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Helping Employers Create the Future of Health Care

**COMMONWEALTH OF VIRGINIA  
PPEA CONCEPTUAL PROPOSAL**

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**JANUARY 7, 2008**

January 7, 2008

**Sara R. Wilson**  
**Director**  
**Department of Human Resource Management**  
**Commonwealth of Virginia**

Accretive Care is pleased to submit this Proposal for consideration under the Public-Private Education Facilities and Infrastructure Act (PPEA) to the Commonwealth of Virginia's Department of Human Resource Management. Our proposal is based on over two years of study of how to create meaningful value in health care for large employers and their employees. Our Solution: Provide a comprehensive range of well-coordinated services focused on helping people work with their physicians to better navigate the health care system.

We recognize that dealing with injury or disease and maintaining a healthy family are among the most important decisions your employees make. The reality is that too many of us can recall a time when we wondered what to do about a health situation involving ourselves or a loved one. When we grew frustrated at the challenges of getting clear information about treatment options, insurance coverage, or choosing a provider. When we had to repeatedly communicate the same information over and over. When we had to track our own (or our spouse's or child's) health care history and status to be sure that each doctor was working from the right information. When we wondered if the health care system was really this hard to navigate *for everyone*. We believe that there is a huge unmet need to assist, coach, explain, advise, reassure, and do the "legwork" for patients in a way that improves their care, reduces their stress, and reduces the time and hassle of navigating the health care system. We believe that by doing this, we allow people to spend less time in hospitals, to spend less time struggling through the health care system, to get better care in better settings, and to make better use of their health care benefits, which will reduce health care costs -- both their out-of-pocket payments and their employer's. And we believe that this can be done by working with physicians and other care providers in a way that helps them coordinate patient care rather than creating more complexity and fragmentation; a way that reduces the administrative and logistical burden they currently carry to get patients the right care at the right time in the right setting. And, this in turn increases employee satisfaction with this very expensive benefit that the Commonwealth provides.

The need for this service is well documented. Recent surveys of US adults shows that 96% believe that effective coordination of care from different doctors is 'very or somewhat important'<sup>1</sup>, while 20% report 'very serious' problems getting information on caring for a seriously ill, or aging family member, and 17% experienced medical tests being ordered which had already been complete.<sup>2</sup> Other research has shown that half of patients leave a visit with their physician not understanding the advice they received<sup>3</sup>, while another study reported patients were actually involved in only 9% of the decisions which affect them.<sup>4</sup> In a 2003 study, only 55% of patients had received recommended care, with little difference

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<sup>1</sup> Commonwealth Fund Survey of Public Views of the U.S. Health Care System, 2006.

<sup>2</sup> Ibid.

<sup>3</sup> D.L. Roter and J.A. Hall, "Studies of doctor-patient interactions", *Annual Review of Public Health*, 1989.

<sup>4</sup> C.H.Braddock, et. al. "Informed decision making in outpatient practice: time to get back to basics" *JAMA*, 1999.

between care for prevention, acute episodes, or chronic conditions.<sup>5</sup> More than 50% of patients with diabetes, hypertension, tobacco addiction, hyperlipidemia, congestive heart failure, asthma, depression and chronic atrial fibrillation are currently managed inadequately.<sup>6</sup> And the lag between discovery of more effective forms of treatment and their incorporation into routine patient care average 17 years.<sup>7</sup> And the pain is not only felt by patients. 42% of primary care physicians reported spending inadequate time with their patients.<sup>8</sup>

Given this situation, our company is focused on helping employees make informed health care decisions. We are the first company to commit to this model with an investment of this magnitude and a willingness to completely align our incentives with those of the employer and the employee. Our research clearly shows that existing companies in the health care industry do not have the combination of capabilities, information, tools, incentives, and patient trust required to successfully provide the services we are proposing. While many of these tools, services, and information exist, they are spread across multiple companies or divisions within a company that have few incentives to cooperate and legacy information systems that are challenging to integrate. The result is that the employee or a family member has to coordinate these resources to make proper use of them – a task for which they are ill equipped. Only a company built to bring all of these elements together for this purpose can make the commitments that we are making and succeed.

Central to our proposed IT-enabled service is our personalized health care coordination model, which provides the Commonwealth's employees and their families with a "Personal Health Assistant" to bring together the information and services they need to optimize their health benefit, stay healthier, and better use the health care system when in need. By delivering these integrated care services to patients in coordination with their physicians, we believe that we can delight the Commonwealth's employees and their families by helping to improve health outcomes, reducing stress and time away from work, and reducing their out-of-pocket health care costs.

This core service model rests upon an IT-enabled infrastructure specifically designed to support our services. This includes the technical infrastructure for our service management and the COVA Health Informatics Toolkit, which we are proposing to tailor specifically for the Commonwealth as part of this Proposal and make available to the Commonwealth even after our services contract has ended. The informatics toolkit includes a COVA Health Information Integration Platform that integrates disparate health data sources and a COVA Health Analytics Platform that supports a significantly improved understanding of the complexities underlying the Commonwealth's health benefit program. When combined with our services, this infrastructure is well aligned with Executive Orders 29 and 42 as signed by Governor Kaine.

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<sup>5</sup> McGlynn, E.A., S.M. Asch, J. Adams, J. Keeseey, J. Hicks, A. DeCristofaro, and E.A. Kerr. 2003. The Quality of Healthcare Delivered to Adults in the United States.[Comment]. *New England Journal of Medicine* 348 (26):2635-45.

<sup>6</sup> Institute of Medicine. 2003. *Priority Areas for National Action: Transforming Health Care Quality*. K. Adams and J.M. Corrigan, eds. Washington, DC: National Academy Press; Clark, C.M., J.E. Fradkin, R.G. Hiss, R.A. Lorenz, F. Vinicor, E. Warren-Boulton. 2000. Promoting early diagnosis and treatment of Type 2 diabetes: The National Diabetes Education Program. *JAMA* 284 (3):363-5; Joint National Committee on Prevention, 1997; Legoretta, A.P., X. Liu, C.A. Zaher, D.E. Jatulis. 2000. Variation in managing asthma: Experience at the medical group level in California. *Am J Managed Care* 6 (4):445-53.

<sup>7</sup> Balas, E.A. 2001. Information Systems Can Prevent Errors and Improve Quality.[Comment]. *Journal of the American Medical Informatics Association* 8 (4): 389-9.

<sup>8</sup> Center for Studying Health System Change Physician Survey

Accepting our proposal will not only multiply the value of the Commonwealth's existing health benefits for its employees by improving employee satisfaction and productivity, but will also generate significant savings for the Commonwealth over the term of the contract. The reality of today's health care system is that complexity and fragmentation quite frequently create situations where patients proceed down the wrong care path for a variety of reasons: they refer themselves to the wrong specialty, they don't understand their doctor's instructions, they don't follow the instructions for financial, cultural, or other non-medical reasons, or they don't have the resources or understanding to coordinate their care over time or across multiple physicians and other providers. As more transparency is introduced, patients and their families are likely to struggle with understanding the new information and how to use it when making important decisions. By helping patients (and their physicians) make the best choices based on the right information and incentives, while always protecting members' privacy, Accretive Care finds win-win solutions that drive both better care and cost savings. And of course all of this is done without the denial approach of managed care – the decisions always belong with the patients and their physicians. We succeed by strengthening the doctor-patient relationship while ensuring that both have what they need to make great choices.

