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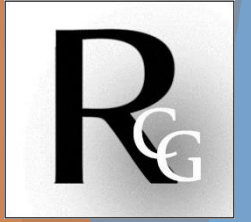
ACO Commercial Payer Contracting

Midwest Accountable Care Expo 2015
St. Louis, MO

Presented By:

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Managing Director

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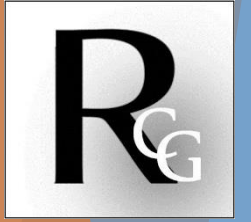


EXAMPLE CLIENT:



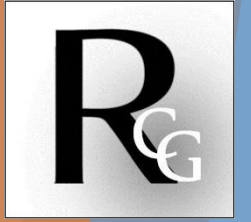
ACO Medical Group
= *ACOMG* =

Summary of Multi-payer Contracting Process



RCG's 10 Steps of Multi-payer Contract Development

1. Determination of ACOMG member payer portfolio
2. Introduction of ACOMG to top payer candidates
3. Development & Presentation of ACOMG Accountable Care Contracting Package
4. ACOMG physician member roster: ID information provided
5. Alignment of payer participants: ACOMG panel defined
6. Completion of Election to Participate: member physicians (if applicable)
7. Legal review, verification, and ACO contract language changes: ACOMG & Payer
8. Care Coordination program description
9. **Shared Savings Action Plan & ROI Estimate**
10. ACOMG-Payer Contract Delivery



Potential Shared Savings (SS) Example:

=*ACO Medical Group (ACOMG)* =

Example Shared Savings (SS) Formula:

- ▶ The difference between ACOMG's total cost and what ACOMG's total cost would have been had ACOMG's total cost been **equal** to the comparative total cost rate **divided** by the number of months aligned participants were active during the first year **minus** any PMPM amounts paid during the first year:

Year 2:

$$\text{SS Amt} = \left(\frac{\text{ACOMG's TC} - \text{Compare TC}}{12} \right) - \text{PMPM fees paid during the first year}$$

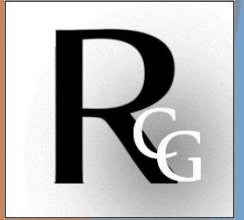
ACOMG Payment SS Example (5000 Lives)



Assumptions:

- ▶ PMPM Fees (Care Coordination): $(5000 \text{ lives} \times \$2.00) \times 12 = \$120,000$
- ▶ ACOMG Total Medical Cost (TMC): $(5000 \text{ lives} \times \$325 \text{ est.}) \times 12 = \$19,500,000 \text{ est.}$
- ▶ Base-line Trend Rate: 7%
- ▶ ACOMG Trend Rate: 2%
- ▶ ACOMG Performance Index: 50% adjustment
- ▶ ACOMG Quality Index: 1.0

Annual Payments: ACOMG SS Example



Calculation:

▶ TMC/ACOMG Trend Rate: ($\$19,500,000 / 1.02$)=	\$19,117,647
▶ TMC (Baseline) Trend Rate: ($1.07 \times \$19,117,647$)=	\$20,455,882
▶ <i>Less:</i> ACOMG TMC=	<u>$(\\$19,500,000)$</u>
▶ Total Gain Share =	\$955,882
▶ <i>Less:</i> Performance Adjustment (50%) =	<u>$(\\$477,941)$</u>
▶ Shared Savings (SS) Amount =	\$477,941
▶ <i>Less:</i> Quality Index Adjustment (0%) =	\$0
▶ Net Shared Savings due ACOMG=	<u><u>\$477,941</u></u>
▶ Care Coordination Fee (CCF): ($\$2.00 \times 5000 \text{ lives} \times 12$)=	\$120,000

Year 1: \$120,000 (PMPM: \$2.00)

Year 2: ($\$477,941 - \$120,000 / 2$) = \$417,941 (PMPM: \$6.97)

Year 3: \$477,941 (PMPM: \$7.97)

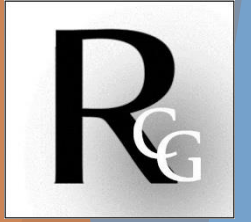
5 Steps of ACO Payer Contracting



Process & Estimated Timeframes					
	Attribution	Assessment	Benchmarking	Negotiation	Implementation
Usual est. Timeframe (days)	30 - 60	30 - 60	30 - 60	30 - 60	30 - 90
RCG est. Timeframe (days)	30	30	30	30	30

1. **Attribution-** Alignment modeling based on claims histories to produce panel size
2. **Assessment-** ACO history, organizational structure, provider membership, market position
3. **Benchmarking-** Cost & quality performance, care management program, utilization trends
4. **Negotiation-** Contract terms, legal review, risk features, shared-savings formula
5. **Implementation-** Loading customized contracts into system and implementation meetings

Conclusion



- ▶ Why use Reliance?
- ▶ Why act Now?



Q & A

For More information, please contact John Schmitt directly at:

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or visit Reliance Consulting Group at:

www.RelianceCG.com

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