



LINKED
IPAs

Performance Bonuses: Basis and Distribution

Performance Bonuses are paid by Insurers through contracts with Linked IPAs negotiated by SPA Advisors, the IPA's management company.

When physicians help patients:

1. to maintain their good health,
2. to recover well from sicknesses and injuries, and
3. they provide solid documentation in the health records of the patients,

a surplus is usually created in the *Health Services Fund* of the Insurers.

In past experiences with performance programs almost all of the physicians received substantial bonuses. Larger bonus shares were given to physicians who met the protocols for prevention, treatment, and reporting as set forth by their peer group for patient care. Those who received a reduced bonus understood from their peers exactly why they had received less.

The Health Services Fund is normally between 80% and 85% of the total premiums collected by Insurers. To encourage the physicians to continue this positive activity in patient care and treatment, the Insurers in the Linked IPAs agreements share their surpluses equally with the physicians' quality assurance organization and the Linked-IPAs.

About 10% of these bonuses go to Linked IPAs and its administration. Ninety percent (90%) is distributed to the individual physicians and their quality assurance and peer review committee members. The share of each physician is based on:

1. the number of patients the physician is treating and advising,
2. the health care goals achieved, and
3. the medical reporting done as required by the physician's quality assurance committees.

(These are not the insurer's committees, but the representatives of the local physician teams, who are also providers of care for the same patients.)

The end result has been that physician compensations were increased by 30 to 55 percent. Also, the adversarial relationship between the Insurers and the Physicians, which often happens over billing and treatments, has been stopped. Performance by the physicians and the advocacy of Linked-IPAs has assured these kinds of results.

Description of Benefits

Physicians Groups who affiliate with Linked-IPAs, which is managed by SPA Advisors, enjoy the following benefits:

- * 100% fee-for-service reimbursement on all Medicare Advantage Plans under contract with Linked-IPAs.
- * Performance Bonuses from Medicare Advantage Plans that have historically increased reimbursements from 30% to 55%.
- * Patient referrals from participating physicians in Linked-IPAs

Personally assigned Provider-Patient Relations Representative (PPR) to help explain Medicare and the Medicare Advantage Plans to your patients, your staff, and to act as your advocate in getting billing and prompt payments issues settled with the insurers.

- * New patients from enrollments through PPR services through SPA Advisors for both Medicare Advantage and Commercially insured patients.
- * No dues or fees for Credentialing for Linked-IPAs contracted insurers and no partial withholds of medical fees from health plans or IPAs.
- * Patient home visits by a Nurse or Nurse Practitioner for initial assessments paid for by the insurers and delivered directly to the Primary Care Physician.
- * Free Electronic Medical Records software, fully encrypted, in compliance with all HIPAA requirements.
- * Full-spectrum staff of experts for your medical insurance needs as well as those of your patients, including Medicare Advantage and Commercial Group.
- * Passive income potential equaling \$25K-\$50K from using one of our partner companies (Frontera), who performs cardiac and pulmonary testing (stress, echo, PFT, Carotid, IMT, etc.)
- * Medical transcription services.
- * Financing for facility construction and for operating capital.

Physician Medical Teams (PMT) For Defined Patient Populations

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Each team has between 10 and 30 PCPs and 15 key specialty groups

In the Linked-IPAs' agreement, the PMT usually cares for about 4,000 seniors and 8,000 commercial patients when the program is mature. Maturity takes about three years.

PCPs are General Practice, Family Practice, Internal Medicine, and Pediatrics

Key Specialty Groups include:

Cardiology, Gastroenterology, Home Health, Hospitalist, Neurology, Oncology, Podiatry, Pulmonology, Radiology, Surgery-Cardiovascular, Surgery-General, Surgery-Orthopedic, Surgery-Plastic, Urology

*In our experience the performance bonuses paid to a PCP who had 200 Medicare Advantage Patients were as follows:

	Low-end for one year	High-end for one year
Bonuses	\$24,000	\$43,200
Fees at 100%	\$80,000	\$80,000
Total	\$104,000	\$123,200
Percentage Greater than MC	130%	155%

Specialists on the team also participate in the performance bonuses equally with the PCPs and the returns for each of them is in the same range as shown in the example above - 130% to 155%.

Each PMT is directed by a group of ten physicians, five PCPs and five specialists, who serve on the Quality Assurance and Peer Review Committees.

**The past financial experience is not a guarantee of future performance.*

Example Offering Memorandum for an IPA

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CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM
ONLY FOR ACTIVE LICENSED
MEDICAL PRACTITIONERS
INTENDING TO ACCEPT PATIENTS UNDER
MEDICARE ADVANTAGE, MEDICAID, and COMMERCIAL CONTRACTS

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_____, PLLC, A Physicians' Independent Practice Association
organized under the laws of the United States and the State of _____

_____ MEMBERS INTERESTS (SHARES)

Solicitation of offers for placement of interests as members

in units of _____ shares at \$ _____ per share

Minimum Purchase _____ unit

TOTAL BEING RAISED \$250,000
REPRODUCTION OR REDISTRIBUTION IS PROHIBITED
THE INFORMATION CONTAINED IN THIS MEMORANDUM IS PRIVATE,
PROPRIETARY AND CONFIDENTIAL
THE DATE OF THIS MEMORANDUM IS _____

_____ PLLC ("_____") an IPA for Licensed Medical Providers accepting Medicare Advantage, Medicaid, Commercial and similar program patients from the _____ areas of _____