As outlined in Section 4, our confidence in our ability to create this value allows us to fully align our incentives with those of the Commonwealth. We believe this is very much in the spirit of the Public-Private Education Facilities and Infrastructure Act (PPEA).

This Proposal offers the Commonwealth a great opportunity to provide employees with a substantial new benefit while pursuing a significant savings opportunity that would allow the Administration to redirect the savings to other valuable programs. Our proposal significantly advances the Governor's strategic priorities around improving health care within Virginia and, if accepted, would provide an innovative new way to show that Virginia remains the best managed state in the country. Ultimately, the goal of our program is to support the Governor's agenda for increased quality and information in health care while delivering a dedicated resource to their workers so they get the most out of their health benefits.

We look forward to working with the Department of Human Resource Management and others in the Commonwealth. More importantly, we look forward to serving Virginia's employees and its citizens.

Respectfully Yours,

Thomas K. Spann  
Chief Executive Officer, Accretive Care LLC

cc:

The Honorable Viola O. Baskerville

The Honorable Anesh P. Chopra

The Honorable Marilyn P. Tavenner

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## I. Executive Summary

### A. *The Situation in Employer-Provided Health Care Benefits*

Employers in the United States of America are facing a crisis of health care affordability. In 2008, the average cost per employee of health benefits will be \$8,800<sup>9</sup>, representing almost a quarter of average wages. Barring a brief respite in the mid-1990s, health care costs have grown at a rate far outstripping inflation or wage growth for the past several decades. The number of years from discovery of better treatment options and broad treatment adoption has increased to seventeen years<sup>10</sup>, despite the advancement of digital communications and the internet.

Managing health care has become a high-level executive issue for employers and also for governments, who have their own health care cost burden and constantly look for new ways to improve health care quality for their citizens while reducing the cost burden for taxpayers and employers. Governor Kaine's Executive Order 42 (2006), *Strengthening Transparency and Accountability in Health Care*, is an example of the leadership required to address these issues. Much like large employers in the private sector, the Commonwealth has recognized that urgency is required to improve health care quality – an urgency that we have responded to with this unique opportunity for a public-private partnership in the state.

The Department of Human Resource Management has effectively managed the medical benefits programs of the Commonwealth, working to balance the needs of having qualified, productive employees to serve the taxpayers, while effectively keeping costs at an affordable level. The Commonwealth has done this with the tools currently used by most employers – shifting of costs to employees, negotiating with large health plans to reduce administrative costs, and engaging large health plans to aggregate members to negotiate ever larger discounts from hospitals and doctors. Today's challenge is that these tools have largely run their course as effective ways to manage the ever rising cost of medical benefits.

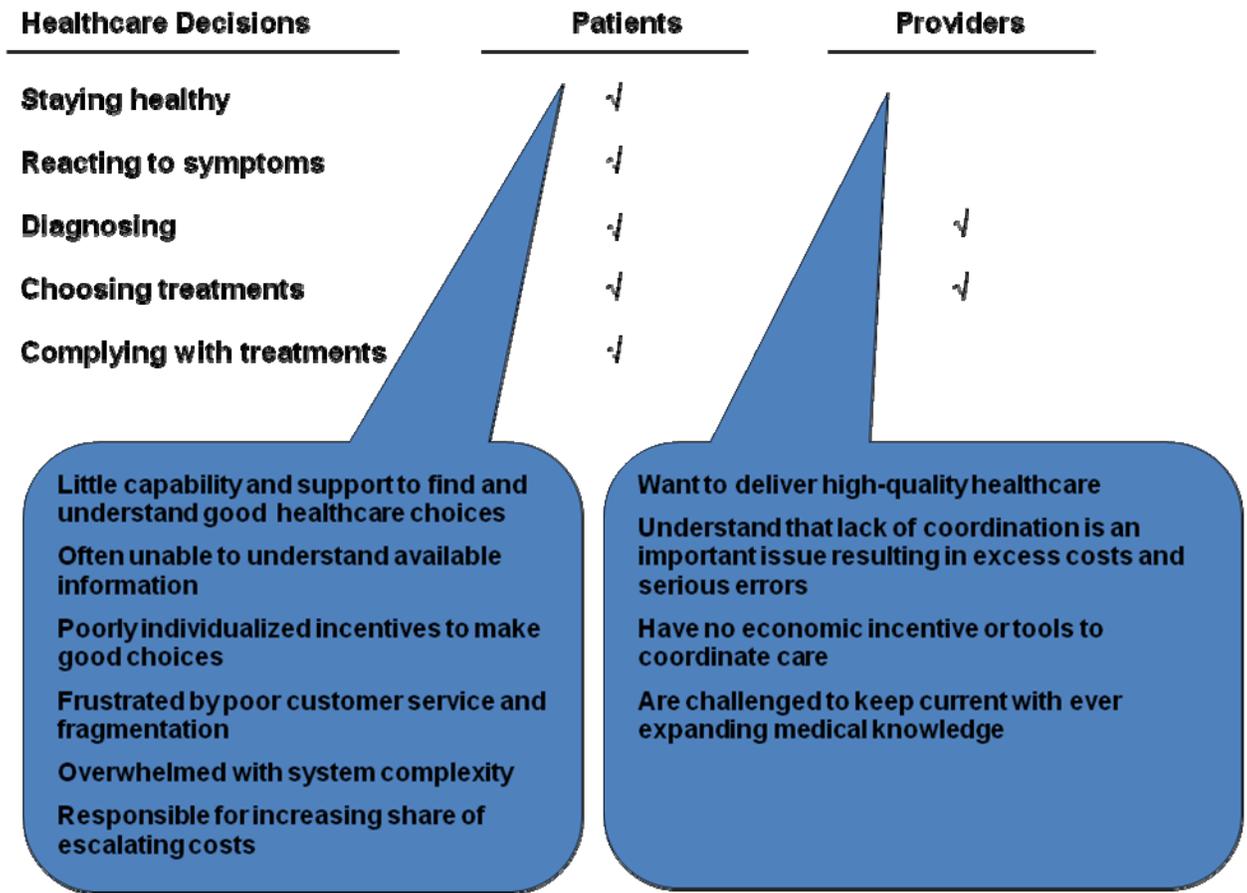
While there have been sincere efforts by large health care companies towards a new model, most efforts have been stymied by the existing ways of doing business. Investments in legacy systems and siloed processes thwart improvement despite the acknowledged attractiveness of moving to a more patient-centered model. Opportunities for the next generation of improvements can be seen in the convergence of health care delivery, information technology and increased transparency of information on quality and cost. Ever increasing demands to get more employee satisfaction and productivity from health benefits programs point to the need to adopt brand new tools and approaches for helping the real decision makers in health care – patients and providers – make the right decisions with the right information every time.

