

October 21, 2009

Senator Max Baucus
Chairman
Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C., 20510

Dear Mr. Chairman:

We represent the multispecialty medical groups and integrated delivery systems that participated in the CMS Physician Group Practice Demonstration (PGP Demo). As you know, the PGP Demo was designed to promote cost efficiency while ensuring quality and rewarding medical groups for improving health outcomes while controlling costs. After three years, each medical group achieved quality targets on 32 measures of care and saved the Medicare program more than \$59 million.

We applaud Congress' decision to include provisions creating Accountable Care Organizations (ACO) in both chambers' versions of health care reform legislation. ACOs have the potential to positively affect the delivery system by agreeing to be accountable for both the cost and quality of the care they deliver.

We believe our experience in the PGP Demo provides Congress with a tested model to serve as the foundation for a viable, national ACO program. Based on our experience, in order to ensure ACO success, Congress should include the following concepts in ACO legislation:

- Savings Threshold. There should be no savings threshold. Shared savings accrued by an ACO should include all savings, not just savings above the 2% growth rate threshold as was the case in the PGP Demo. Requiring ACOs to meet a savings threshold will pose a significant barrier to ACO participation, especially given the significant start up and personnel costs associated with care management and process re-design.

If Congress insists on a savings threshold, ACOs should have the opportunity to "earn back" some or all of the threshold monies for meeting quality and/or cost metrics. This "earn back" mechanism would provide ACOs with an additional incentive to be efficient and would allow CMS sufficient time to ensure that an ACO's savings are not due to random fluctuation due to population size or expenditures.

- Provider Comparison Cohort. Comparing ACO performance and efficiency to an appropriate provider cohort (i.e., a comparison group) is critical for measuring success. There should be a large cohort for comparison, beginning, for example, with existing CMS regions, before transitioning to a national comparison cohort over time (e.g., 4 years). Creating a separate ACO payment pool or "bucket" within the SGR system is another mechanism for comparison.

- Efficiency Comparison. Cost comparison is a critical component for measuring an ACO's performance. We recommend that per patient expenditures be used for comparing costs. Per patient expenditures are direct, meaningful measures, easy to compute, understandable and transparent.
- One Year Look- Back. ACOs must be promptly awarded their share of eligible savings for meeting quality and efficiency measures. We believe that a one year interval between participation and incentive distribution, as was used in the PGP Demo, is optimal. Multi-year intervals before bonus payments are provided will severely limit interest in becoming ACOs.

We are convinced that adopting these "lessons learned" from our experience with the PGP demo will help to ensure a successful ACO program. We thank you for your consideration of our letter.

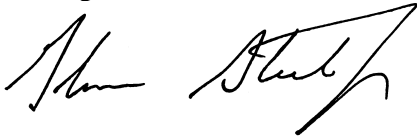
Sincerely,



Nicholas Wolter, MD
Chief Executive Officer
Billings Clinic



Harold Dash, MD
President
The Everett Clinic



Glenn Steele Jr., MD, PhD
President and Chief Executive Officer
Geisinger Health System



Karl J. Ulrich, MD, MMM
President
Marshfield Clinic



Arthur V. McDowell, III, MD
Vice President, Clinical Affairs
Middlesex Health System



David K. Wessner
President and Chief Executive Officer
Park Nicollet Health Services



Donn E. Sorensen, MBA, FACMPE
Executive Vice President
St. Johns Health System