OPTUM

COMPASSION • TRUST • INNOVATION
MONARCH HEALTHCARE
A MEDICAL GROUP, INC.
20th Anniversary

Monarch Pioneer ACO

Current State and Future Outlook

January 12, 2015

Questions

1. **Are ACOs meeting their full potential?**

2. **What changes should be made to achieve the Triple Aim?**

Monarch HealthCare Facts and Figures

Expertise in Population Health Management

- Founded January, 1994
- Acquired Knox Keene in 2008
- 100% of PCPs capitated
- 100% of specialists in performance based contracts

Optum Affiliate

- Joined Optum in November 2011
- Part of largest physician group in region and in US
- Largest IPA in Orange County
- Over 2,300 physicians and 19 hospitals

Employed Practitioners & Mid-Level Extenders

- 150 Physicians, NPs, and PAs
  - Mostly primary care
  - 27 Hospitalists
- 102 MA's and Mid-Levels

Contract with Nearly Every Major Health Plan with a California Presence

Global Capitation contracts with nearly every payer

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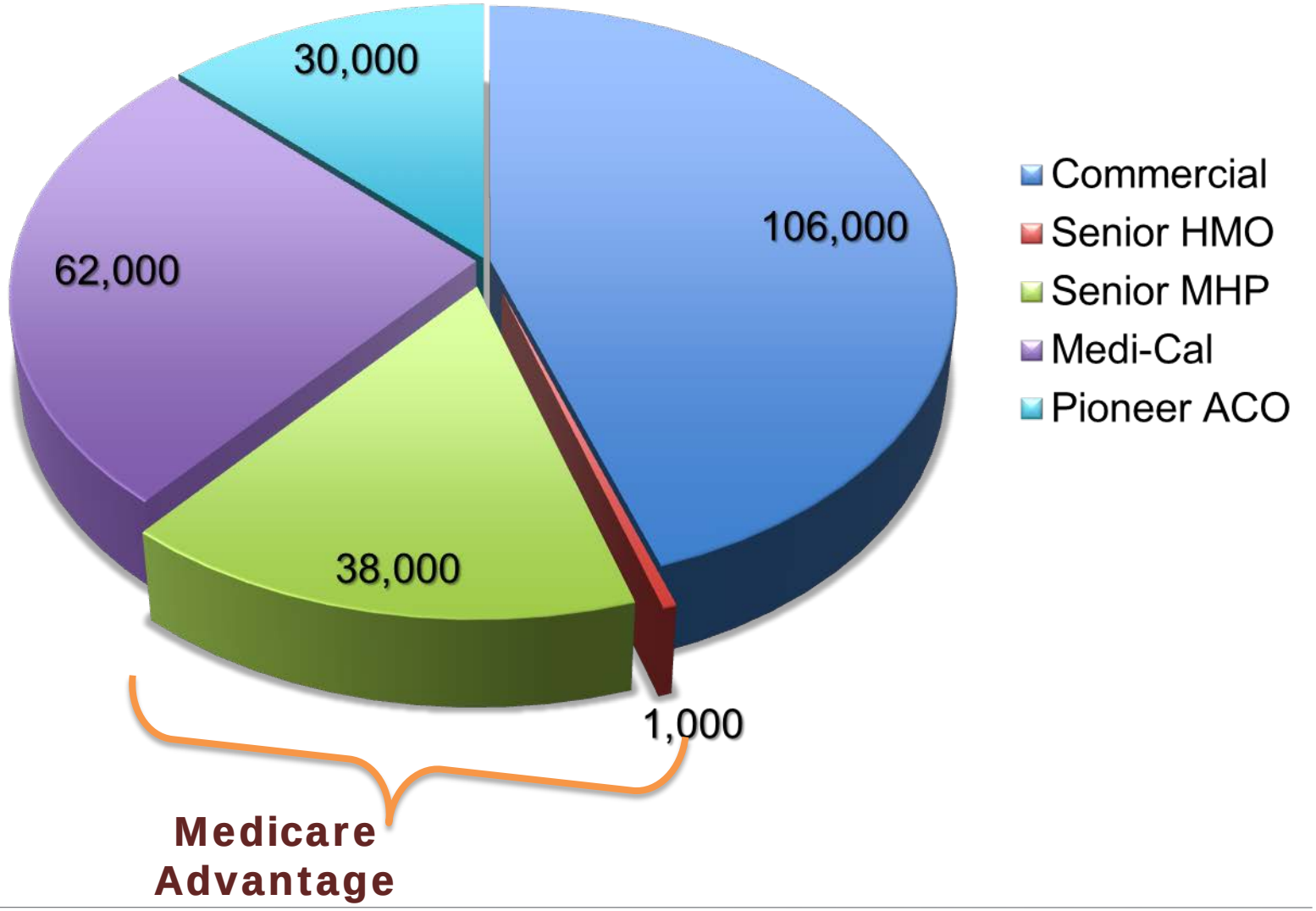
January 2015 Monarch Population: 237K Total



Monarch Pioneer ACO

PROGRAM PERFORMANCE

Monarch Pioneer ACO Shared Savings History

Performance Summary	2012	2013
Patients	17,365	19,530
Shared Savings %	6.2%	5.4%
Total Shared Savings	$12,143.409	$14,608,113
Quality Performance %	NA	84%
Monarch Shared Savings %	50%	70%
Total Monarch Shared Savings	$6,071,705	$8,544,577

- 2013 shared savings drivers:
  - Lower inpatient and SNF utilization
  - Increased par-PCP utilization and lower non-par leakage
    - PCP visits/yr increased from 3.2 in 2011, to 4.4 in 2014
  - Increased hospice utilization

Monarch Pioneer ACO Key Operating Indicators

Key Operating Indicators	Pre-ACO (2011)	ACO PY1 (2012)	ACO PY2 (2013)	MA (2013)
Acute Admits/K	282	283	239	170-180
Acute Days/K	1,408	1,414	1,131	750-850
Acute Readmit Rate	18%	15%	14%	10-12%
SNF Admits/K	136	136	104	60-70
SNF Days/K	4,225	4,249	2,908	800-900
SNF Readmit Rate	17%	12%	10%	11%

- Monarch's ACO performance relative to MA performance illustrates remaining opportunity to improve outcomes
- MA-like inpatient results would also more than double shared savings for the Pioneer ACO

Monarch Pioneer ACO

ARE THERE ACO BEST PRACTICES?