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<sup>9</sup> *Behind the Numbers: Healthcare cost trends for 2008*. PricewaterhouseCoopers' Health Research Institute.

<sup>10</sup> Balas, E.A. 2001. Information Systems Can Prevent Errors and Improve Quality.[Comment]. *Journal of the American Medical Informatics Association* 8 (4): 389-9.

**The Challenge of Making Good Decisions in a Complex System**



Patients and their doctors make nearly all of the important decisions which impact how health care is delivered and consumed. In Virginia, this means thousands of employees, representing the full diversity of Virginia’s employee population, visit with their doctors every day making decisions about the best course of action for nearly every health care condition imaginable. Each of these conversations takes place in the context of the complex, fragmented, and ever more confusing health care system which now exists in the United States. Patients have limited training or knowledge, poor information, and few incentives to make optimal health care choices. Even patients with insurance coverage at times make suboptimal decisions about their health – such as whether or not to comply with follow-up care ordered by their doctors – because of economic reasons<sup>11</sup>. Further compounding the issue is the stress and fear that often accompanies a significant adverse health event, making clear-headed decision making even more difficult. As outlined in this proposal, our services will provide a unique resource for patients who are in just these situations. Lastly, patients are frustrated by the perceived gaps in customer service they receive from health care

<sup>11</sup> “Financial Barriers to Health Care and Outcomes after Acute Myocardial Infarction”, The Journal of the American Medical Association, March 14, 2007.

administrators and often associate those systemic failures to their employer, adding to sentiments of employee dissatisfaction.

Physicians similarly recognize the peril of today's fragmented, weakly coordinated health care system and have proposed approaches for addressing the problem, such as the Advanced Medical Home promoted by the American College of Physicians,<sup>12</sup> which makes a case for the value of a central team for care coordination and for the value of patients having a primary care physician. This concept and others like it that are promoted by physicians recognize a fundamental problem – that physicians are compensated per personal consultation/procedure, not to coordinate their patients' care over time and across other specialists and providers. Even if they were to solve this serious financial issue, physicians would still not have the tools necessary to provide the required care coordination. Yet physicians' commitment to their patients means that they and their office staffs still spend a large portion of uncompensated time outside the examination room, doing critical coordination activities. By helping physicians and their staff with the time-consuming follow-up and administrative work required to deliver high-quality longitudinal care, Accretive Care's services will allow them more time to serve patients in a way that best uses their unique skills and training.

**Monica: Beating cancer without the run-around**

When you're dealing with breast cancer, you're dealing with pain, fear, fatigue and multiple doctors, clinics and specialists. That's the case with Monica. While her prognosis is good, she's being pulled in several directions by her surgeon, radiation oncologist, oncologist and gynecologist. They all want the best for her, but they all want tests and more tests, including the same blood tests. Monica knows the information is important, but she's starting to feel very much out of control. She calls Karen at Accretive Care.

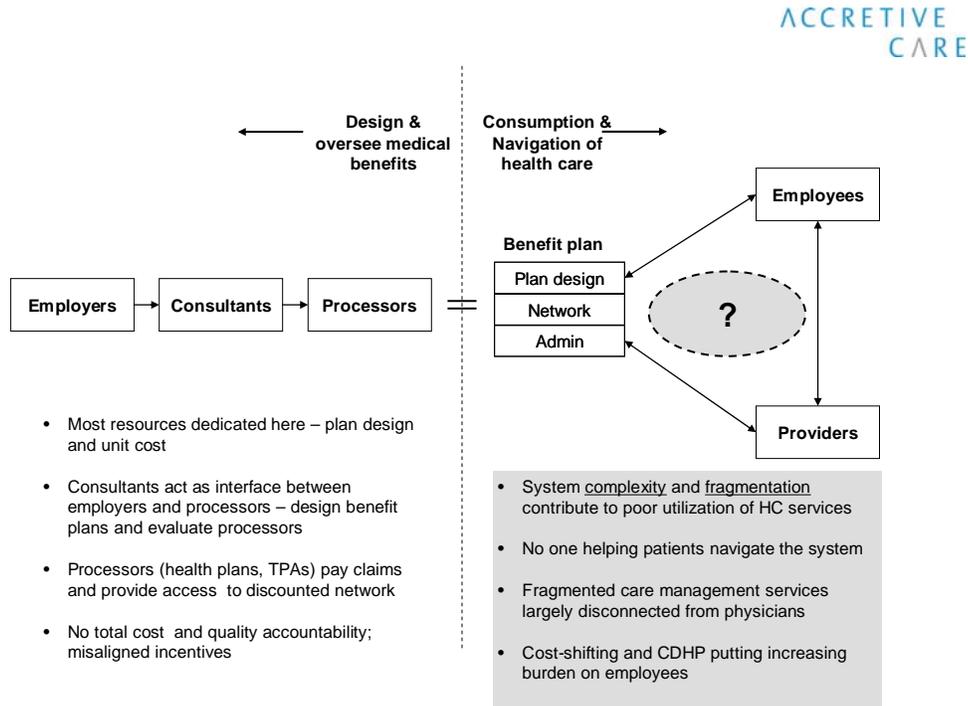
As a Personal Health Assistant specializing in cancer, Karen contacts and coordinates with Monica's doctors, specialists and clinics to make sure everyone receives records, test results and diagnostic information as soon as it's available. As a result Monica's doctors were able to cancel repetitious tests and begin treatment more quickly. Karen has become an integral, caring part of Monica's treatment team. And as a cancer survivor herself, Karen knows the earlier Monica begins treatment and the more control she has over her disease, the better her outcome will be.

Today there is a very real gap in the existing health benefits solutions – a lack of an integrated resource to help members navigate their encounters with the health care system. For valid reasons of limited expertise, poor information, and a respect for employee privacy, employers have been hesitant to deal with the real drivers of health care costs. Lacking a trusted source of counsel, 44% of Americans report that they have ignored a prescribed course of treatment which they felt to be unnecessary or overly aggressive<sup>13</sup>. This is exacerbated by the failure of 1990's style managed care, where denial of payment for care and intervention in the doctor-patient relationship created huge dissatisfaction with the rightful decision makers (doctors and patients) and created a distrust with health plans that still exists today.

<sup>12</sup> "The Advanced Medical Home: A Patient-Centered, Physician-Guided Model of Health Care", The American College of Physicians policy paper, January, 2006.

<sup>13</sup> Wall Street Journal Online/Harris Interactive Health-Care poll, March 15, 2007.

