

**EXAMPLE:**



*Medical Group ACO*  
*= MGACO =*

# **Accountable Care Organization (ACO)**

## **Multi-payer Contracting Services**

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# Summary of Multi-payer Contracting Process



## RCG's 10 Steps of Multi-payer Contract Development

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

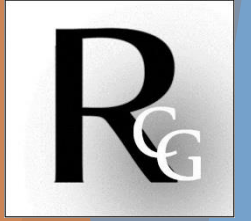
# Example of ACO Contract Requirements



## Provider Contract Obligations

- ▶ Provide Membership roster/panel: Monthly updates
- ▶ Implement PCMH Certification pathway for all practices: e.g. 18 months
- ▶ Report on compliance action plan & updates:
  - ▶ e.g. Operation Calls
  - ▶ e.g. Quarterly Meetings with CMO
- ▶ Hold learning conference calls: physician attendance required
- ▶ Implement & report care management interventions
- ▶ Track provider-specific performance: determine shared savings distribution allocations
- ▶ Maintain general & professional liability coverage

# Summary of Requirements (continued)



## Provider Contract Obligations

- ▶ Review patient-level actionable reports: Document actions required/taken
- ▶ Participate in research studies to improve quality
- ▶ Implement & maintain participant/patient communication plan
- ▶ Implement & enhance EHR to achieve Meaningful Use (MU)
- ▶ Obtain participant consents for information sharing
- ▶ Keep confidential all patient-level performance reports
- ▶ Track quality and cost trend rates: Reconcile with payer to determine shared savings



# Potential Shared Savings (SS) Example:

= *Medical Group ACO (MGACO)* =

Example Shared Savings (SS) Formula:

- ▶ The difference between MGACO's total cost and what MGACO's total cost would have been had MGACO'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:

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

# MGACO Payment SS Example (5000 Lives)



## Assumptions:

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

# Annual Payments: MGACO SS Example



Calculation:

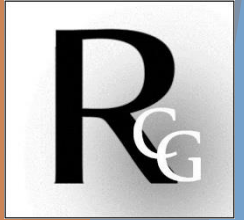
▶ TMC/MGACO Trend Rate: ( $\$19,500,000 / 1.02$ )=	\$19,117,647
▶ TMC (Baseline) Trend Rate: ( $1.07 \times \$19,117,647$ )=	\$20,455,882
▶ <i>Less:</i> MGACO TMC=	<u><math>(\\$19,500,000)</math></u>
▶ Total Gain Share =	\$955,882
▶ <i>Less:</i> Performance Adjustment (50%) =	<u><math>(\\$477,941)</math></u>
▶ Shared Savings (SS) Amount =	\$477,941
▶ <i>Less:</i> Quality Index Adjustment (0%) =	\$0
▶ Net Shared Savings due MGACO=	<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: ( $\$477,941 - \$120K/2$ ) = \$417,941 (PMPM: \$6.97)**

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

# MGACO Example: Cost & ROI (based on actual RCG Clients)



Calculation:

Monthly Retainers for multi-payer contracting: \$7000 per month (top 4 payers)

Monthly Retainer: Contract acquisitions & negotiation (\$7000 × \*5 months)      \$35,000

▶ Annual Fee: Contract implementation & fulfillment (\$1 PMPM):

▶ Total Annual Fee: Payer 1 (5000 lives) Payer 2 (7500 lives): \$12.5K × 12      \$150,000

▶ *Total Cost: 2 Payers over 18 months*      \$185,000

▶ Shared Savings (SS): Return from commercial contracts:

▶ Payer 1 (5000 lives)      \$491,651

▶ Payer 2 (7500 lives)      \$737,477

▶ *Total SS Return =*      \$1,229,128

**ROI Year 2:  $\$1,229,128 / \$185,000 = 6.64$**

**ROI Year 3:  $\$1,229,128 \times 2 = \$2,458,256 / (\$185K + \$150K) = 7.34$**

**ROI Year 4:  $(\$1,229,128 \times 3) = \$3,687,384 / \$185K + (\$150K \times 2) = 7.60$**

\* This figure is an estimate only. The retainer period typically lasts between 4-7 months.



# 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



# Q & A

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