

Preconference IV: Analysis of the Proposed ACO Regulations

Keith Wilson, M.D., F.A.C.O.G.

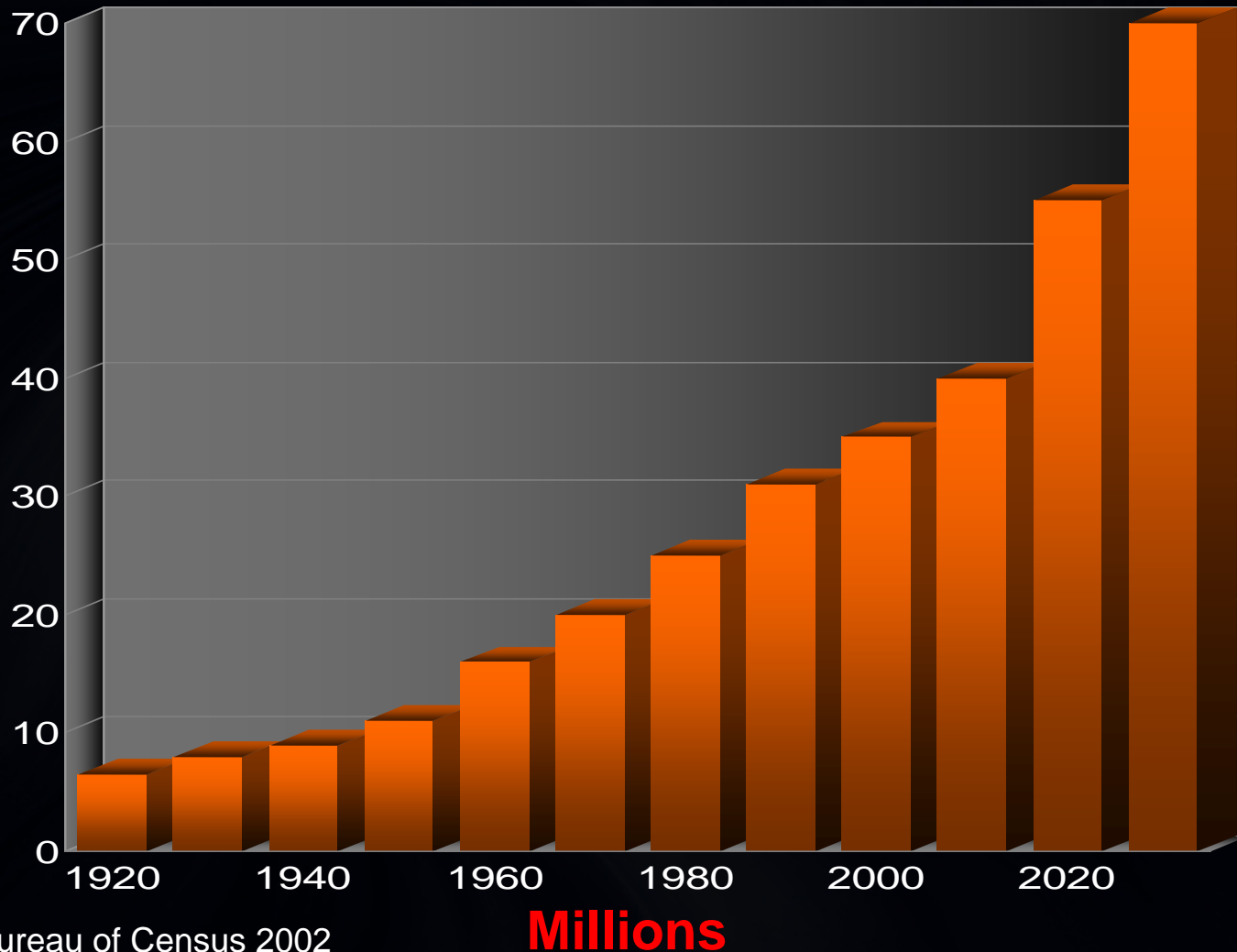
Chairman of the Board

California Association of Physician Groups

Agenda

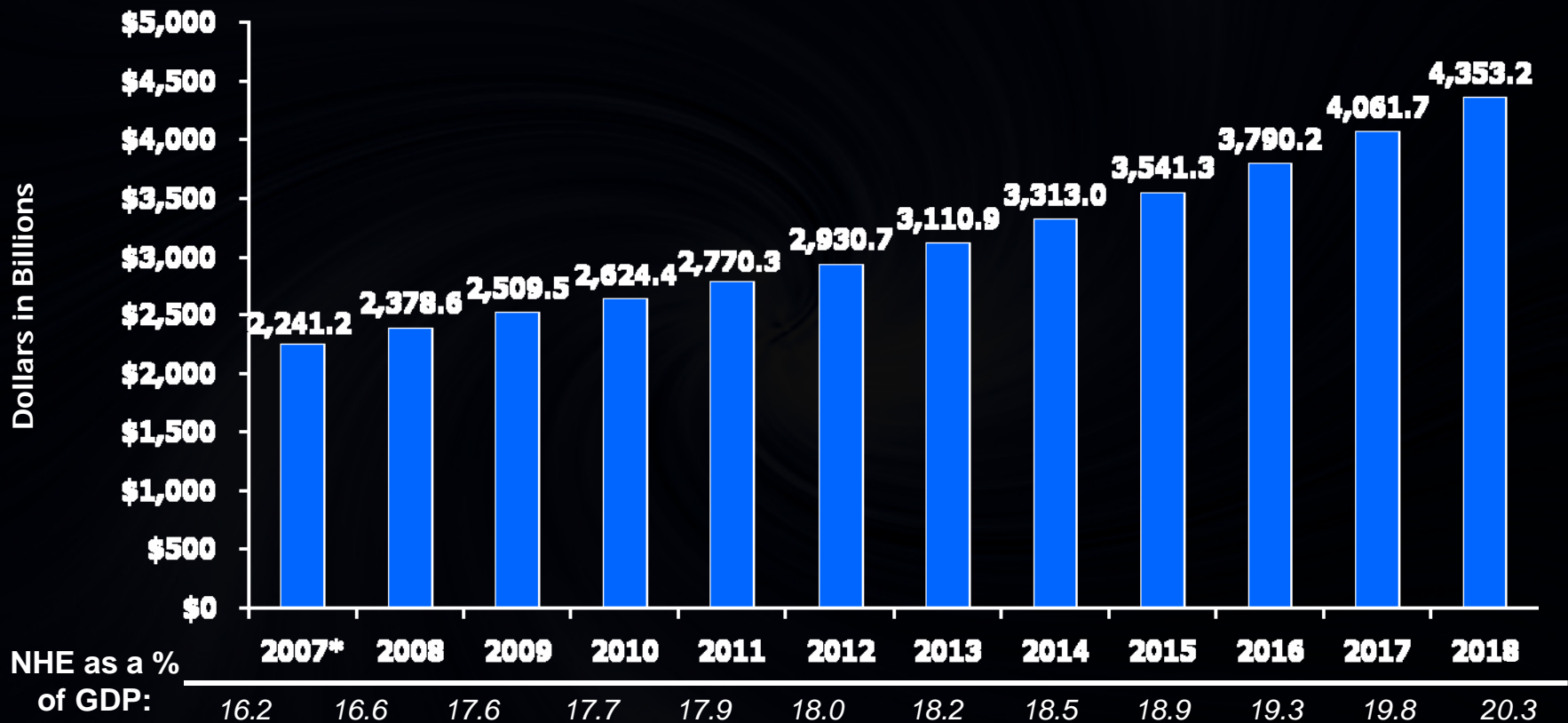
- Introduction & Welcome
- Need for Change
- SWOT Analysis
- Who should be in charge?
 - Group
 - Hospital
 - Plan
- Concerns with Regulatory Environment
- Conclusion

Growth of the 65+ Population 1900 - 2030



Source: U.S. Bureau of Census 2002

Projections of National Health Expenditures and Their Share of Gross Domestic Product, 2007-2018

