



MEYER CONSULTING



Executive Search & Strategic Consulting

ACCOUNTABLE CARE ORGANIZATIONS:

2ND BI-ANNUAL CONTRACTING SURVEY HIGHLIGHTS

December 2012



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Overview

In 2010, Meyer Consulting conducted a survey of healthcare contracting executives on issues surrounding healthcare reform, the changes it was creating, and how it affected healthcare contracting. The resounding theme in the findings in 2010 was the creation of ACOs. As a follow-on survey to track trends in this area, Meyer Consulting contacted 860 executives responsible for contracting in health care organizations nationwide. Survey respondents included both physician and non-physician executives who are responsible for contracting and/or network development. On the provider side, respondents came from large, multi-state hospital systems, for-profit hospital chains, stand-alone hospitals and multi-specialty physician groups. On the health plan side, respondents worked for national, regional and state-wide payers, including those in the not-for-profit, private and publicly-traded sectors. Following is a summary of our findings.

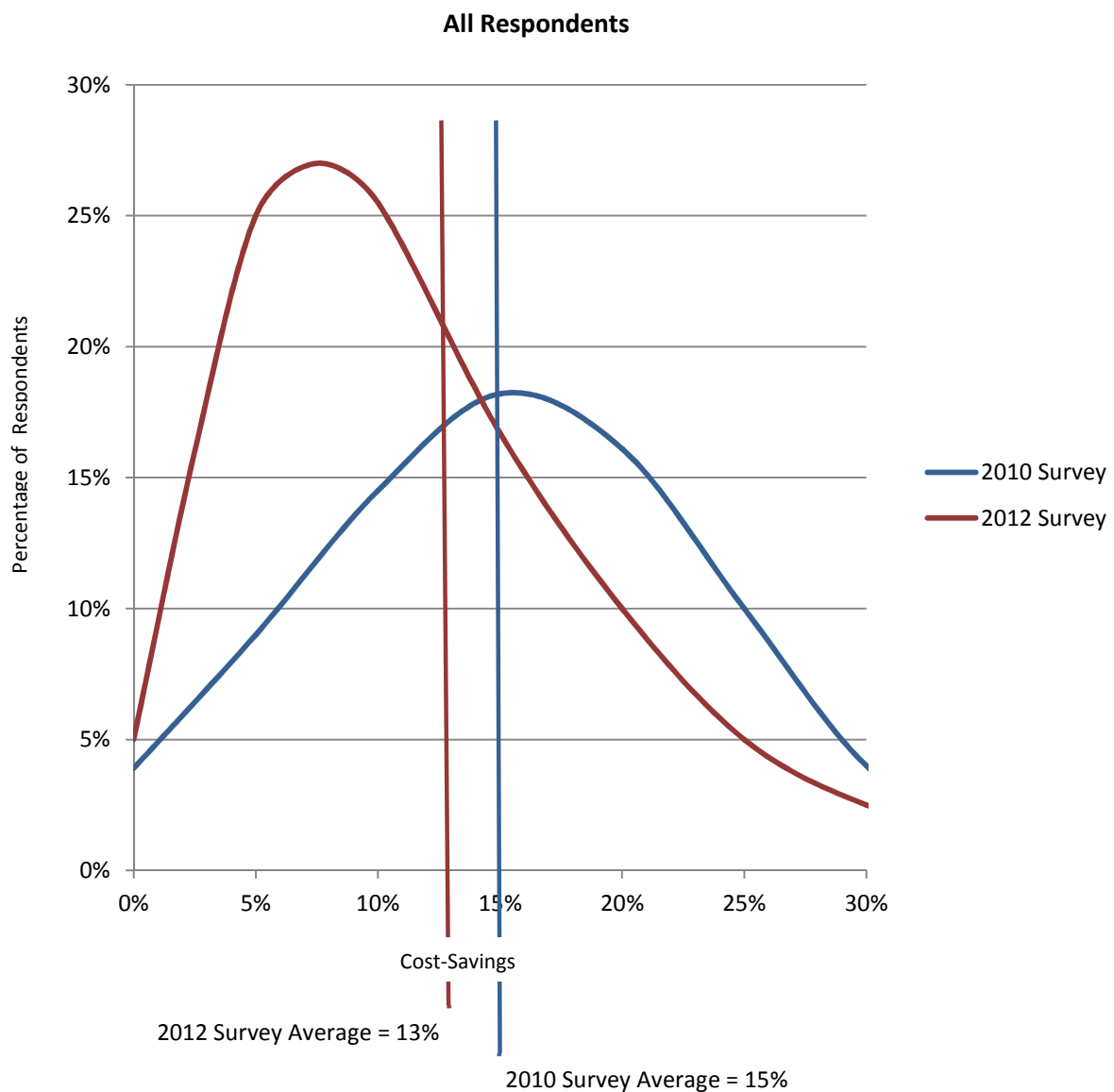
Executive Summary

- On average, respondents believed that 13% cost-savings can be taken out of the healthcare system in the next three years without substantially impacting quality. This number has gone down from 15% in our 2010 survey. The respondents' optimism appears to be one of the only measures going down – within this same two year period, health insurance premiums rose by 10-30% in most markets and the overall healthcare spend in the US increased by nearly 10%.