Best Practices

1. Network Selection
2. Performance-Based Incentives
3. Performance Reporting
4. Population Health Management Tools for Physicians
5. Targeted Care Management
6. Focus on Post-Acute

Remaining Challenges

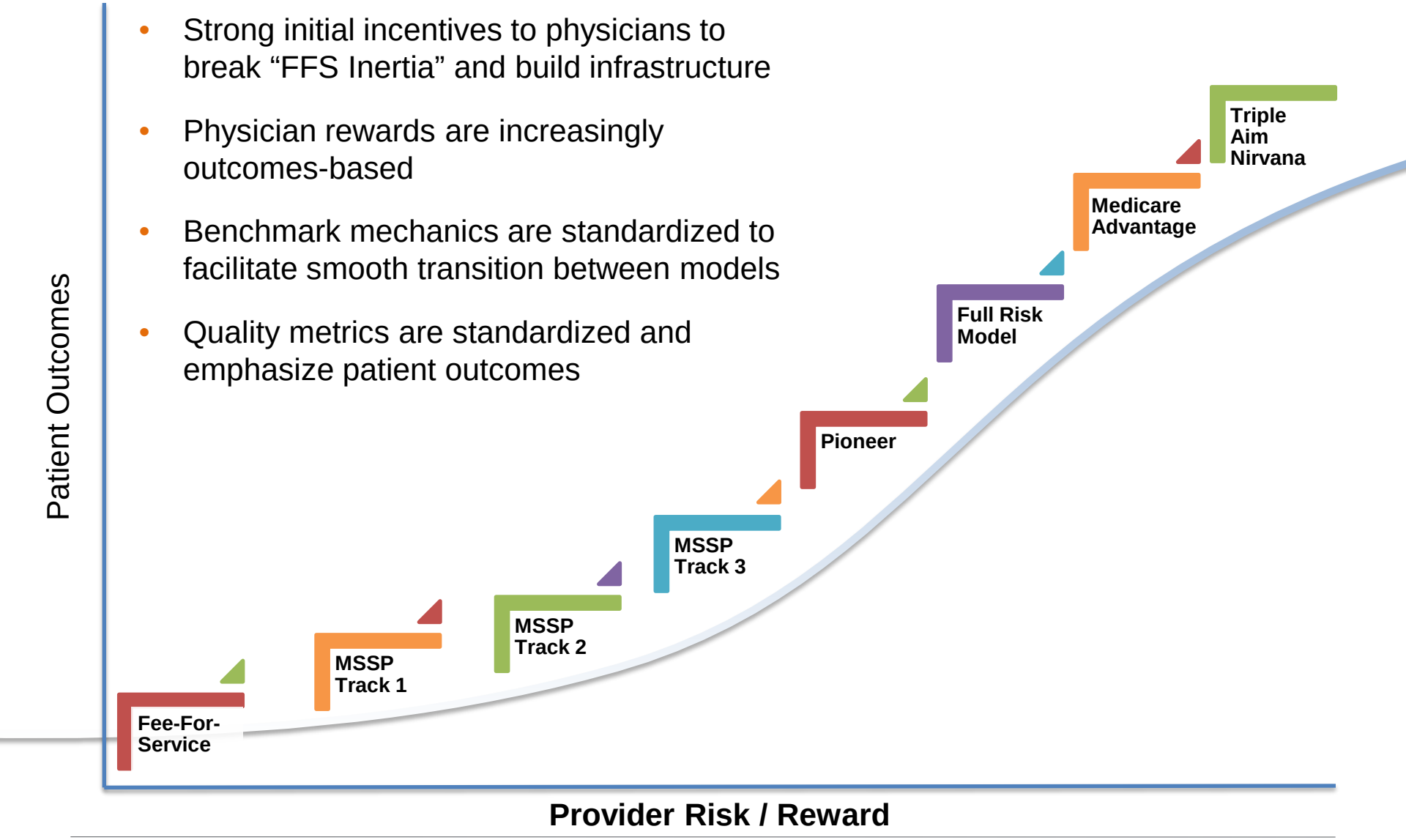
1. Quality data management
2. Patient engagement
3. Benchmark / rebasing methodology
4. Patient support/resources

Monarch Pioneer ACO

LOOKING FORWARD

The Glide Path to Accountability

- Strong initial incentives to physicians to break “FFS Inertia” and build infrastructure
- Physician rewards are increasingly outcomes-based
- Benchmark mechanics are standardized to facilitate smooth transition between models
- Quality metrics are standardized and emphasize patient outcomes



Monarch Response to the MSSP Proposed Rule

- Enhance incentives for MSSP participation and performance
- Extend one-sided contract period by 2 or 3 years
- Prospective attribution in all tracks
- Extend waivers to two-sided tracks; test in one-sided track
- Implement benchmarks using local FFS cost, local trend, and concurrent risk adjustment
- Standardize quality measurement across all senior programs
- Reward patients for engaging in coordinated care
- Support quality and price transparency to improve patient healthcare literacy and accountability