**Fundamental Resource Gap**



Proprietary & Confidential

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Much to the surprise of many employees, large employers (including the Commonwealth) are fully responsible for paying the bills associated with the health care services used by their employees and their families. These employers utilize “insurers” (large health plan corporations) to provide administrative services and negotiate favorable discounts with providers. In the post-managed care world, employers have focused these vendors on driving down administrative costs and providing a broad network with attractive unit cost discounts. This has driven the insurance carriers to aggregate membership (what the industry refers to as ‘covered lives’), largely through industry consolidation. None of these procurement approaches used by large employers have incented the large health plans to drive meaningful improvements in health care utilization and quality – in fact quite the opposite. These practices have incented large insurers to further drive down costs by spending less time with patients and to further alienate providers by demanding greater and greater price concessions. What programs do exist to manage utilization are still priced in a way that rewards low cost over great outcomes and results in highly fragmented programs that further complicate things for patients when they most need a place to turn for help.

The Commonwealth of Virginia, like other innovative large employers, has made real efforts to proactively improve its health benefit programs. The *CommonHealth* program, which has been offered for over 10 years, creates incentives for members to seek preventive care. It also affords members a set of wellness services focused on keeping members healthy. These important programs improve the lives of the employees who use them. The problem is that many who should use them do not. Employee awareness and engagement remain a challenge

for the best programs. We believe that these types of programs should be part of a broader set of services delivered to employees in a cohesive fashion that help them to actively engage in their health, participate in relevant valuable programs, and take advantage of the excellent benefits the Commonwealth provides. We see an opportunity to offer these benefits in a highly coordinated manner as the next generation of what the Commonwealth currently offers.

## ***B. Our Proposition***

Accretive Care is offering new capabilities to guide employees, their families and their physicians to personalized, high quality health care while addressing the fragmentation and complexity inherent in today's health care "system". Our proposal calls for the establishment

### **Jill: Good call on dangerous situation**

Jill is a busy career woman, and her upcoming routine surgery hasn't sidelined her a bit. What she doesn't know is while she's taking care of business, Accretive Care is busy taking care of her. Raymond, her Personal Health Assistant, gives her a call to make sure she's all set to go.

Knowing that herbal and over-the-counter medicines are often under-reported in pre-admission forms, he inquires about those supplements and medications. Jill remembers she takes a multi-vitamin and St. John's Wort, an herbal supplement for stress and anxiety. Herbals can cause complications such as internal bleeding, clotting, and interference with anesthesia—life threatening situations. With Jill's permission, Raymond contacts her doctor, surgeon and anesthesiologist so, along with Jill, they can all take appropriate precautions.

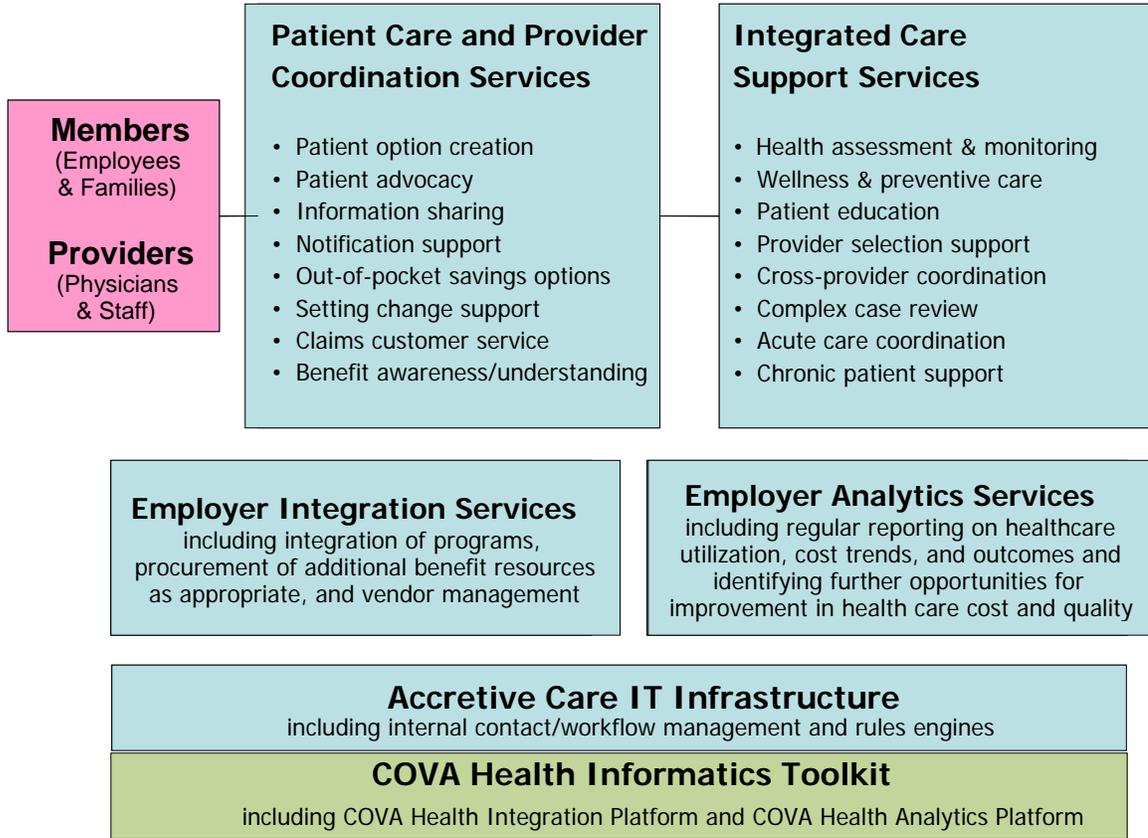
Jill realizes that no matter how routine the surgery might be, she's safer and smarter with Accretive Care.

of a dedicated center of over 150 care coordination and member services professionals as well as the implementation of an intelligent informatics toolkit that integrates disparate health data and provides a lucid view into the Commonwealth's benefits program. This solution integrates several best-of-breed components and capabilities with Accretive Care's unique member-centric health information management approach. We have integrated four discrete subsystems to produce actionable insights and measurable results from raw data sources such as medical and pharmacy claims, health risk assessments, personal health records, and 3<sup>rd</sup>-party information such as provider and facility quality and efficiency measures. Unique to Accretive Care's solution is the alignment of our member engagement model with traditional member health information, providing an unprecedented view into the most effective ways to support the comprehensive well-being of each member

and their families. This perspective allows Accretive Care to tailor the timing and content of information provided to members in ways that best inform the personal health decision-making of each member. Such a system will demonstrate tangible progress against many of Virginia's goals in health IT: to improve health care administrative information sharing and to show that investments in health IT lead to lower costs and higher quality. In the longer-term, these benefits will spill over into the rest of the Commonwealth's health system by improving provider care patterns and coordination. Through these significant improvements in the Commonwealth's system of care, Virginia will reinforce its recognized leadership and innovation in health care and health IT.

We have outlined in the diagram below the set of services (the “Core Services”) and informatics capability (the “COVA Health Informatics Toolkit”) offered to the Commonwealth in this Proposal.