- In our 2010 survey, 86% of those surveyed responded “ACO” to the question “What types of alternative contracting approaches are you considering?” This was by far the most common response. This year, only 51% of respondents said they are actively participating in an ACO. These statistics solidify what we hear from our clients and other healthcare executives - that a “wait and see” strategy to ACOs is often being utilized.
- In terms of capabilities in their organization regarding ACOs, provider respondents said they have the lowest levels of capability in data and information technology, population management, and financial management and incentives. Payers also gave data and information technology some of the lowest marks, but additionally leadership and governance and physician practice management.
- Respondents from payers and within larger organizations were more likely to have both hired consultants to assist in their ACOs and to have involved or attempted to involve major corporations in their ACOs.
- The average number of years our respondents have been in an ACO is 2.1; the average number of members in their ACOs is 46,900.

Survey Findings

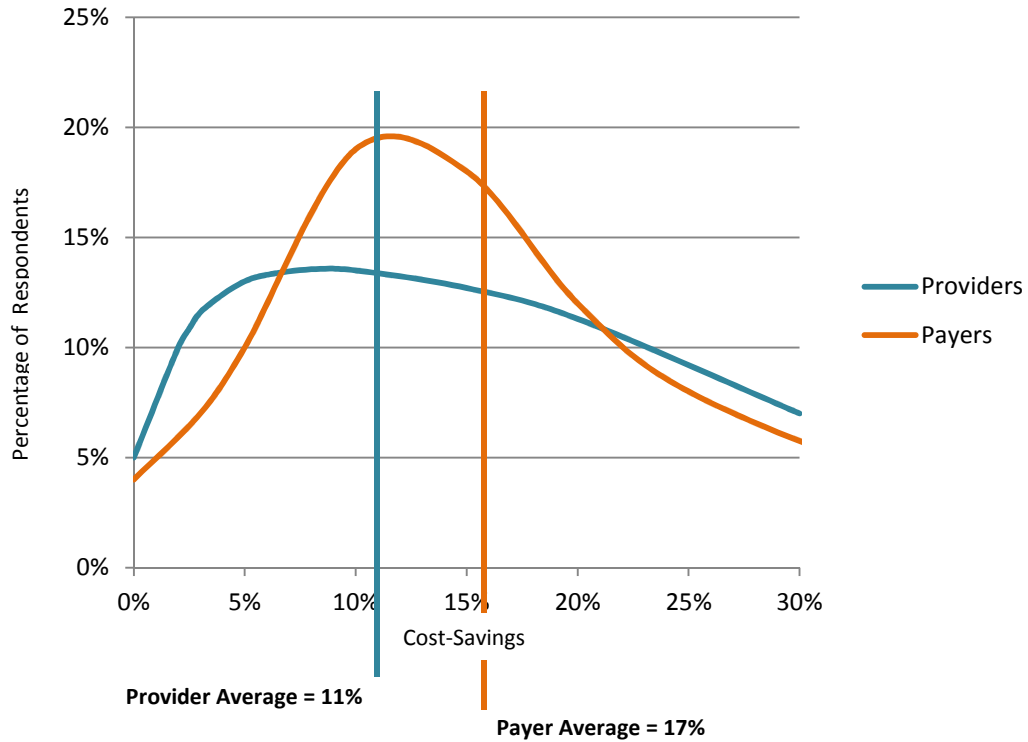
What percentage of cost-savings do you believe can be taken out of the healthcare system in the next three years without impacting quality?

