

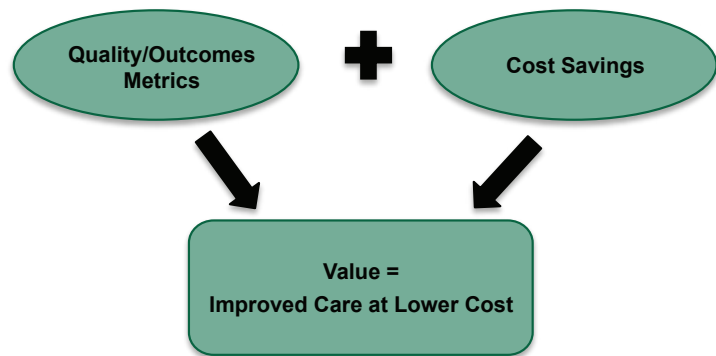
ACOs: HIRC Special Report —Fall 2011

ACOs Bringing Value-Based Payment Models to the Fore

ACOs are all the buzz these days, as CMS recently finalized rules paving the way for several types of Medicare ACOs in 2012. **ACO contracts feature a value-based payment model**, linking provider reimbursement to both quality and cost: ACO providers qualify to share in cost savings, if and only if, they meet specific quality or outcomes thresholds.

Managed Markets
& National
Accounts Service

VALUE-BASED ACO PAYMENT STRUCTURE



Source: HIRC.

Although Medicare's program has garnered much of the attention, numerous commercial payers already have ACO-type initiatives underway, including CIGNA, WellPoint and Blue Shield of CA. In fact, private sector momentum is such that **HIRC believes ACOs will continue to be tested and implemented, regardless of the outcomes of Medicare's program.**

About HIRC

Health Industries Research Center (HIRC) conducts strategic market research on trends in health care, pharmaceuticals, and managed care businesses.



519 Seabright Ave, Suite 211
Santa Cruz, CA 95062

www.hirc.com

Health Plan Executives See Pivotal Role for Insurers vis-a-vis ACOs

HIRC conducted interviews with a number of health insurance executives to gain their viewpoints on the future of ACOs. Panelists believe insurers play a key role in supporting ACOs via:

- Risk management and actuarial assessment
- Information and analytics to support changes in care management
- Providing an effective, efficient vehicle to reach the marketplace

These executives see a continued role for insurers going forward even as ACOs evolve toward accepting full risk.

Medicare ACOs May Provide Window of Opportunity for Some Rx Classes

Medicare ACOs will be measured on 33 quality metrics, some of which are linked to usage of specific Rx classes and measures of clinical control for certain disease states (see table below). **Medicare ACOs will be incentivized to increase medication usage for the targeted conditions and classes**, since higher Rx treatment levels in those areas help the ACO achieve higher quality score -- and thus qualify for a greater share of savings.

**MEDICARE ACOs:
IMPORTANT QUALITY METRICS FOR PHARMACEUTICAL FIRMS**

Quality Metric Category	Screening/ Monitoring Measures	Use of Rx Therapy	Measures of Disease Control
High-Risk Populations:			
Diabetes	x		x
Heart Failure		x	
Coronary Artery Disease		x	
Hypertension	x		x
Ischemic Vascular Disease	x	x	x
Preventive Health:			
Influenza Immunization		x	
Pneumococcal Vaccination		x	
Mammography Screening	x		
Colorectal Cancer Screening	x		
Depression Screening	x		
Tobacco Use and Intervention	x	x	

Source: CMS, HIRC.

Moreover, since the cost of Rx therapy is not included in the overall cost for which Medicare ACOs are held accountable, **Medicare ACOs can reap the benefits of increased medication usage and adherence, without the drug costs affecting their "bottom line."** This may provide a window of opportunity for Part D drugs in the following disease states: diabetes, coronary artery disease, hypertension, ischemic vascular disease, influenza and pneumococcal vaccination, and tobacco cessation.

Report Methodology and Availability

HIRC's analysis of ACOs was prepared in Fall 2011 through extensive secondary research, supplemented by interviews with pharmacy and medical executives at six national and regional health plans/insurers. The ACO Special Report is available to MMNA subscribers at www.hirc.com.

About HIRC's Managed Markets & National Accounts Service

Managed Markets and National Accounts is the most comprehensive research service available to help pharmaceutical firms assess performance and stay abreast of trends within a multitude of managed care, government and institutional markets. Surveys and interviews conducted with:

- *Health Plan Pharmacy Dir.*
- *Health Plan Medical Dir.*
- *PBMs*
- *Medicare PDPs*
- *Medicaid MCOs*
- *State Medicaid Directors*
- *Specialty Pharmacies*
- *LTC Consultant Pharmacists*
- *Hospital Pharmacists*
- *Retail Drug Chains*

Key reports include:

- *Ratings of Manufacturers on Contracting & Programs*
- *Customer Needs Assessment*
- *Pharma's Ratings of Customers*
- *Market Segment Situation Analyses*
- *Future Scenarios*
- *Headcounts & Organizations*

Contact Information

Dorothy Hess
VP, MMNA Research
215.517.6860
dhess@hirc.com