AltaVentiV ACO

physician leadership ▶ superior quality & cost outcomes

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ABCs of Accountable Care Organizations (ACOs)

- Medicare ACO regulation finalized by CMS (Centers for Medicare & Medicaid Services) in October 2011.
- Based on pilot programs (with mixed results).
  - Provider group payment models
  - Pioneer ACOs
- First round will commence on April 1, 2012.
  - Second round for 2012 will start July 1, 2012
  - After that, providers will have to wait till 2013

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ABCs of ACOs (contd)

- ACOs have to be led by participants (75% of the governance), which includes physicians and hospitals.
  - Physicians can only be part of one Medicare ACO.
  - Most initial ACO models appear to be led by hospitals or coordinated by contracting groups.
  - CMS wants to encourage physician-led ACOs
  - Insurance companies and SNFs (Skilled Nursing Facilities) cannot form ACOs but can join them as partners or service providers.

ABCs of ACOs (contd)

- Basic premise is “shared-savings”.
  - 50/50 split with CMS
- Initial three-year phase will be shared-savings only (not “risk-sharing”).
  - i.e., if costs are not decreased, or they increase, the physicians or ACO are not liable
- Minimum 5000 Medicare Beneficiaries needed to form an ACO.
  - calculated to ensure efficiency, effectiveness, and risk pooling

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Sample Cost Savings Scenario

- Average cost per beneficiary = $10,000/ year
- Assuming 5000 beneficiaries (from 40 physicians), total cost = $50M/ year
- Assuming a 10% cost reduction through ACO initiatives, total cost reduction = $5M/ year
- 50% of cost savings split with CMS = $2.5M/ year
- Expenses of running ACO & ACO interventions estimated to be $1M/ year
- Approximately $1.5M/ year to be shared with physicians = $37.5K per physician/ year

Potential Interventions

- Primary costs for CMS are from hospitalizations, emergency room visits, rehospitalizations, SNF length-of-stay.

- Targeted Interventions:
  - Care Management of High-Risk Patients
  - Nurse Practitioner Rounding at SNFs
  - Coordination with Hospitalists
  - Coordination with Case Management

Pros of Physician-Led ACOs

- Primary cost savings at expense of hospitals, as such, they will not be as motivated to reduce hospitalizations as physicians will be.
- Physicians better able to control costs if the systems are set up and incentives aligned.
- Can better pursue strategic partnerships with other healthcare providers, such as SNFs, home care agencies.
- CMS willing to provide "operational funding" to a few initial physician-led ACOs ("advance payment option").

CMS "Advance Payment" Option

- CMS is offering an "Advance Payment" option only to small, physician led ACOs that get started in 2012.
  - The time for independent, entrepreneurial-minded physicians to get involved with the ACO model is now!
  - If you elect to participate in 2013 or beyond, the likely choices will only be hospital-led ACOs

AltaVentiV ACO, LLC

- AltaVentiV ACO, LLC incorporated in December 2011 for the express purposes of overseeing ACO services for affiliated physicians.
  - Physician Led: 75% of the Governing Body will be Participating Physicians.
  - Physician Owned: Each Participating Physician will own one share of the company (out of an initial pool 100 shares) which confers voting rights and equity.
  - Currently 16 physicians with > 2000 Medicare Beneficiaries. Targeting total of 40 physicians for Year One.
  - Corporate entity will manage many of the interventions, coordination with Medicare, oversight of overall operations.

AltaVentiV ACO - Regional Structure

* Regional sub-groups ("Pods") will oversee local collaborations & interventions, and distribution of respective shared savings.
  * For example, if the Regional Pod has 3000 Medicare Beneficiaries out of a total of 5000 Beneciaries within the ACO, then 60% of the Shared Savings (minus administrative expenses) will be distributed to the Regional Pod.
  * The Regional Pod can determine how best to distribute the Shared Savings to their respective Participating Physicians.

* Pods will be overseen by Regional Directors, who will help in continuing to recruit physicians, develop collaborations with local healthcare organizations, interact with Pod physicians.

AltaVentiV ACO - Vision

* AltaVentiV seeks to develop a physician-led ACO model for independent, entrepreneurial minded physicians who seek an alternative from a hospital-led approach.

* We believe that physician-led ACOs will be able to outperform hospital-led groups because of the lack of conflict in reducing hospital-related costs, reduced bureaucracy, and increased financial incentive.

* AltaVentiV will provide ACO functions and services throughout the nation.

* AltaVentiV will develop infrastructure, tools, and services that it can resell to other ACOs.

AltaVentiV ACO - Value Proposition

- Physician ownership provides significant motivation to change outcomes.
- Physician leadership results in well-designed interventions.
- Physicians can diversify interests by participating in Medicare shared savings.
- Excellent opportunity to "experiment with cost saving concepts" with infrastructure support from Medicare.

AltaVentiV ACO - Governance Structure

CHAIRMAN OF THE BOARD
JOHN DALTON, MD

GOVERNING BODY
* 75% PARTICIPATING PHYSICIANS
* REPRESENTATIVES FROM ALL REGIONS

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Next Steps

- Sign Letter of Intent (LoI) with AltaVentiV ACO, LLC before application deadline of March 30, 2012.
  - Physicians can leave the ACO at any point if they decide that the ACO does not meet their needs.