The mean response to this question in this year's survey, from all those who responded, was a cost-savings of 13%. When the same question was asked in Meyer Consulting's 2010 survey of contracting executives, the mean response was 15%. Not only was there a difference of 2%, the dispersion of answers this year was slightly smaller.

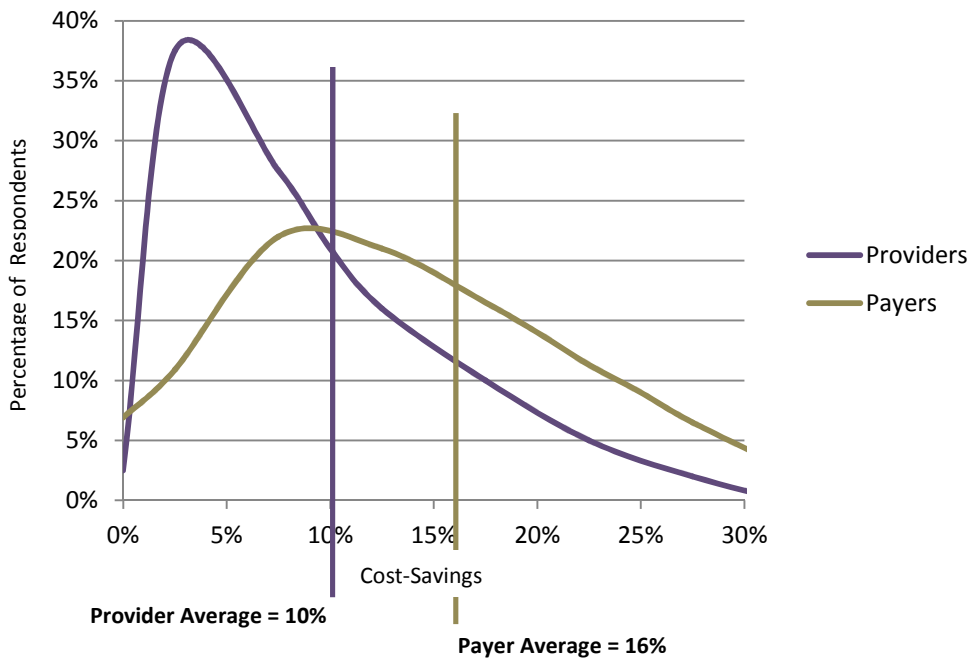


Provider and payer respondents again responded differently to this question. In both in the 2010 and in this year's survey, payer respondents felt that 6% more savings could be taken out of the healthcare system.

