

# Value-based Contracting and Accountable Care Organizations

The shift toward increased collaboration, outcome-based payment and new benefit design is driving innovation in how we pay for health care and how health care is delivered. Tomorrow's health care system will be defined by greater accountability, robust quality and cost outcomes, and more integration among providers.

## Preparing for Change Today

Work is already underway as UnitedHealthcare taps select businesses to launch a variety of value-based contracting strategies to increase quality, reduce medical costs, improve patient outcomes, and share risk as well as responsibility for controlling medical cost trends. In fact, today, in excess of 11.5 percent of our total spending on health care services, across all UnitedHealthcare lines of business, is tied to incentive contracts that reward providers for increased collaboration, outcome-based results and improved cost-efficiencies. Those contracts include capitation agreements for physicians and hospitals, shared savings and shared risk agreements, global risk, patient-centered medical home pilots and bundled payment arrangements.

However, realigning incentives requires more than changing the payment model. It also requires forging a different relationship with the provider community with an emphasis on collaboration, transparency and a long-term commitment to working together to improve health and affordability. We are working closely with physicians, facilities and other health care professionals to assess our joint capabilities and move in this direction.

## The UnitedHealthcare Difference

We are unique in the marketplace because we are an industry leader not only for private, commercial insurance but also for Medicare Advantage and Medicaid. In addition, recent acquisitions have given us capabilities to move through the continuum toward accountable care and successfully partnering with Accountable Care Organizations (ACOs).

ACOs are coordinated provider organizations that accept responsibility for the costs and quality of health care services for a defined population. ACOs that perform well share in the savings they produce.

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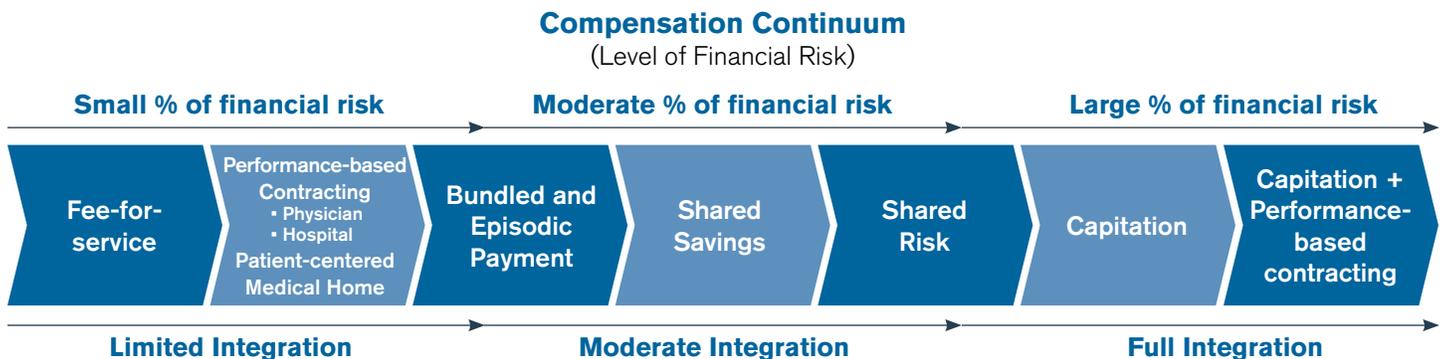
In addition to our work on ACOs, UnitedHealth Group has significant experience with a variety of other payment strategies that give incentives to providers for accepting greater risk.

Those strategies include:

- ▶ **Performance-based Contracting** – Provides opportunities to target specific quality metrics and meet the agreed upon metric targets tying quality outcomes to a potential rate increase in the future.
- ▶ **Patient-centered Medical Homes** – A health care setting that facilitates partnerships between individual patients and their personal physicians to ensure that patients get the indicated care when and where they need it.
- ▶ **Bundled and Episodic Payments** – Physicians and/or hospitals and facilities receive a lump sum for all health care services delivered for a single episode of care and/or over a specific time period.
- ▶ **Risk-based Compensation/Delivery System Configuration** – Provider organizations take accountability for care of a specific population. Payment and risk-bearing methodology is based on achieving quality, cost and patient experience targets.
- ▶ **Narrow/Tiered Networks** – Products constructed around select physician groups or other providers.
- ▶ **Specialty Networks/Centers of Excellence** – Defining higher quality and cost-efficient providers based on specific conditions.

## Pathway to Evolving Payment and Delivery System Models

Our objective is to transform the payment system from a fee-for-service model to one that rewards for quality and outcomes.



Continuum of risk represents multiple value-based contracting options. UnitedHealthcare is working to deploy a variety of options with its network of providers based on their readiness to accommodate varying levels of risk.

## How Can We Help?

At UnitedHealthcare, we work with physicians, facilities and other health care professionals to facilitate the evolution of accountable care beginning with performance-based contracting and bundled payments and moving toward greater risk-sharing. UnitedHealthcare delivers the patient populations in terms of our membership as well as the ability to customize products specific to the needs of the ACO. We also offer comprehensive reporting, mechanisms to distribute funds based on performance, and access to health information technology. Finally, our clear and tight payer-provider relationships are enhanced by the transparency of our physician and member portals and sharing our member empowerment strategies.

## ACOs and UnitedHealthcare

UnitedHealthcare considers ACOs an important element of its value-based contracting strategy that is moving the delivery system toward increased collaboration within the health care community and greater emphasis on shared risk accountability.

UnitedHealthcare is working to develop ACO pilots with some leading health care systems. UnitedHealthcare is currently active with one ACO pilot in Tucson, Arizona, and plans to launch additional pilots by 2012. UnitedHealthcare is using the following criteria to determine the readiness of future provider partners:

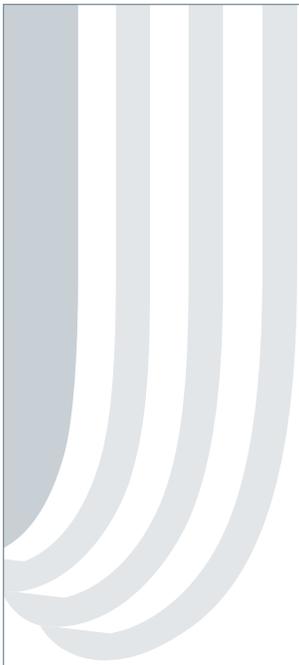
- ▶ Physician leadership and organizational structure
- ▶ IT infrastructure
- ▶ Care coordination across all care settings
- ▶ Robust end-to-end clinical programs
- ▶ Proactive care management
- ▶ Performance management
- ▶ Financial systems and strength
- ▶ Shared risk and pay-for-performance experience
- ▶ Ability and willingness to accept risk
- ▶ Consumer engagement strategies

## ACOs and the Act

The Patient Protection and Affordable Care Act contains provisions surrounding the establishment of ACOs under the Medicare Shared Savings Program by Jan. 1, 2012. While these provisions address fee-for-service Medicare payments only, the regulations may be used or referenced by states when developing their own regulatory framework for ACOs. State-level regulations may be applicable to Medicaid as well as commercial plans and may impact future pilots UnitedHealthcare conducts. While we are not bound by the regulations for Medicare, we will align with them where it makes sense.



**For questions, contact  
your UnitedHealthcare  
representative.**



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