

MEMO FROM:

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RE: Accountable Care Organization Formation and "Physician's ACO"

Dear IPA Member,

On May 17, 2011, at a meeting of the boards of the IPAs, the group voted unanimously to form an Accountable Care Organization (ACO) and instructed the management and our Attorney, Barry Brown, to go forward with the application and certification process as rapidly as possible. The ACO type of organization was considered to be in alignment with the goals of the IPAs and well within their existing capabilities as teams. Funding was authorized from the surpluses of the IPAs and management was instructed to begin by paying the retainer for the attorney fees. Each IPA is to select two members to serve on the board of the ACO and the ACO is to be a non-profit pass through organization for each IPA while retaining only the expenses of its own administration so the bonuses to providers of care can be fairly distributed to the participants. It was suggested that the entity be called "Physician's ACO" and the model for integrated care be developed as soon as possible. PCP and Specialist teams at each hospital are to be identified and formal participation commitments sought from each team member.

It was generally agreed that the Hospital owned ACOs would be aimed at protecting the income of the hospitals, since the majority of savings that would be the basis of any Medicare bonuses would come from less use of the hospital ERs, diagnostic testing, and beds. While the hospitals are carefully evaluating the abilities of the physicians to work as a team and within an integrated system, they are also acquiring specialty and primary care practices so as to assure themselves of a stable base of providers who cannot choose another ACO. Thus the race has begun. We want to win because what is at stake for our member physicians is the bonus income that is at risk unless it flows first to the physician group that is caring for the patients. When we have done this kind of care coordination over the last sixteen years for the Medicare HMOs it has resulted in bonuses because of good primary care and control of hospitalizations by our specialists. We have also been at risk and paid on the basis of capitation which are two important features looked for in the ACO certification process. Only 30 ACOs will be approved for 2012. It is our goal to be one of them. We could be assigned a minimum of 15,000 patients and based on our past experience that could result in \$1,500,000 in performance bonuses and professional fees of \$30,000,000. That is about a five percent increase over the current Medicare reimbursement. We have done better than that in the past with the HMOs but in that setting there is more care management than with the open access system of Medicare as proposed in the ACO program. The cost of to us to get this certification is likely to be as much as \$300,000 but the hospital and start-up ACOs will probably have to spent between \$1.5 and \$2 million dollars. The pundits think that kind of start up cost will wipe out their bonuses. We would have been in the same position had we not already been an operating IPA serving a Medicare population for the HMOs for many years.

The ACO adds a new twist to what we have been doing. Each physician in each team will have to have Electronic Health Records and a system the meets meaning use and is certified. Fortunately we have

spent the last three years helping the OpenEMR project improve their programs and get federal certification. They passed the tests last month. Now, all of our physicians can have access to an ONC Meaningful Use certified EHR that will allow them to meet the requirements for the ACO and for the up to \$40,000+ in rebates from Uncle Sam.

We have to submit our application on or before July 8, 2011. If you are to be on one of the teams we need you to complete and return the attached ACO participation election form. This information is key part of our application.

Thank you for your cooperation. Carpe diem, quam minimum credula postero. (Pluck the day, trusting as little as possible in the future.)

Sincerely,

Don

ACO Participation Election Form (6/27/11)

Type your answers and return by email or check the appropriate boxes and return by fax. Do not leave any questions unchecked if possible.

FAX: 866-234-8707 or supportstaff@mrsb-ltd.com

Y **N**

- A. Do you elect to become a participating member of a patient care team?
- B. Do you elect to become a participating provider in the Physician's ACO?
- C. Are you willing to institute the care coordination program, including following the precepts agreed to by the physician teams members in the Physician's ACO?
- D. Are you currently using an Electronic Medical Records system that meets the requirements for meaningful use and is certified by the government? (Indicate the name of the EMR system if you are using one)
- E. If not, are you willing to implement such an EMR system (note: this is currently available to physician's practices as free/Open Source software)?
- F. Are you willing to participate in an integrated care model, where the primary care physicians act with specialty teams and with selected facilities for a predefined population?
- # _____ G. How many Medicare/Medicaid patients do you currently see in your practice? (Pls. put the total number; NOT the percentage or frequency)
- H. Are you willing to accept prepayment that is based on your fee-for-service experience for your services?
- I. Are you willing to participate in a bonus system based on outcomes achieved by your team? (Outcomes are related to care coordination and to the effectiveness of each team, rather than the outcomes achieved by individual providers.)
- J. Are you willing to work within a Hospitalist system and with a critical care specialist team for ICU/CCU?
- K. Are you willing to take an integrative approach (for example, including medical approaches that are homeopathic in addition allopathic) to patient health care?
- L. Are you willing to cooperate with the use of hospitals who are contracted with the Physician's ACO? There will be a limited number of hospitals available to the Physician's ACO.

Physician Name (please print)

Physician Signature

Date