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A Major premise in developing _____ is that the IPA that has primary care physicians, care-management specialists, hospitalists, and practice specialists will agree to accept gross capitation and sub-capitation in risk contracts for a covered population. The IPA will also assure that patients receive quality care and, consistent with best medical practices and legal requirements, are promptly referred to necessary specialists. _____ intends that its membership shall include those medical and treatment specialists most likely to be required by patients whose care is to be furnished under managed care or other contracts in which the Company participates. It is the intention that the members will fill many, if not most, of the traditionally required specialties and will be able to provide for referrals within the IPA and minimize the necessity for referrals outside membership except as may be medically necessary for patient care or for which acceptable fee for service contracts on acceptable terms have been reached. Members, except when such is not medically sound, or when legal requirements differ, shall be encouraged to refer patients requiring specialty care to the member or members of the IPA who provide such specialty care.

To this end, _____ will be seeking group practices as members that fit a mix, generally speaking of thirty-four specialists representing coverage in the following specialties: (1) Allergy, (2) Cardiology, (3) Cardiovascular-Surgery, (4) Dermatology, (5) Diagnostic Radiology and Imaging, (6) Gastroenterology, (7) General Surgery, (8) Neurology, (9) Obstetric and Gynecology, (10) Ophthalmology, (11) Orthopedic Surgery, (12) Otolaryngology, (13) Physical Therapy, (14) Plastic Surgery, (15) Podiatry, (16) Pulmonology, (17) Urology. Within each practice specialty member _____ will be looking for at least two physicians in each of the specialty practices or acceptable coverage arrangements. In addition _____ will be seeking to participate contractually in a broader affiliated network. Specialties serving this group through such contracts are expected to include: Anesthesiology (Pain Management), Colon & Rectal Surgery, Infectious Disease, Emergency Medicine, Endocrinology, Home Health Care, Pathology, Pediatrics, Pediatric Surgery, Psychiatry, Nephrology, Neuro-Surgery, Oncology, Oral Surgery, Radiation Oncology, and Rheumatology.

Another premise of organizing _____ is that it, like other IPAs that have been formed to negotiate capitation risk sharing arrangements, would be able to enroll some of your existing fee-for-service patients to plans having contracts with HMOs and Insurers that provide for risk sharing and physician incentive programs and can reallocate compensation among its members. Experience at other IPAs using the systems and processes that _____ proposes to employ complying with Federal regulations limiting physician incentive programs has been that the members have experienced enhanced revenues from existing patients bases when contrasted to what the member would have received from that patient base on a fee-for- service only basis.

AS PART OF ITS METHOD OF OPERATION, _____ AND ITS MEMBERS AS CONTRACTING PROVIDERS WILL DIRECT THAT PAYMENTS FOR SERVICES PROVIDED BY _____ CONTRACTING

PROVIDERS WILL BE MADE IN THE NAME OF THE PARTICIPATING PROVIDERS AND RECEIVED DIRECTLY INTO A LOCK BOX ACCOUNT OWNED BY AND ADMINISTERED FOR _____ AND PAID TO MEMBERS AS CAPITATION, FEE FOR SERVICE, BONUS OR PROFITS.

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In marketing members' practices to unassigned or enrolled patients and in obtaining enrollment, _____ intends to call upon third parties, to assist.

_____ intends to use the marketing services of _____ General Agencies to seek additional patient enrollments and assignments to members' practices. It has been the experience of other IPAs, which _____ hopes to emulate, that payers have added unassigned members to primary care practices that have been active in such programs. But as in all things, past experience is not an assurance of future performance.

Ultimately, the marketplace sets the price for medical services. No system can long survive if capitation and sub-capitation rates or fee-for-service demands equal or exceed the gross professional capitation available or are unfairly applied. Nor can such a system long survive if compensation and utilization of any particular practice or specialty is not generally in balance with expectations on a fee for service model. In small patient populations imbalances will occur and flexibility is necessary. _____ manager will review allocation of capitation, sub-capitation and bonus on a semi-annual basis and make adjustments. Members will not be bound to remain if the member practice is under-compensated. But on resignation such a member will be obligated to surrender its members' interest at the then book value of the company.

Providers joining into _____ will be credentialed by _____ and the entities with whom it contracts on its members' behalf. Every member must prove that its physicians and other providers of health care have all of the proper credentials, insurance and adequate facilities for their types of practices. Credentials and insurance must be current, and must be verified on a current basis to meet credential's standards of the payers with whom _____ contracts. While partners and practice associates have, in most cases, met these requirements with other medical groups, they must be met for this group independently. The process can be time consuming. Other groups have taken as long as 120 days to complete the process. Credentials must be updated annually. Credentialing materials are a part of this package. It is vital that all prospective members of the group have confidence in the providers who will be serving their patients. Normal referral patterns may lead you to recommend that specialists and providers you prefer consider joining with _____.

However _____ reserves the right to determine who it will admit as a member. _____ DOES NOT REQUIRE THAT ITS MEMBERS OR PROVIDERS CONTRACTING WITH IT REFRAIN FROM PARTICIPATING IN OTHER PROGRAMS OR THAT YOU CLOSE YOUR PANELS. Every practice in the group will be required to have a reasonably efficient system to record patient encounters and either to print them on claim forms or transmit them electronically to insurers. In addition each practice must commit to use the systems and to aid in adding eligibility data to the system. _____ does not sell or license such systems but will provide information on acceptable systems if requested.