2010 Survey Data – Providers and Payers

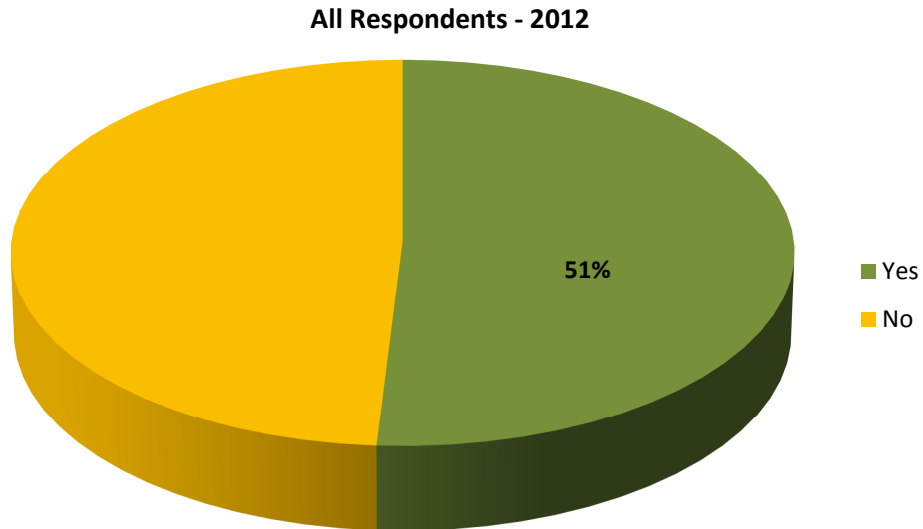


2012 Survey Data – Providers and Payers

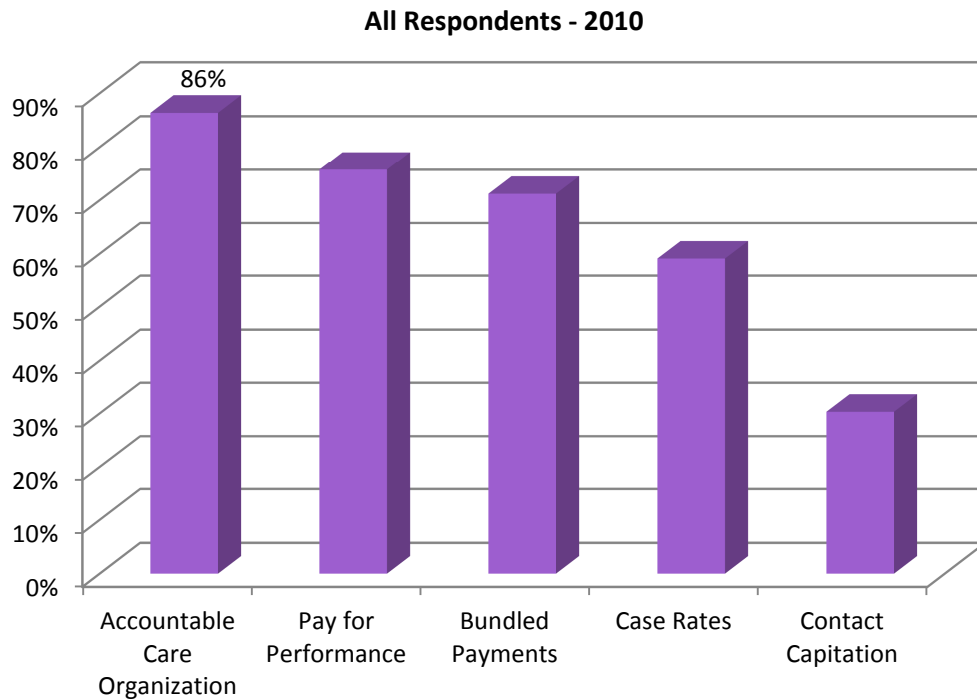


Is your organization actively participating in an ACO?

In this year's survey, 51% of respondents said they are actively participating in an ACO.

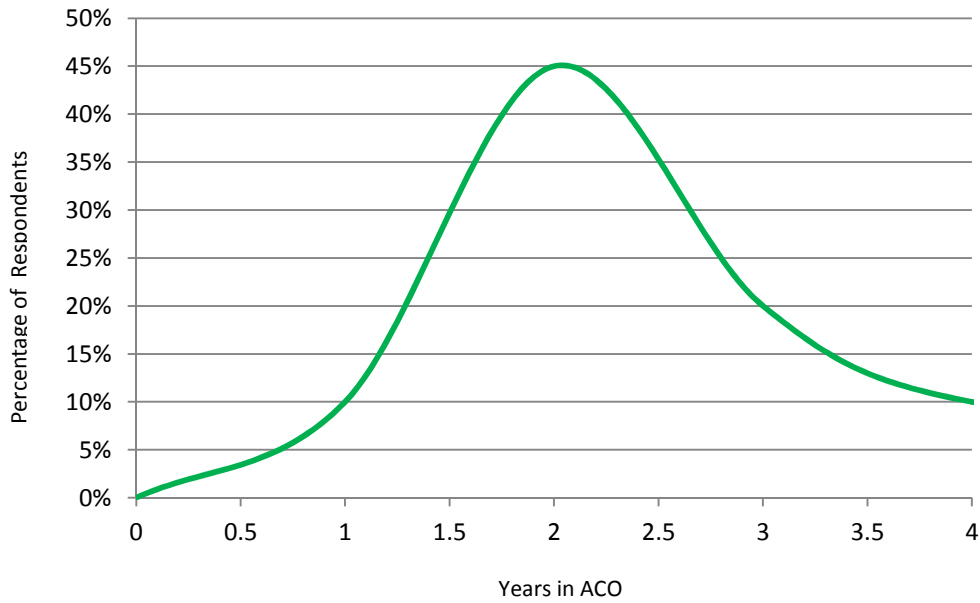


In the 2010 survey, 86% respondents answered "ACO" to the question "What types of alternative contracting approaches are you considering?"