**Accretive Care Offering**



We provide patient care coordination and provider coordination services and support to members, patients and their providers, for a wide variety of health benefits and care situations. In practice, Accretive Care is a customer service company whose members have a Personal Health Assistant who works for them and their family to make using health benefits and getting the right care the first time easier. Members can get answers to questions about benefits coverage, claims payments, care choices and treatment options. Personal Health Assistants are supported by teams of claims, clinical and shopping specialists as part of our integrated care support services. We provide services designed to meet needs of providers as well as members. We share the goal of doing the right thing at the right time for patients, and recognize that well informed patients make better choices and are more likely to follow the directions set by their physicians. We also provide assistance with many of the logistical and paperwork aspects of healthcare which relieve some of the burden for both patients and office staffs. We believe that the whole situation facing a patient – including family, financial, cultural, psychosocial and medical dimensions – all play a part in helping a person make smart and appropriate choices. The Personal Health Assistants on the frontline of serving members will be trained, coached and

evaluated on their ability to serve members across this range of considerations. Backing up the core coordination services, we have a host of Integrated Care Support Services with clinical professionals trained in acute case coordination, chronic patient self-support, and disease avoidance. We also have a cadre of deeply experienced partner organizations whose skills and services can be brought to bear for the Commonwealth in areas such as expert second opinions for the most challenging cases. And of course we look forward to working with the Commonwealth's Plan Administrator, Anthem, to help Commonwealth employees make the most of Anthem's strong capabilities in many areas. Accretive Care will raise members' awareness and utilization of Anthem's network providers and specialty programs for the benefit of Virginia's employees and their families.

**Janis: A \$440 mystery bill...solved and resolved.**

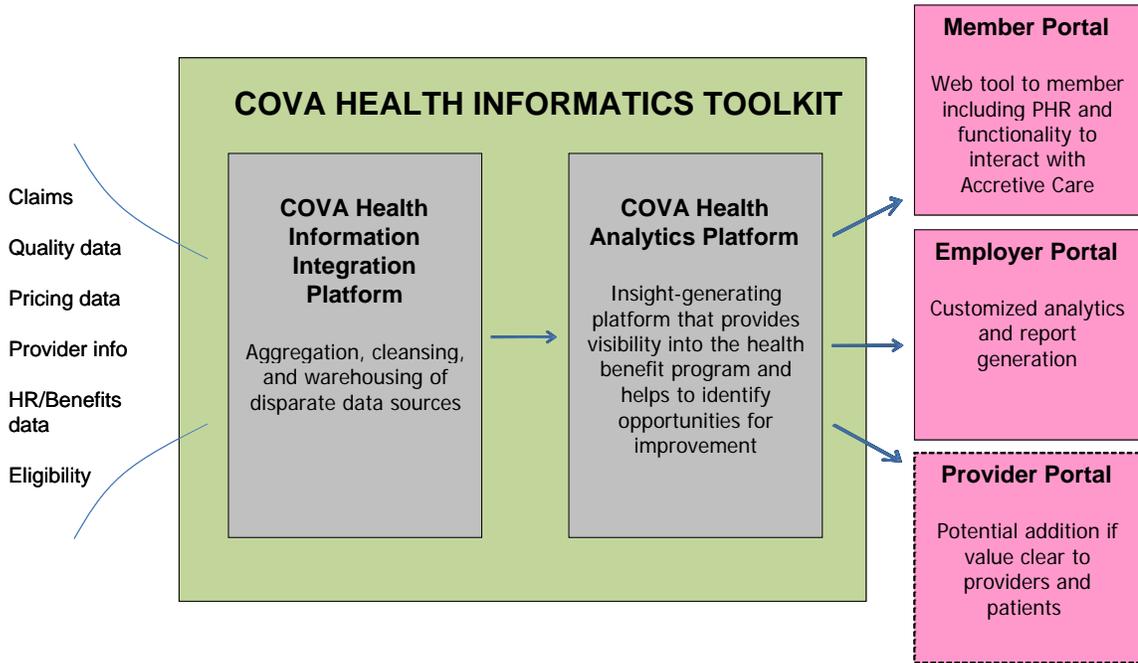
Janis was shocked when she came home to find a collection notice. She has always prided herself by paying her family's bills promptly and establishing a stellar credit rating. The \$440 bill in question was for part of a procedure that was performed at her community hospital a few months ago. It was the first time she'd heard of this bill. And right before the holidays was a tough time to find an extra \$440.

With three active children, a husband and a busy job, Janis didn't want to spend hours on the phone tracking down the problem, so she called Accretive Care to help her sort it out. After she explained the situation to Cecilia, her Personal Health Assistant from Accretive Care, Cecilia got to the bottom of it. Turns out the insurance company never received the claim, so the hospital had never been paid, and after several months, the collection notice arrived.

Since Cecilia straightened everything out, the hospital has been paid, Janis has received the benefit she had earned, and she kept her good credit rating intact.

Underpinning each of these services are two service modules focused exclusively on the employer. The first is our employer health integration services, which provide support in identifying, evaluating, and integrating the full range of services available to employers that help employees and their families get better care. This includes integrating these services with our services and across existing programs (e.g., the *CommonHealth* and *Healthy Virginians* programs). The second is our employer health analytics services, which aid employers in understanding what is actually happening regarding cost and quality within their health benefit program by providing real insight into population health drivers, care quality, and cost trends. This analytical service is also the fundamental backbone to the insight generation process in that it allows us to identify additional opportunities for improvement and then track progress.

**COVA Health Informatics Toolkit**



We will supplement the Accretive Care analytics and information technology infrastructure with a unique IT-enabled benefits management infrastructure for Virginia – the COVA Health Informatics Toolkit. As depicted in the diagram above, this includes the COVA Health Information Integration Platform and the COVA Health Analytics Platform. The Integration Platform enables the intake of critical health data essential to advancing the Commonwealth agenda established in Executive Order 42 (2006), *Strengthening Transparency and Accountability in Health Care*. As quality and pricing information are collected, organized and verified in efforts throughout the Commonwealth, the COVA Health Informatics Toolkit will help put this information in the context of Virginia’s employee population and enable Accretive Care to assist members to interpret and apply the relevant information for their situation. It also provides the bridge from third parties including Anthem and Medco into a data warehouse that can be used by both DHRM and the Accretive Care Core Services. On a regular schedule, medical claims and provider data from Anthem, pharmaceutical claims data from Medco, price and quality data from Commonwealth-wide transparency initiatives, and HR and eligibility data from DHRM will be transferred to Accretive Care in a secure, confidential manner, formatted for the Commonwealth’s purposes, and used to extract information and insights which will be used to serve the interests of members, in specific, and the Commonwealth in general. Using this integrated data, the COVA Health Analytics Platform delivers the tools necessary to make DHRM more effective in understanding and managing the medical benefits for all Commonwealth employees, including the analysis of health care utilization, population trends, plan performance, and costs in order to target opportunities for improvement. As these capabilities become regular features of the Virginia’s health-IT landscape, the power of

public-private partnerships, price and quality transparency, and information sharing will converge to lower costs and improve quality across the Commonwealth..

