as a hospital system-centered model supported by primary care and specialist groups
- Healthcare reform, unmet patient needs and commercial opportunity have cultivated the creation of traditional and new concept ACO models in the marketplace!

Traditional ACO Business Model

3 conventional healthcare delivery entities forming a homogenous ACO model...



New elements are impacting the ACO market chemistry

- Physician Ownership
- Managed Care Organizations
- Chain Drugstores
- Patient Specialty

ACOs are moving beyond the boundaries of the traditional model

- The ACO market is redefining itself based on:
 - advanced technology/cumulative data access
 - clinically and commercially driven physicians
 - managed care organization involvement
 - evolving patient/marketplace needs
 - financial demands
 - legal/legislative affirmation of healthcare reform

Physician-led ACO

- Optimus Healthcare Partners is located in Summit, New Jersey
- Their provider network includes 500+ primary and specialty doctors which presently serve an 11-county area
- Optimus is associated with the Brookings Dartmouth ACO Learning Collaborative for funding, administrative setup, IT development and other operational support
- They are participating in the Shared Savings Medicare program

Physician Practice Group Partnering With Managed Care

- Bon Secours Medical Group (BSMG) is in Richmond, Virginia, their ACO managed care partner is CIGNA, based in Bloomfield, Connecticut
- BSMG is affiliated with Bon Secours Virginia Health System
- Known as a collaborative care ACO, they seek to duplicate the Medicare ACO business model in a commercial arrangement
- The organization will care for about 8,000 CIGNA beneficiaries served by 90+ physicians in over 30 locations
- CIGNA will compensate the physicians for services plus a “pay for Performance” is in place for meeting quality care and cost reduction goals

Physician ACO Engagement

- Healthcare reform legislation mandated no new physician-owned hospitals could be built and expansions to existing ones had to be completed by December, 2010
 - The provisions do not prohibit physicians from owning/operating an ACO
- Physician groups owning an ACO will have more direct clinical/financial influence in managing treatment and reimbursement guidelines
- The strong physician interest in ACO ownership/operation was unforeseen by the industry

Hospital System Partnering With Managed Care

- AdvocateCare is a combination of Advocate Healthcare, based in Oak Brook, Illinois and managed care partner BlueCross BlueShield of Illinois
- Advocate Healthcare is the largest Illinois healthcare system with 10 hospitals, 6,000 affiliated physicians and 250+ sites of care
- Health Care Services Corporation (HCSC) owns BCBS of Illinois, BCBS of Texas, BCBS of Oklahoma and BCBS of New Mexico
- AdvocateCare will limit annual price increases in exchange for part of the shared savings
- The AdvocateCare ACO membership consists of 375,000 members and is reportedly the largest commercial ACO in existence

Hospital System, Physician Group, Managed Care Partnership

- Dignity Healthcare of San Francisco, is in partnership with Hill Physicians of San Ramon and California BlueShield headquartered in San Francisco
- Dignity Healthcare is the fifth largest hospital provider in the nation and the largest hospital system in California
- Hills Physicians is a network of 3,500+ independent physicians
- Care is focused on 40,000+ beneficiaries of the California Public Employees Retirement System (CALPERS) located in the Sacramento area

Managed Care ACO Engagement

- A managed care partner can provide a variety of resources to an ACO including:
 - Advanced IT planning, claims data management, information sharing
 - Care/cost treatment performance algorithms, actuarial support
 - Enhanced consumer and professional relations/communications
 - Funding
- A managed care partner can benefit from being an ACO partner
 - Active stakeholder in risk management decisions
 - Direct access to care/cost data
 - Have a shared organizational interface with providers

Chain Drugstore ACO

- Known as “Walgreens Well Network”, Walgreen Co. has formed ACO partnerships in 3 states:
 - Advocare Physician Group, Marlton, New Jersey
 - Advocare has 350+ physicians, 110 locations in New Jersey and Southeastern Pennsylvania serving 500,000+ patients
 - Diagnostic Clinic— Largo, Florida
 - Diagnostic Clinic has 100+ providers at 3 multi-specialty practice locations in the Tampa area serving 90,000 patients
 - Scott & White Healthcare – Temple, Texas.
 - Scott & White is a non-profit collaborative health system which owns, partners or manages 12 hospital sites and 65+ clinic locations
- This ACO model focuses on managing chronic disease patients

Chain Drugstore ACO Engagement

- Patients can easily speak directly with a pharmacist, especially at 24-hour locations
- Additional access to care provided by in-store Take Care clinics (there are over 350) staffed by nurse practitioners
- Extensive prescription adherence monitoring capabilities
- Claims data management and information sharing capabilities
- Initial 3 ACOs may serve as a template for other markets

Patient Specialty ACO: Geriatrics

- West Florida ACO, located north of Clearwater/Tampa , Florida
- One of the first ACOs to operate through the Shared Savings reimbursement arrangement
- Primary focus is on the care of geriatric patients, a high care and cost market segment
- Their goal is to serve approximately 10,000 Medicare beneficiaries
- Medicare funding changes will continually have a direct impact across their clinical/financial arrangements

Patient Specialty ACO: Oncology

- Florida Blue (a BlueCross BlueShield plan) and Moffitt Cancer Center located in Tampa, Florida have formed an oncology-focused ACO
- Over 330 Florida oncologists are in their provider network
- Moffitt Cancer Center is one of only 41 National Cancer Institute-designated Comprehensive Cancer Centers
- Florida Blue has formed another oncology ACO with Baptist Health South Florida and an oncology group

Patient Specialty Engagement

- Physician and nurse staff specialization is better defined
- Patient care/treatment management is highly focused
- Development/improvement of treatment protocols is streamlined
- Analysis of clinical and claims data is more concise, positive or negative trends are more quickly identified

Key Challenges

- ACOs add another market segment to an already complex and well-diversified care and cost conscious industry
- Can an ACO collectively leverage itself in contracts with GPOs, device/pharmaceutical manufacturers, wholesalers/distributors and other vendors?
- Some believe MCO involvement in ACOs is a conflict of interest and potentially may be more cost than quality conscious
- Administrative, clinical, financial and IT resource coordination is expensive/intricate to manage, can ACOs deliver positive outcomes over the long term?

Summary

- With the advent of ACOs, there is potential for physicians to take back some ground they lost to commercial and government payers
- Managed care/commercial insurers bring critical administrative, clinical, financial and technical resources to ACOs, in return they position themselves more closely within point of care organizations
- Walgreens participation is a prime example of ACO business model adaptability which may attract other organizations to form ACOs
- Patient specialization intensifies the care/cost focus of ACOs which could lead to better outcomes with more economical results
- As the ACO concept continues to rapidly evolve, there will be more care options for patients to choose from and new opportunities for insurers, healthcare product manufacturers and other entities to engage the marketplace
- ACOs present challenges and complexity to care/cost/clinical evaluation standards, regulatory agencies, payers/risk management, legal interests and consumer protection

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