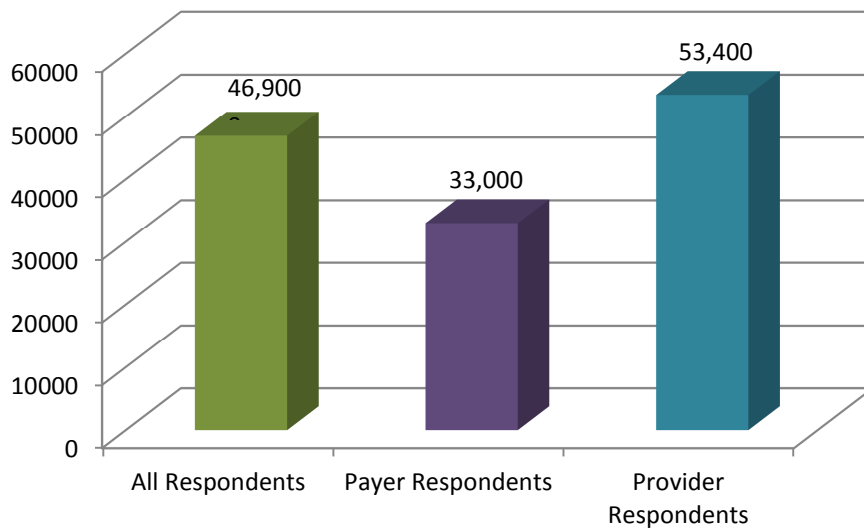
How long has your ACO been in existence?

The average number of years our respondents have been in an ACO is 2.1.



How many members are in your ACO?

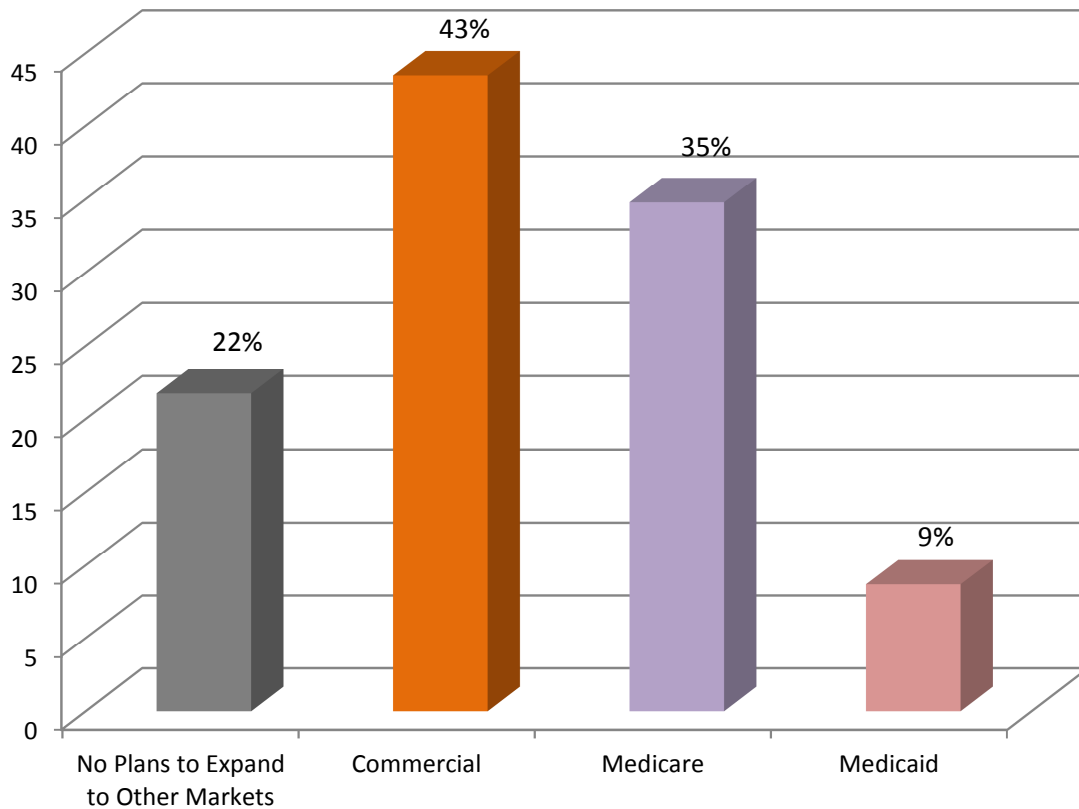
The average number of member in our respondents' ACOs is 46,900.



