Financial Disclosure

Bruce Maller: BSM Consulting provides fee-based consulting services to ophthalmology practices.

John Bell: Mr. Bell has no financial interest in the content of this course.

Learning Objectives

1. Review of the Affordable Care Act (ACA): One Year Later
2. Update on Accountable Care Organizations (ACOs)
3. Discuss How ACOs Might Impact Ophthalmology
4. Case Study Discussion
Affordable Care Act: One Year Later
- Political forces in play
- Open enrollment update
- Influence of Benefit Exchanges
- Growing trend towards narrow networks
- Growth in high deductible plans
- Market consolidation activity

Key Provisions of the ACA Impacting Your Practice
- Update on the Medicaid Program
- Current Status of Benefit Exchanges
- Market Activity with ACOs

Medicaid Expansion Activity by State

Health Insurance Exchanges by State

Medicare ACO Activity

Medicare ACOs by State

Update on the Affordable Care Act and ACOs
Presented by John Bell and Bruce Maller
Non-Medicare ACOs
In addition to Medicare ACOs, many public and private ACOs have formed.

Prior to the first Pioneer ACOs joining the CMS program, private sector ACOs were already forming.

Many private sector ACOs mimic the MSSP model, but others provide different payment arrangements (capitated models, bundled payments, etc.).

Most require some form of quality reporting to achieve full payment.


Total ACO Activity

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare ACOs(1)</td>
<td>424</td>
<td>53.0%</td>
</tr>
<tr>
<td>Estimated Private and Public ACOs(2)</td>
<td>376</td>
<td>47.0%</td>
</tr>
<tr>
<td>Total Estimated ACOs</td>
<td>800</td>
<td>100.0%</td>
</tr>
<tr>
<td>Estimated Medicare Covered Beneficiaries(1)</td>
<td>7.2M</td>
<td>32.1%</td>
</tr>
<tr>
<td>Estimated Lives Private and Public ACOs(2)</td>
<td>15.2M</td>
<td>67.9%</td>
</tr>
<tr>
<td>Total Covered Lives</td>
<td>22.4M</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Sources:
(1) "Meet Medicare’s 89 Newest ACOs," The Advisory Board Company, January 5, 2015.
(2) "Growth and Dispersion of Accountable Care Organizations," June 2014 Update, Leavitt Partners.

Growth in Total ACO Covered Lives

ACO Strategies

- Use network as leverage in negotiations with commercial payers.
- Opportunity to participate in expansion of Medicaid program.
- Market “network” product direct to consumers and thereby gain market share.
- Attempt to aggregate providers to achieve better care coordination and lower cost.

What does this mean to you today?
What should you do?

- Do not overreact, but instead get educated.
- Have a seat at the table.
- Assess personal and professional goals.
- Consider how these changes are likely to impact your practice and ASC.
- Continue to focus on building efficiencies.
- Get better at tracking and measuring.
- Focus on building your cash pay service offering.

Case Study

Beginning 4 years ago, our group started planning how to meet threats of ACOs and their commercial equivalent.

- Organize ophthalmologists in the local market north of Boston
- Target high quality, low cost providers
- Aim for 30% of ophthalmologists in market area to stay under the FTC threshold
- Consider adding optometrists later to get added market penetration
- Set up LLC named Physicians Accountable Care Organization (PACO) to serve as the legal corporation
Case Study
Three years ago began working with legal counsel to put together the paperwork needed to set up an ophthalmic-specific IPA to be the vehicle for this effort.

- Operating Agreement: Ownership document and by-laws
- Participations Agreement: Document to give the organization the power to act on behalf of owners or those who chose only to participate but have no financial interest
- Subscription Agreement: Document to provide necessary legal framework because stock not listed
- Accredited Investor Agreement: To provide proof that investors could weather the risk of unlisted stock

Case Study
Two years ago obtained seed money from three local ASC organization to fund a feasibility study, done by an outside consultant, showing that the practices involved had the necessary patient profile and would be profitable.

Later that year offered ophthalmic physician two options:
- Become owners by signing all four documents and paying the subscription fee
- Become a participating provider by signing only the Participation Agreement and paying a lower dues amount

Case Study
This year have continued to recruit owner or participating providers.

Have met with several analytics firms to begin to formulate a plant to collect and analyze data needed for negotiating with potential organizations including:
- ACOs: No requests so far in our market to join them
- IPAs/PHOs: Trying to trade provision of quality and cost data for reduction in onerous IPA/PHO requirements in order to get back withholds or earn portion of surplus funds
Case Study

Lessons Learned:

- It is very difficult to get independent private practices to see the threat from organizations formed under ACA and see the need to work collectively to meet those threats.
- A detailed business plan, subsequent feasibility study and some program for which the interested physicians can see the benefits helps get them interested. Some benefits that we have investigated are:
  - An MSO-type organization that will provide the small practice with needed administrative services
  - A data analytics process that will not require manual involvement to submit data but can electronically extract data from various EMR systems

Lessons Learned: (Cont’d.)

- Someone must have the vision and be able to “see” others on that vision and be persistent in working to overcome the reticence of individual physicians having difficulty giving up even a little of their independence.
- Plan on it to take much longer than you think for this to gain traction so think about starting now before all that was presented above becomes reality and you find yourselves behind the proverbial eight ball!