The purpose-built collection of Virginia-specific tools, linked to the Accretive Care Core Services Platform is necessary to resolving the fragmentation and complexity issues inherent in the current medical benefits system, and to capturing the benefits described above. We are proposing to deliver services which are not today available under a single, accountable model. To succeed, we must integrate the information generated and used by today's more fragmented services in a way that is confidential, patient-centric and easy to navigate. This will also provide the added benefit to the Commonwealth of a way to look at population health issues of its members while maintaining the strict privacy of individual members.

### *Clarifying our Role*

For clarity's sake, it is important to note what we are not:

- We are NOT care providers. We will strengthen the relationships between physicians and their patients by encouraging primary care use, helping patients understand physician instructions, and helping both come prepared to each encounter with the right information and questions.
- We are NOT a health plan. We will not perform claims adjudication or payment, provider network negotiation, or risk bearing/underwriting. We will work closely with your existing health plan vendors, primarily Anthem, to ensure that we are well-integrated with the functions they deliver for the Commonwealth.
- We are NOT in the business of denying care or limiting care quality. We believe that there are plenty of opportunities for helping patients make better decisions that result in better care and lower costs and that the two goals are complimentary. In fact, there will be situations where *more* services are utilized as a result of our activities.

Our mission is entirely focused on improving health care for the people we serve – your employees and their families. We will not hesitate to influence members and physicians to spend more money when that is the right thing to do for that patient. We are confident that over the size of your member population and the length of the proposed contract, this approach will result in better decisions that avoid serious problems and get patients healthier faster, which means that they are consuming less health care resources.

**Arthur: A better recovery at home**

Arthur's having a hip replacement early next month. He's reviewed his coverage and procedure with Accretive Care, and he's ready to go. Rita, his Personal Health Assistant wants to check in one more time to make sure everything's set.

Getting to and having the surgery are just the first steps. Rita realizes Arthur may have a few logistical problems when he gets home. For example, stairs to his second-story bedroom will be a problem, so Rita arranges for a hospital bed to be delivered to the main floor. With a few pieces of rented equipment, Arthur may be able to do some of his physical therapy at home. After conferring with Arthur's doctor, they agree that depending upon Arthur's progress, he may be able to go home and begin his recovery earlier.

Sounds good to Arthur and to his wife, who get to avoid both hospital visits and potentially a few too many trips up and down those stairs.

Rita sends Arthur off to his surgery suggesting that he use a red washable marker to write "wrong hip" on his good hip, a suggestion Arthur now takes more seriously having heard it earlier from his primary care doctor.

And of course we will do all of this with complete respect for member privacy. Our privacy and security policies have been written with the intent of not only complying with all applicable laws related to the privacy of personal health information, but with an understanding that earning the trust of our members every day is paramount.

### ***C. The Opportunity for the Commonwealth of Virginia***

This proposal is simply about serving the Commonwealth’s employees and their families. We believe that there is no greater opportunity than the opportunity to help others, especially on an issue as emotional and meaningful as health care. Accretive Care will significantly improve members’ health care experiences by:

- Helping members to understand their health, their benefits, and relevant care options
- Providing valuable, timely information and resources to inform their decision making
- Helping them overcome the non-clinical obstacles to getting the right treatment in the right setting at the right time
- Supporting members as they struggle with making changes and being compliant with their treatment as prescribed by their physician
- Allowing them to feel more confident that they are making the correct care choices

As a result, these members will:

- Spend less time worrying about how to navigate the health care system,
- Save money on co-payments for services that are not what they need or want at that time
- Lead healthier and more productive lives

**Dale: He’s not fighting cancer alone**

It’s a tough time for Dale. He’s just been told he has soft-tissue cancer in his neck—an uncommon and unlucky condition. Before he can react to the news, appointments are set up for him to meet with oncologists and specialists and to set up tests. But to Dale, it’s all a blur.

After a few days, Dale realizes he has more and more questions about his cancer, his diagnosis, plans for treatment, and likely outcomes. He calls Accretive Care; maybe they can help him better understand his situation. Dale is pleased to learn he not only has Richard, an assigned Accretive Care Personal Health Assistant, but he also has a team of people who are knowledgeable of his type of cancer.

Liz, an RN by training, walks Dale through his upcoming oncology visit and emails him a list of questions that he might not remember to ask. She also lets him know that, because of the rarity of his condition, Accretive Care can make sure that he and his doctor are able to consult one of the state’s leading experts on his particular cancer. And she reminds him the Accretive Care team is there to help him and his care providers through this challenging time.

We are excited by what we can do for your employees and are confident that they will be great advocates for us once they have tried our services.

While employees will love this service, the Commonwealth and its citizens are also significant beneficiaries. More coordinated, higher quality and less fragmented health care costs less. The Commonwealth of Virginia currently spends approximately \$700,000,000 per year to provide employee medical benefits to nearly 200,000 members, which includes approximately 93,000 enrolled state employees and their covered family members.<sup>14</sup> As Section 4 makes clear, our plan releases funds that would have been paid for (unnecessary) health claims but was saved through our efforts during the proposed five year term of engagement.

<sup>14</sup> Commonwealth of Virginia Annual Health Benefits Reports

These are funds which can be redirected to high priority initiatives, an opportunity particularly important in times of scarce discretionary resources. The advantages for employees highlighted above translate into additional value for the Commonwealth. Less time worrying about health care choices and better health care results mean more time and attention on the job, and hence, better services for citizens. Finally, this will make the Commonwealth a more attractive employer because of the additional benefit of the proposed services.

Further, we believe that this opportunity has significant economic development benefits for the Commonwealth. Most directly, more than 150 new, highly-skilled jobs will be created for Virginians and the Commonwealth will provide strong evidence of its continued differentiation as a great place to do business. Having proven the opportunity to grow employee satisfaction while lowering health care costs, Virginia will be positioned to further extend these benefits to other public sector beneficiaries and to work with Virginia-based private sector businesses to leverage the experience and provider relationships established by this work for the Commonwealth. This virtuous cycle would lead to further job creation for Virginians and improve the competitive positioning of Virginia as employers decide where to create jobs. Lastly, it is our intent that our operations center in Virginia will serve not just the Commonwealth but other regional businesses as Accretive Care grows, creating even more jobs in Virginia.

Accretive Care's offering is also beneficial for the Commonwealth's hospitals and physicians. Our team will help orchestrate critical information flows across providers that will close gaps in care and reduce their administrative burden. We will help resource-constrained hospitals, physicians, and their staff by taking on work associated with patient follow-up and non-clinical coordination functions. We believe that this creates additional benefits for all who use Virginia's hospitals and other health care providers. Finally, while our services alone will not be able to deliver nearly all the benefits of the Electronic Medical Records programs the Commonwealth is pursuing, we believe that such capabilities will enhance our ability to create the value we describe here and that our services may encourage more rapid adoption of such technologies in the Commonwealth.

In sum, this Proposal represents an opportunity for the Commonwealth to achieve not only higher levels of employee satisfaction and productivity, but significant secondary benefits for all Virginians.

