ACCOUNTABLE CARE ORGANIZATIONS (ACOs)

Oversight Implementation

May 19, 2010

Department of Managed Health Care

The Department of Managed Health Care (DMHC) – What we do

- The DMHC licenses and regulates health plans under the body of law commonly referred to as the Knox-Keene Act.
- Primarily consists of HMOs as well as certain Blue Cross and Blue Shield PPOs.
- Other health insurance is regulated by the California Department of Insurance.
- The DMHC also oversees the financial solvency of Risk Bearing Organizations.

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ACO Oversight Goals

DMHC goals for ACO oversight

- **Ensure financial stability to protect patients and providers**
- **Lower health care costs**
- **Improve quality of and access to care**
- **Foster innovation and experimentation**
- **Adapt as we learn in a policy driven environment**

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What Triggers KKA Jurisdiction?

- Any person who undertakes to arrange for the provision of health care services to subscribers or enrollees, or to pay for or to reimburse any part of the cost for those services; ***and***
- Is compensated based on a prepaid or periodic charge paid by or on behalf of the subscribers or enrollees.

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ACOs: State Jurisdiction
Knox-Keene Act and Rules

Health Care Service Plan or
Risk Bearing Organization (RBO)?

- **HEALTH PLAN: assumes financial risk for physician services, ambulatory services, and institutional care (i.e. "global risk")**
  - **Triggers licensure**

- **RBO: receives compensation on a capitated basis; assumes financial risk and payment of claims for physician services (outpatient care), and other delegated functions, but <u>not</u> institutional risk**
  - **SB 260 financial solvency requirements apply, but <u>not</u> licensure**

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ACOs: Federal Jurisdiction

- Section 3022 of PPACA amends the Social Security Act relating to Medicare
- U.S. HHS Secretary must establish a program by January 2012 to ensure high quality and efficient delivery of health care services through groups of providers meeting specified criteria
- Preliminary Rules published 3/31/2011
  - Fee for service with shared savings
  - Two tracks
  - Comments due back 6/6/2011

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ACOs: Federal Jurisdiction(cont.)

- 5/17/2011 CMS release
  - Pioneer ACO Program (alternative to Medicare Shared Savings Program)
  - Requested comments on Advance Payment Initiative under consideration
  - Announced 4 free Accelerated Development Learning Sessions in 2011
- Pioneer ACO Program for experienced organizations
- First Accelerated Development Learning Session scheduled for 6/22/11 in Minneapolis, MN

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Are ACOs, as defined in Proposed 42 CFR Part 425, Health Plans?

Key Factors:

- Compensation to providers is based on the original Medicare fee for service schedule.
- At this time, compensation does not appear to be based on capitation or other form of prepaid or periodic payment.
- This does not appear to trigger DMHC licensure.
- Future: this could change if the form of compensation is changed to include capitation or other form of prepaid or periodic payment.

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ACOs for Commercial Coverage

- **Licensure could be required depending on the nature of the arrangement.**
- **Factors:**
  - **Arranging for health care services and compensated on a prepaid or periodic basis?**
  - **Global risk?**

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ACOs: Process to Apply for Restricted License

- Six months prior to engaging in global risk, or if taking global risk, contact DMHC Office of Health Plan Oversight (HPO)
- Pre-Filing Conference with HPO
- Filing requirements: address the unique nature of ACOs; e.g. the key focus of operations:
  - Financial solvency/stability
  - Improve quality of care
  - Lower health care costs

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Restricted License Application Requirements

- Summary/description of start-up and/or business operations
- Organization structure and principals
- Leadership structure and contact information
- Contractual arrangements (Physicians, Hospitals, Health Plans, etc.)
- Contracts w/ affiliates, principle creditors, and administrative services
- Disclosure of financial information
- Internal quality of care review system
- Enrollment projections
- Quarterly and Annual financial statements
- Projected financial statements for two years
- Description of fiscal arrangements

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Financial Requirements

	RBO	Restricted License
Restricted Deposit	No	$300K
Minimum TNE	$1	$1Million
Cash to claims	.75	NA
Minimum WC	$1	NA
Claims Timeliness	95%	95%
Financial Filing	Qtr, Annual	Qtr, Annual
Annual Audit	Yes	Yes

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Timing and Costs Associated with License Application

Timing

- Expedited review request by Applicant
- Pre-filing will prepare DMHC and Applicant to ensure initial application is complete
- Prompt responses by Applicant to DMHC questions/comment letters
- Target completion: Six months

Costs

- Application Processing Reimbursement to the DMHC: Maximum of $25,000
- Annual Assessment: TBD

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ACOs: Next Steps

- Monitor federal rulemaking
- Apply relevant state licensing laws and regulations
- Continue to gather stakeholder input

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