Does your organization plan to expand your ACO to markets you are not currently in?

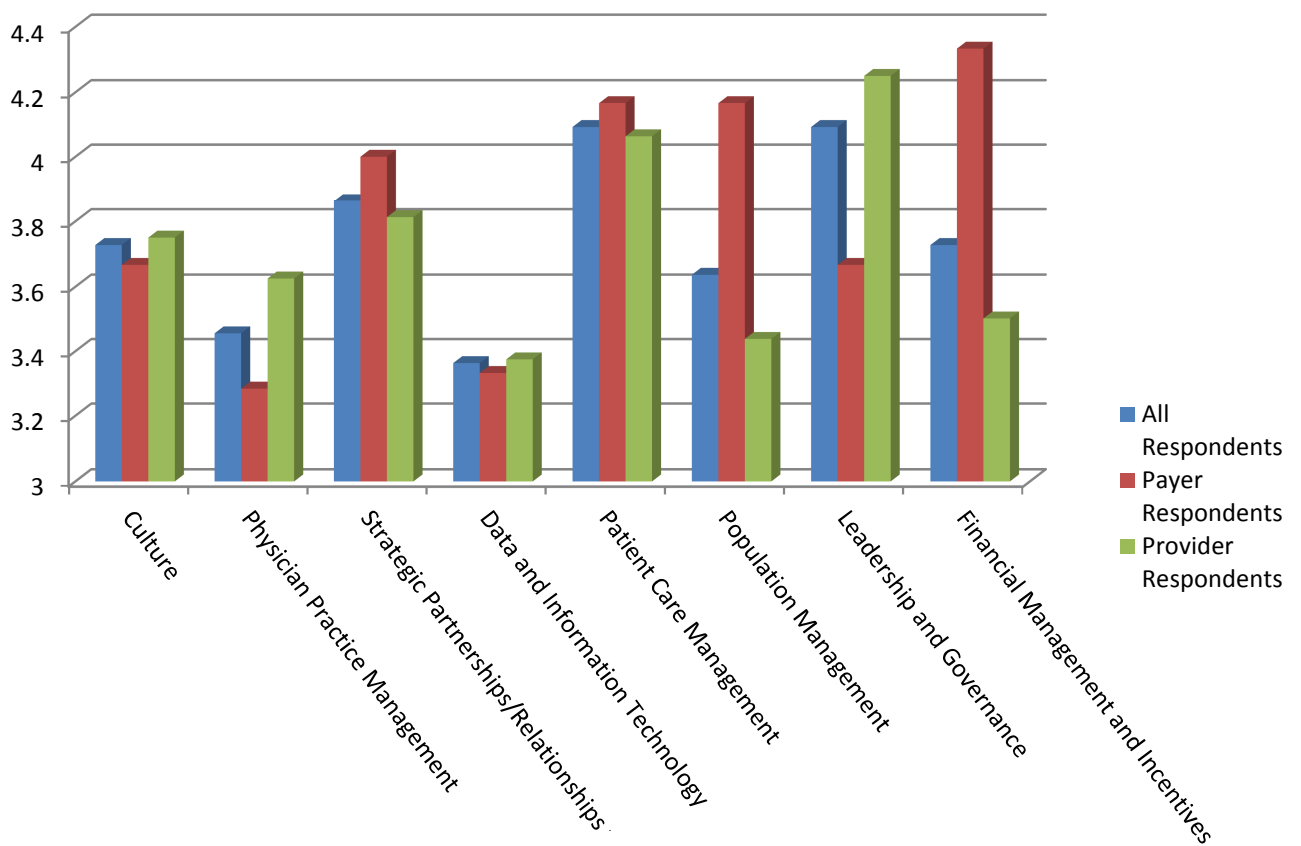
The largest number of respondents said they were going to expand into commercial markets and the second most common response was expanding into Medicare. These responses were not surprising, given healthcare reform, the beginning of health exchanges and the growth in Medicare ACOs.

