JOHN MUIR HEALTH

Medicare Accountable Care Organization

Summary of Arrangements Conducted under the Medicare ACO Shared Savings Distribution Waiver

Last Updated: October 1, 2013

1. Distributions of Shared Savings to Select Specialties (2013-2015).

- Effective August 14, 2013, the John Muir Physician Network dba John Muir Health Medicare Accountable Care Organization (the ACO) approved an arrangement (Shared Savings Arrangement) under the Medicare ACO Shared Savings Distribution Waiver pursuant to which the ACO would distribute shared savings to Eligible Practices (defined below).

- The Shared Savings Arrangement, as approved by the ACO, includes a form of Specialist Care Coordination Agreement (Care Coordination Agreement). The parties to each Care Coordination Agreement will be the ACO and the Eligible Practice.

    - "Eligible Practices" include individuals or entities that employ or contract with physicians (Specialists) in one of the Select Specialties, and which have entered into a Care Coordination Agreement with the ACO.

    - "Select Specialties" include 13 specialties that the ACO has identified as critical to managing its ACO Beneficiary population, either on the basis of the Specialty's relative contribution to the ACO's benchmark Medicare Part A/B fee-for-service claims/encounters, or on the basis of the Specialty's ability to effectively manage or mitigate the ACO's Medicare Part A/B fee-for-service claims experience. The Select Specialties are:

        - Orthopedic Surgery
        - Cardiology
        - Hematology/Oncology
        - General Surgery
        - Cardiothoracic Surgery / Vascular Surgery
        - Gastroenterology
        - Nephrology
        - Pain Management
        - Neurology
        - Endocrinology
        - Hospitalist
        - Pulmonary Medicine
        - Infectious Disease

- The Care Coordination Agreement contains substantially similar care coordination and citizenship requirements as the ACO's Participation Agreements with its "ACO Participants" (as that term is defined at 42 C.F.R. § 425.20).

    - These requirements include, without limitation, that the Eligible Practice comply with the rules and requirements of the Medicare Shared Savings Program under 42 C.F.R. Part 425, as such rules and requirements may be modified or amended by CMS from time to time.

- Shared Savings Distribution – Overview. Distributions of shared savings to Eligible Practices will be made from the ACO's existing Specialist Distribution Pool (defined below).

- The ACO's shared savings distribution plan first reimburses the ACO for any PCP care coordination payments it made during the Performance Year to ACO Participants. The remaining amount is the "Shared Savings Distribution Pool."

- The ACO receives a set percentage of the Shared Savings Distribution Pool to offset overhead, investments in ACO infrastructure, and project management costs associated with care process redesign.

- The residual amount is allocated to the ACO's contracted physicians using set percentages for Primary Care ACO Participants (PCP Distribution Pool) and for Eligible Practices (Specialist Distribution Pool).

- Specialist Distribution Pool – Overview. Payments from the Specialist Distribution Pool are further allocated among Eligible Practices based on two components:

  - A set percentage of the Specialist Distribution Pool is allocated to a Financial Performance (FP) component that measures Specialists' performance against the ACO's cost savings goals, as further described below.

  - The remainder of the Specialist Distribution Pool is allocated to a Specialty Project (SP) that is based on each Specialty's annual development of initiatives that contribute to the ACO's achievement of the Triple Aim, as further described below.

- Prerequisites to Payment. Both the FP and SP component distributions are contingent on Specialists meeting certain ACO-level quality measures and complying with ACO requests for quality data:

  - If any of the ACO's reported 33 quality measures falls below the fiftieth (50^{th}) national percentile, no shared savings distributions will be made to Specialists (FP component or SP component) or to PCP ACO Participants.

  - To receive any FP component distributions, each Specialist must provide a minimum percentage of requested records for quality submission within a certain timeframe from the ACO's request.

  - The ACO's governing body may adopt Specialty-specific quality measures in the future.

- FP Component – Performance Measurement.

  - Specialty Measurement. The FP component first analyzes, by Specialty, whether the Specialty generated cost savings with respect to a defined population of ACO Beneficiaries.

    - Only Specialties which, in the aggregate, generate cost savings will qualify to receive an FP component distribution.

  - Within a qualifying Specialty, only TINs that generate cost savings will qualify to receive FP component distributions. For TINs containing multiple Specialties, this determination will be made at the Specialty level within each TIN.

- FP Component Distributions – Allocation. FP component distributions are allocated on a predetermined weighted basis across three (3) tiers of Specialists. Each tier's aggregate percentage weight corresponds to the tier's constituent Specialties' relative contribution to the ACO's Medicare Part A/B claims/encounters for a defined ACO Beneficiary population (i.e., Tier 3 has the most relative contribution, Tier 1 has the least). The aggregate percentage allocated to each tier is then equally allocated to its constituent Specialties (Specialty Weights).

- FP Component Distributions – Payment; Proration.

  - FP component distributions to a Specialty are calculated first according to the Specialty Weights, then allocated per capita within the Specialty based on its qualifying NPIs.

  - If a Specialty generates no cost savings, any FP component distributions are redistributed among qualifying Specialties pro rata using such Specialties' relative Specialty Weights.

  - If no Specialty generates cost savings, any FP component distributions are redistributed to PCP Participants as part of the PCP Distribution Pool.

  - FP component distributions are prorated for partial year performance. Residual (non-prorated) amounts are either redistributed, as applicable, within the Specialty, among qualifying Specialties, or (if no Specialties qualify), to the PCP Distribution Pool.

- SP Component – Performance Measurement. The SP component distributions to each Specialty are based on the Specialty's annual development of initiatives that contribute to the ACO's achievement of the Triple Aim.

  - Each Specialty must designate a Physician Champion within a set time period.

  - Each Specialty's Physician Champion must work with the ACO's Medical Director to develop a written proof of concept / project plan representative of the Specialty (Proposal) and submit such Proposal to the ACO's Clinical Committee for review within a set time period.

  - The Clinical Committee must review the Proposal and make a recommendation regarding the Proposal to the ACO's governing body within a set time period.

  - Achievement of the SP component is determined based on a Specialty's development and submission of a written Proposal for an appropriate Specialty project. Qualifying Proposals are determined in the ACO's governing body's sole discretion. Assuming a Proposal qualifies for SP component credit, credit is given whether or not the governing body ultimately implements the Specialty project.

- SP Component Distributions – Allocation; Payment; Proration.

    - SP component distributions are allocated equally among the Specialties, then allocated per capita within each Specialty based on the number of qualifying NPIs, in each case subject to any applicable proration.

    - If a Specialty fails to identify and/or submit an appropriate written Proposal for a Specialty project, any SP component distributions are redistributed to equally to other Specialties, subject to any applicable proration.

    - If no Specialty meets the SP component requirements, any SP distributions are redistributed to PCP Participants as part of the PCP Distribution Pool.

    - SP component distributions are prorated for partial year performance. Residual (non-prorated) amounts are either redistributed, as applicable, within the Specialty, among qualifying Specialties, or (if no Specialties qualify), to the PCP Distribution Pool.

- Each Care Coordination Agreement has an initial term that is coterminous with the ACO's Participation Agreement with CMS (MSSP Participation Agreement), with specified renewal options upon mutual agreement of the parties.

- Each party can terminate for cause and certain other reasons specified in the Care Coordination Agreement (e.g., expiration or termination of the ACO's MSSP Participation Agreement).

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With respect to each of the arrangements above, the ACO's governing body has made and duly authorized a bona fide determination, consistent with the governing body members' duty under 42 C.F.R. § 425.106(b)(3), that the arrangement is reasonably related to the purposes of the Medicare Shared Savings Program.