#### ***D. Rationale for Using a Built-For-Purpose Approach***

Accretive Care is being built for the specific purpose of creating the value we describe in this proposal – helping large employers' employees and their families make better health care decisions and benefit from more coordinated health care. Accretive LLC (our founding investor) has built their outstanding track record in starting new companies on the unique advantages of starting with a "clean sheet of paper". We have numerous advantages over organizations not expressly built from the start to do what we are proposing to do:

- 1. Building a relationship of trust with your members and their providers.** Critical to effectively serving the Commonwealth's employees is developing a relationship built on trust – if they don't trust that we will do the right thing for their family every time, then we will not get the engagement we need to deliver the results we are targeting. Unfortunately, consumer research confirms that health plans are hindered by a level of distrust that has developed over decades. For example, a Harris Interactive poll conducted in late-2006 showed that the health insurance industry is one of the least trusted industries by consumers, only topped by the oil and tobacco industries.<sup>15</sup> Since our model as an independent company accountable for employee satisfaction is focused on helping members and providers without taking away benefits, we are uniquely able to create a truly positive relationship with your members and their providers.
- 2. Focus on the large self-insured employer market.** Our business is solely focused on serving large employers and their employees. Companies that make most of their revenue and profit from fully-insured business will choose to invest in that market when allocating internal capital and management attention, limiting their ability to be the best at serving the large self-insured employers. Companies that focus on smaller employers will find it difficult to attract the talent to handle the unique integration, scale, and compliance demands of working for large employers. Finally, companies that provide niche disease management or advocacy services and attempt to serve both health insurance companies and employers have already demonstrated the channel conflict that hinders their ability to deliver a truly integrated resource to patients. Our exclusive focus on this market allows us to always do what is right for our customers and their employees, without worrying about conflicts and competing demands.
- 3. Turning patient interactions into relationships.** Self-insured employers have driven the large health insurance corporations to focus on two things: amassing more members ("covered lives") to get better network discounts and lowering administrative costs. The efforts to reduce administrative costs have actually resulted in companies *talking to patients as little as possible given contracted service levels. This clearly does not incent building a relationship.* The existing economic models of disease management and other niche support companies are similarly structured around a fixed amount of revenue per member per month ("PMPM"), a model that motivates these companies to minimize costs to make a profit. All of these companies have understandably worked hard to get people to use Interactive Voice Response, the Web, and other less expensive interaction channels. Conversely, our built-for-purpose model would leverage state-of-the-market technology to enable and encourage a high-touch, person-to-person interaction. Other companies would face a massive cultural, technological, and process transformation to reach our level of high-touch service. We believe that talking with patients (through whatever channels work best for each person) will give us earlier and more frequent opportunities to help them. We are focused on building relationships with employees and their families, not completing transactions. We will build a team in Virginia that is dedicated to serving

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<sup>15</sup> Harris Interactive Inc.; *The Harris Poll*, October 24, 2006 (#78).

- the Commonwealth's employees, so each employee and their family can build a relationship with their Personal Health Assistant over time. We are proposing to staff three to ten times more qualified professionals in our contact centers than in typical health plan and disease management interventions. We will invest as required to deliver this unprecedented level of high-touch service to the Commonwealth because it is critical to creating the relationship of trust and delivering the promised value.
4. **A powerful new combination of talent, metrics and culture to deliver.** It makes sense that if you are in the insurance business, you build a team to be the best at that. If you are in the information technology business, you build a team to be the best at that. And so on. To tackle a challenge as vast and complex as integrated care management requires a fresh set of ideas and systems. Transforming from being in one business to another is much more risky and problematic than building for purpose because everything -- the executive team, the metrics, the culture, and the people (the most challenging of all) -- needs to change. Our team, including our financial backers, board of directors, and management, has significant expertise creating built-for-purpose companies that have delivered superior outcomes for large enterprises. Each one of these "never been done before" ideas required truly world-class executive teams assembled just for the business being built. Our executive team brings a wealth of experience in the health care industry, in serving large employers, and in each of the critical functions required to deliver our value proposition to Virginia's employees.
  5. **Aligned processes & systems.** Existing organizations also need to re-think their processes and systems if they want to get new outcomes. Once you have an investment in large legacy systems this is a huge challenge, further hindered by the unique difficulties of integrating health care data and processes within existing systems. By designing from a clean sheet of a paper, Accretive Care is largely unhindered by legacy systems issues, disparate acquisition strategies, or the complexities of getting different pieces of large organizations to work cohesively.
  6. **Full alignment of interest.** Our fully at-risk proposition means that we are completely aligned with the goals of the Commonwealth and its employees. We will not get paid unless we successfully drive improvements health care costs and employees are satisfied with our services. This guarantees that the Commonwealth only pays for success, rather than paying fixed fees that fail to incent the bold investment required to truly impact health care. Existing organizations, particularly those focused on making quarterly earnings targets, are unable to change their business model to consistently align their incentives with their clients.
  7. **A fresh approach to engagement.** Unlike traditional health care companies, our core competency is customer service. We understand that we cannot create the value for your members and for Virginia's taxpayers if we cannot leverage the demand creation principles of consumer marketing to encourage and incent members to try us and to engage with us as we work to improve their health and save them time and money. We will use proven market segmentation techniques to drive awareness of

their individual need for our assistance at the relevant time and promote ongoing engagement with their Personal Health Assistant. This approach will lead to much broader engagement of the member population in using the services the Commonwealth currently provides to help them make more informed health care decisions.

For all of these reasons, we believe the best and lowest-risk approach for delivering the results we propose is a built-for-purpose company. Accretive Care gives the Commonwealth the best chance for successfully delivering this solution to its members and their physicians. We firmly believe that the lowest risk approach for delivering these services is to start from a clean sheet of paper. None of the existing health organizations were created or optimized to deliver the value and benefits we propose. Experience has shown many times over that “re-purposing” a large successful company is much more difficult, much less predictable, takes far longer, and hence is much riskier than building from scratch.

## II. Qualifications and Experience

In the Executive Summary, this conceptual proposal outlined the case for using a new company built expressly to deliver the services we are proposing: that this approach will not only create the most value but is substantially lower risk than trying to transform a company built for a different purpose. So our qualifications and experience rest on two foundations – the experience and track record of Accretive, LLC in creating new built-for-purpose companies, and the qualifications and experience of the Accretive Care leadership team. In this section, we explain why we believe that you will not find more proven and experienced investors to found and build a company to deliver the proposed services, nor will you find a leadership team more qualified for the particular task at hand. The team we have assembled not only gives us great confidence in our ability to deliver something great for the Commonwealth of Virginia, but creates a very exciting opportunity to make a difference for health care in this country.

Accretive and its leadership team have an extensive track record of building companies that generate significant value for large enterprises through business process improvement. This track record includes a number of built-for-purpose companies quite analogous to Accretive Care. In each of these situations, the Accretive team has not only been highly successful at building companies that have tackled some of the most complex business problems, but they have developed and refined their formula for building such companies to the point where it is a validated and proven engine for success.