What was surprising was the relatively low number of respondents planning to expand into Medicaid, given the fact that Medicaid is widely seen as a strong growth segment under healthcare reform. One explanation may be state-specific legislation and uncertainty surrounding Medicaid and authorization of utilizing ACOs in this market.



Please assess your ACO on the following functions on a scale of 1 to 5 with 1 being a “low level of capability” and 5 being “high level of capability.”

Response averages varied highly in this question, at times showing great difference between the payer and provider respondents. What are notable in the responses to this question are those categories in which the provider and payer respondents gave the lowest marks. Provider respondents said they have the lowest levels of capability in data and information technology, population management, and financial management and incentives. Payers also gave data and information technology some of the lowest marks, but additionally leadership and governance and physician practice management.



Clearly understanding the business objectives of your partners is one of the biggest hurdles for healthcare organizations today. How have you overcome this hurdle in your partnerships?

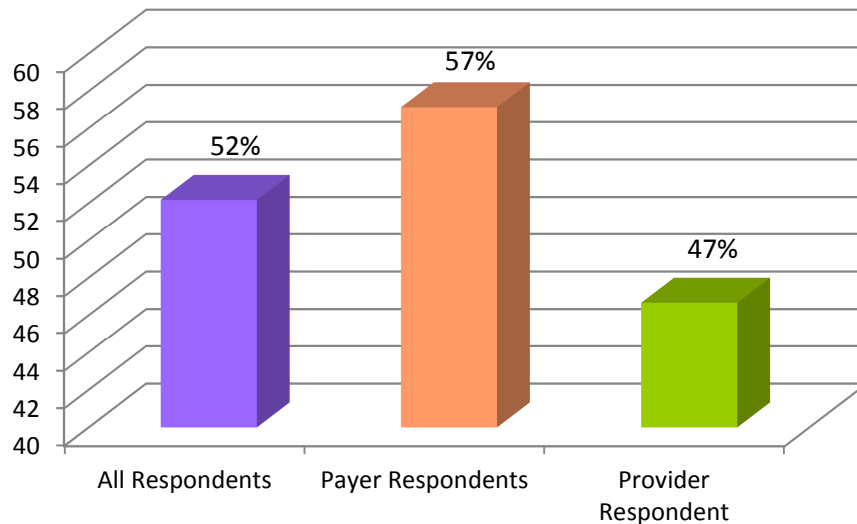
Another significant theme in responses on both the payer and provider side was being vigilant in choosing partners that showed initiative to be involved in partnerships and active participation and attentiveness from the beginning.

“Shared vision and recognition of business imperative to 1) be involved in the reform arena and 2) leading or playing a leadership role in the development of ACOs and/or new delivery/reimbursement models rather than being led, following, or being leveraged by market forces.” COO of a physician group involved in an ACO.

Answers to this question spanned widely from responses that there were no hurdles to the response that they are still trying to overcome them. Not surprisingly, clear and open communication and listening was by far the most common response. Ensuring alignment of goals in the areas of finance/incentives/share savings and quality was also often heard. Other notable responses included: electing physician opponents to lead initiatives; gaining alignment at the CEO level; and using information technology such as webinars for communication within the partnership.