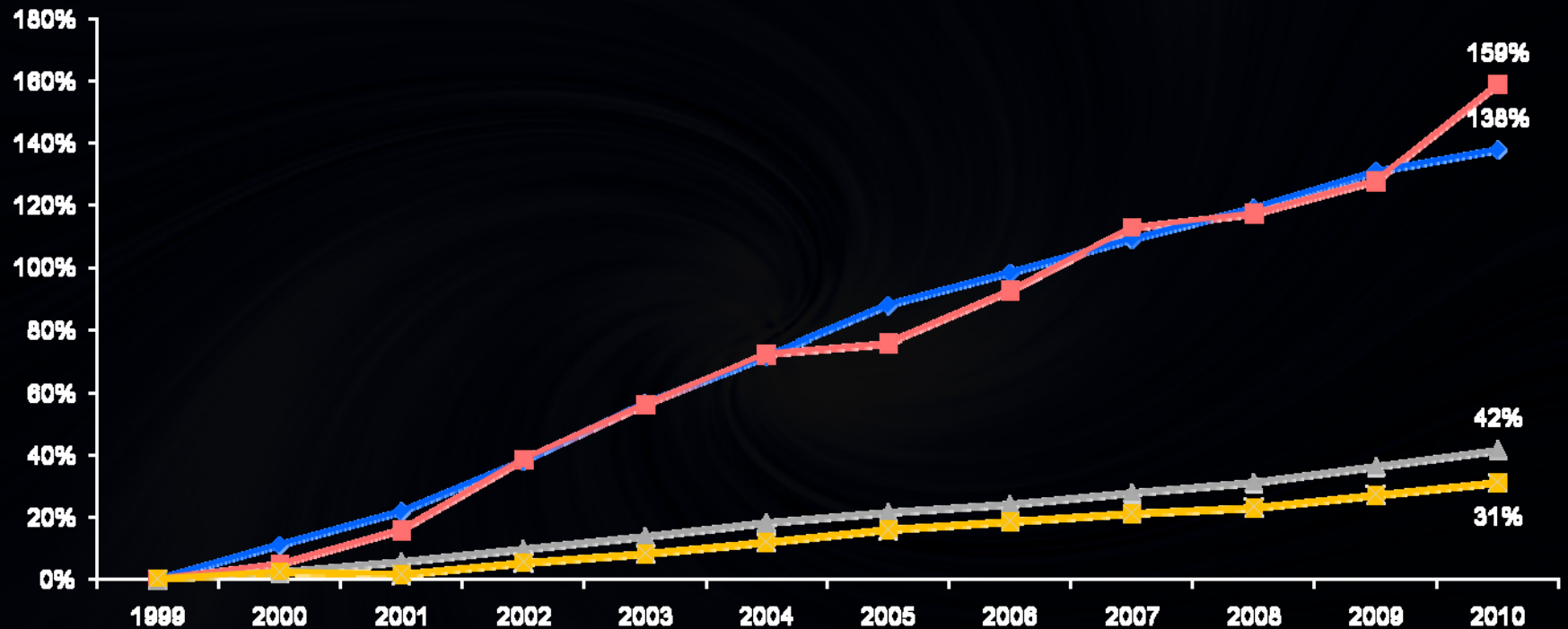


*2007 are actual data from the 2009 National Health Expenditure Accounts; 2008-2018 are projected data from the 2009 National Health Expenditure Accounts.

Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, at

http://www.cms.hhs.gov/NationalHealthExpendData/03_NationalHealthAccountsProjected.asp#TopOfPage (see Projected; NHE Historical and projections, 1965-2018, file nhe65-18.zip) and <http://www.cms.hhs.gov/NationalHealthExpendData/> (see Historical; NHE summary including share of GDP, CY 1960-2007; file nhegd07.zip).

Cumulative Changes in Health Insurance Premiums, Workers' Contribution to Premiums, Inflation, and Workers' Earnings, 1999-2010