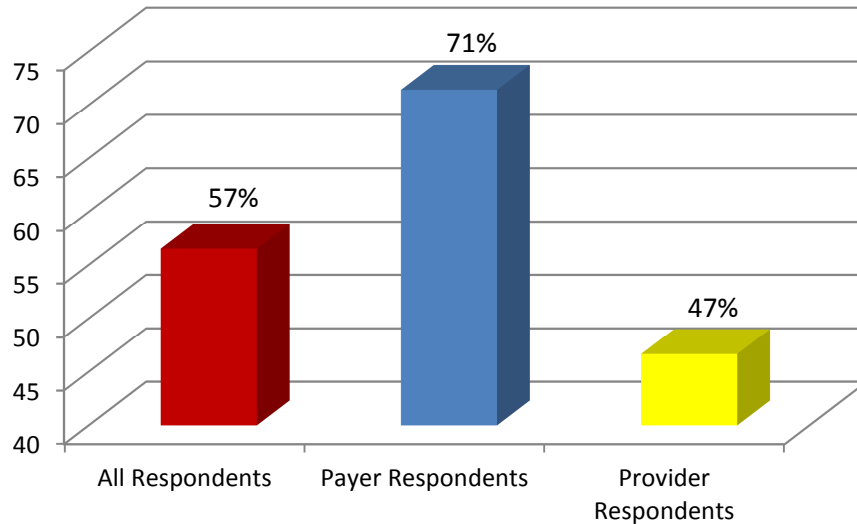
Did you hire consultants to assist you?

52% of all respondents hired consultants to assist them in their ACOs: 57% of the payer respondents and 47% of the provider respondents. There was a slight correlation between size of organization and likelihood to have hired a consultant (the larger the organization, the more likely to hire a consultant).



Have you involved or attempted to involve any major corporations in your ACO?

57% of all respondents responded 'yes' to this question, 71% of the payer respondents and 47% of the provider respondents. There was a strong correlation between size of organization and likelihood to involve or attempt to involve a major corporation (the larger the size of the organization, the more likely they were to involve or attempt to involve a corporation).



Three years from now, how do you foresee your ACO changing/affecting your business?

The answers to this question resoundingly support the idea that ACOs will have a positive impact on the healthcare business. Respondents believe that ACOs will bring major change and that ACOs will grow and become more central to both providers' and payers' business/delivery models. A short but all-encompassing response from a physician group respondent was "Existence."

Outside of the above, payer responses focused on increasing physician's understanding of their practice and "productizing" current models to take into other markets. Provider respondents highlighted taking on greater risk and reallocating revenues including recreating individual physician compensation programs.

Methodology

In conducting this survey, Meyer Consulting contacted 860 executives over contracting in hospitals, health systems, multi-specialty provider groups, and health plans. The survey was conducted electronically from August 6th to October 1st, 2012. The survey achieved an 11.6% response rate. Those polled oversee the managed care contracting function for their organization. This includes those directly responsible for the function such as Vice Presidents of Managed Care Contracting or Network Development, as well as those who oversee the function at a higher level such as Chief Medical Officers or Senior Vice Presidents of Healthcare Services. Approximately half of the respondents work for provider organizations and the other half for payers.

Meyer Consulting

Meyer Consulting's mission is to help you create a solid organizational foundation for your future success by providing personalized, results-focused healthcare recruiting and consulting. Our *Executive Search Practice* can help you identify and recruit top talent with the ability and expertise to impact organizations. Meyer Consulting's *Strategic Consulting Practice* provides exceptional advisory services in three areas: strategic partnership consulting in an environment that requires collaboration; human capital consulting to improve the efficacy of management teams and Boards; and our team can also assist in the development of new healthcare ventures. Our business model was formed on the premise that healthcare recruiting and strategic consulting are interdependent and the unique blend enhances the value of both services.

Meyer Consulting's team provides our clients with an unparalleled knowledge of the healthcare market through our unique combination of varied backgrounds. We have built a team that includes people who have devoted their career to improving the healthcare system, both through leadership within healthcare organizations and serving as advisors to healthcare leaders. Meyer Consulting's team has a passion for healthcare, and that shows in our work history and accomplishments.

For more information on this survey or our services, please contact Mike Meyer (602/321.0753) or Katie Haddock (602/733.6335) or visit our website at www.meyerconsultinginc.com.

Meyer Consulting, Inc.
5900 N. Granite Reef Road, Suite 100
Scottsdale, AZ 85250
Phone: 602/733.6335
Website: www.meyerconsultinginc.com