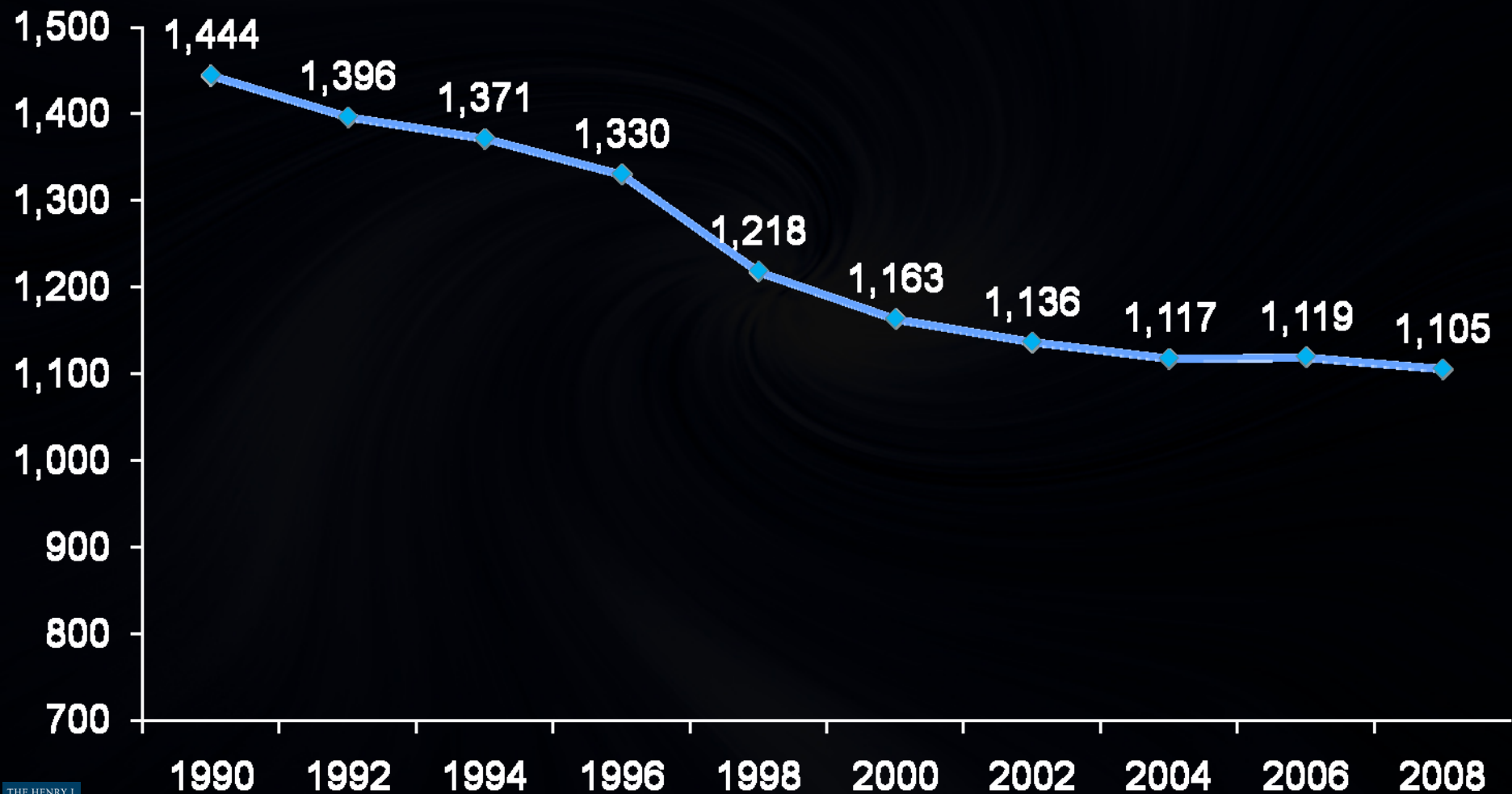
◆ Health Insurance Premiums

■ Workers' Contribution to Premiums

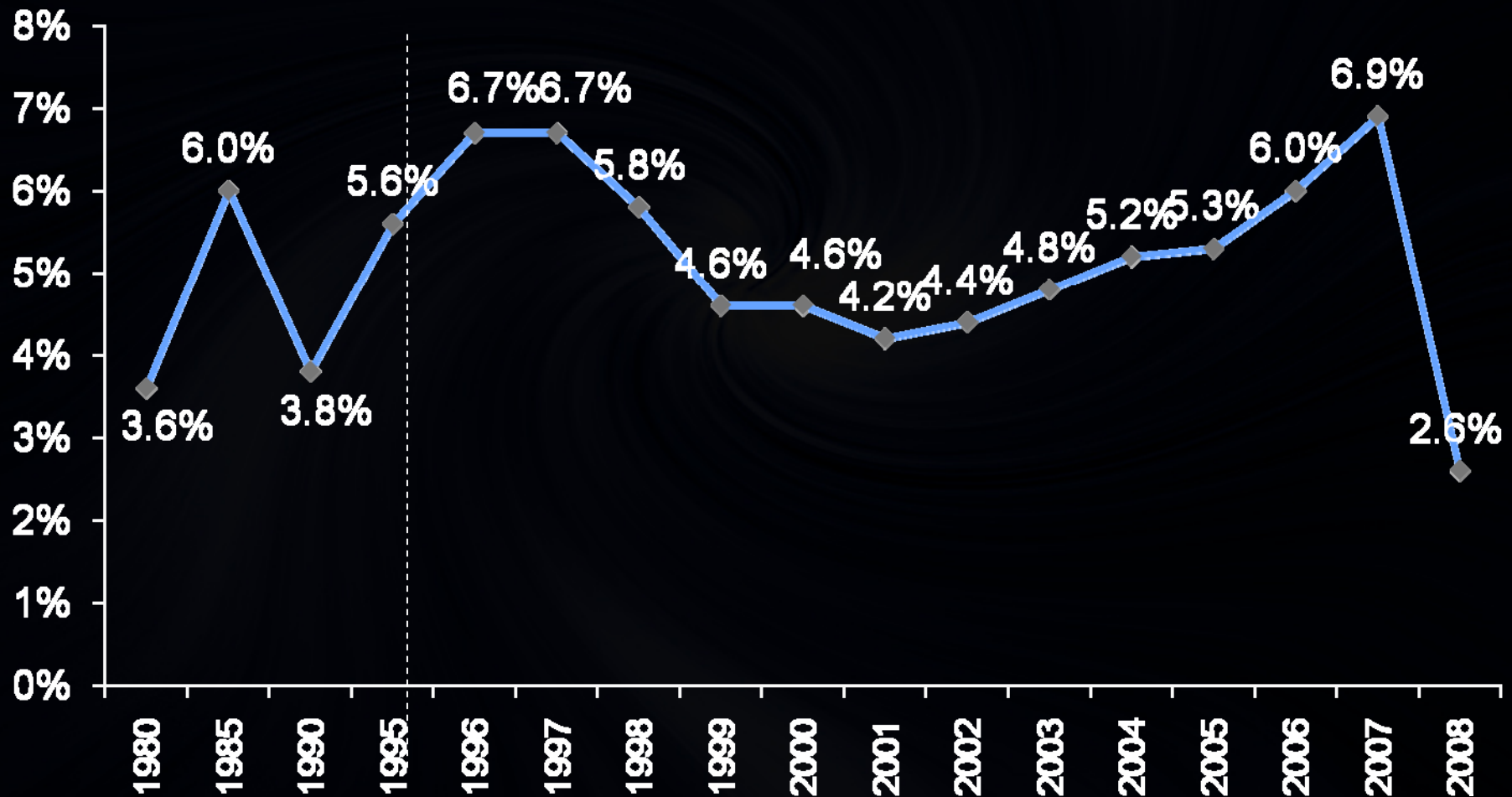
▲ Workers' Earnings

■ Overall Inflation

Number of Public Community Hospitals, 1990-2008



Aggregate Total Community Hospital Margins, 1980-2008



Strengths:

Existing infrastructure to manage cost

Familiarity with network development and network management

Ability to manage cost

Control of care continuum

Weaknesses:

Open network

Any willing provider

Unknown regulatory environment

Shared savings payment model

GROUP

Opportunities:

New business line for IPA (PPO)

Capture FFS Medicaid

CMMI revenue

Threats:

Unknown regulations

Competition for PCPs

Violation of existing laws

Strengths:

- Access to capital
- Provider/specialty relationships
- Greatest ability to impact cost

Weaknesses:

- Under-funded products
- Non-existent networks outside of four walls
- Lack of physician leadership

HOSPITAL

Opportunities:

- Control supply chain
- Develop integrated delivery system
- Expand sphere of influence
- Improve coordination of care

Threats:

- Loss of beddays/utilization
- Revenue shift (decreased ability to shift cost)
- Insolvency

Strengths:

- Access to capital
- Total cost of care management
- Eligibility infrastructure

Weaknesses:

- Profit motif
- No role in ACO/CMS regulations
- Lack of public support/image

PLAN

Opportunities:

- Better control of cost of care
- Improved provider alliances
- Increased market share

Threats:

- Loss of market share
- Cannibalization of MA
- Encroachment on Med-Sup
- Loss of relevance

ACOs: The Challenges

- Shared Savings vs. Partial Cap
- Fee for Service for Doctors
- Open Network for Patients
- Assignment and Attribution and Patient Engagement

ACOs: Unintended Consequences

- Physicians vs. Hospitals.....Who “controls” ACO?
- Cartel / Monopoly Behavior
- Cost Shifting
- Anti-trust, Anti-kickback, Self referral Prohibition Issues
- Solvency
- Knox Keene Licensure

CAPG Advocacy and CMS

- Medicare Days per thousand in California:
 - MA = 982; Original Medicare = 1664

..... a HUGE OPPORTUNITY

- Innovation Center can do full cap deals
- Imperative to prove concept, quickly
- “Give us demonstration contracts”

ACO Critical Success Factors

- Ultimate test: Bend quality curve up, and cost curve down