A cornerstone to the Accretive strategy when building these companies is an unyielding commitment to attracting world-class talent. Applying talent with the skills, experience, and passion to solve a complex problem is the key to building a business that will make each client successful and create a business that not only sustains its first-mover advantage, but continually extends its differentiation from the inevitable imitators. To that end, Accretive Care has built an outstanding team that brings decades of relevant experience to the table. We have assembled an executive team with significant expertise serving large enterprises on large-scale change programs that have resulted in excellent outcomes. Our executive team also includes leaders from within health care that have repeatedly built health benefits solutions that have improved employee experiences while reducing the cost of care. These executives have an intimate understanding of how to educate, influence, and improve care and how innovative benefit solutions are best designed. We have also complemented this industry know-how with functional expertise from other business disciplines such as customer care, IT, consumer behavior science, and analytics.

Together, Accretive LLC and the Accretive Care executive team have a rich history of launching successful new businesses that create meaningful change in complex problem areas for large enterprises. The following is a summary of the specific qualifications and relevant experience.

## ***A. Background on our Investors and Founding Partners, Accretive LLC***

Accretive, LLC (“Accretive”) was founded in 1999 by J. Michael Cline after a highly successful career at General Atlantic Partners, the largest IT-focused private equity fund. Accretive’s investment strategy is based on the view that highly successful companies deliver solutions that create significant value for their customers. Further, these solutions should focus on problems that are particularly difficult to solve but represent opportunities for very meaningful improvement in outcomes if change can be achieved.

The Accretive team proactively identifies such areas and then conducts extensive customer-focused primary research to fully understand the nature of the problem. Through such a process, the investment team develops a thesis around how the combination of technology, process expertise, and world-class executive talent could be appropriately levered to drive significant improvement against the specific issue under scrutiny.

The team then searches for companies which demonstrate the defined thesis. When a company exists that matches the thesis, Accretive will seek to make an investment in such company. From time to time, structural market dynamics create a situation where a matching company does not exist, in which case Accretive will found a built-for-purpose company.

Central to every Accretive investment is the ability to create value for customers well above and beyond any available market alternative, a concept Accretive calls Value Edge™. Each and every Accretive company drives significant outcomes for its customers, typically utilizing unique delivery models. These outcomes are usually not purely financial but often incorporate service quality and satisfaction measures. Another cornerstone to the Accretive philosophy is a commitment to delivering outcomes, which often manifests itself in unique deal structures that align incentives and allow clients and the company to share in the value created.

Having researched the issue of rising employer health care costs for over two years, the Accretive team became convinced that an opportunity exists to significantly improve health care for large employers in the U.S. The team was convinced that fundamental consumption patterns could be significantly improved in a way that members would find beneficial and thus positively impacting on employee satisfaction. Further, such change would also result in a substantial reduction in costs over the long-term. This led Accretive to found its latest built-for-purpose venture, Accretive Care, which is now offering the Commonwealth the opportunity to be a partner in a historic transformation of health care.

## ***B. Creating Value for Large Enterprises: Select Accretive, LLC Case Studies***

We have included detailed case studies of prior Accretive LLC companies in the Appendix. Below is a high-level summary of the business improvements driven by each company for its customers.



- Built-for-purpose company
- Serves the nation's leading non-profit hospital systems
- Takes full scope responsibility for all people, process, and technology related to revenue cycle management within a hospital
- Triples profitability for the average hospital, improving financial health and allowing for reinvestment in improving patient care



*Process Excellence, Proven Results*

- Built-for-purpose company that revolutionized HR administration
- Served over 600,000 employees of leading Fortune 100 companies including BP Amoco, Circuit City, International Paper, and Bank of America
- Lowered HR administration costs up to 50% while allowing client HR organizations to re-focus on talent management
- Consistently improved service quality



- Market pioneer and leading provider of at-home contact center solutions
- Utilizes a network of 4,000+ highly skilled at-home agents
- Serves leading, brand-dependent Fortune 100 companies where customer satisfaction is key
- Customers include Apple, Barnes & Noble, AIG, AAA, and Walgreen's
- Improves core service metrics such as customer satisfaction and average order values 20+% while offering a lower cost solution



- Integrated health management provider offering Coordinated Health/Care™ services to small to medium sized employers
- Provides a single point of contact for patients and providers and extensive coordination resources to help de-fragment the health care system
- Has kept client costs trends below 5% for past several years without negative plan design changes or denying care
- Serves as a proof-of-concept in support of the Accretive Care model

### ***C. Executive Team Bios***

#### ***Thomas K. Spann – Chief Executive Officer***

Tom is the Chief Executive Officer of Accretive Care. He was previously a Senior Managing Partner at Accenture where he led the North America Products Group, a \$2 billion+ revenue, 10,000 employee operating unit that served clients in the Health & Life Sciences, Retail, Consumer Goods & Services, Automotive, Industrial, and Travel & Transportation industries. Prior to that role, Tom led the Health & Life Sciences operating unit through a period of rapid growth. Tom also led the Pharmaceutical and Medical Products practice, was President of the Accenture Foundation, and served on Accenture's CEO and Board Nominating Committees during his 26-year career there.

In his tenure at Accenture, Tom specialized in shaping and leading large-scale enterprise change programs. He played a significant leadership role in several pharmaceutical industry start-ups, most notably Astra-Merck where he led the Accenture relationship that helped this client grow from a one-employee joint venture to today's AstraZeneca in the U.S. Tom also led the founding of a number of new businesses in Health and Life Sciences at Accenture, including what are today the largest clinical data management BPO company, the largest provider of outsourced claims, enrollment, billing, and other health plan back office operations, and the largest provider of outsourced back office services to the pharmaceutical industry. In the public sector, Tom led the Health and Life Sciences business to some significant work on important programs such as the Chronic Care Improvement Pilot Program for CMS (Medicare), the National Health Information Network Pilot Program for the US Department of Health and Human Services and the West Virginia Health Information Network (WVHIN), among other federal and state programs to improve health care quality and lower unnecessary costs.

Tom holds a B.S. in Economics from the Wharton School of the University of Pennsylvania and is on the Advisory Board of the World Heart Organization.

#### ***James C. Madden, V – Chairman of the Board***

Jim is a General Partner with Accretive, LLC. Previously, Jim was the Founder, Chairman and Chief Executive Officer of Exult, the innovator and market leader in Human Resources Business Processing for Global 500 corporations. Exult operated client service centers in the U.S., Canada, U.K., and other countries, enabling some of the world's largest businesses to enhance their human capital productivity, reduce costs, streamline processes and provide superior HR services to their employees. Clients include such leading Global 500 corporations as BP, International Paper, Prudential, Bank of America, Tenneco, and Bank of Montreal.

In a mere five years, Exult became the most widely-recognized HR processing company in the world growing from zero to \$500 million in revenue with over 2,000 employees. In 2002, Deloitte & Touche ranked Exult 9th on its list of the 500 fastest growing U.S.

companies. Exult has serviced more than 600,000 employees. Jim led the company through a successful IPO in 2000 and a merger into Hewitt in 2004.

Jim currently also serves on the Board of Directors of TriNet, a leading HR technology services firm, and Genpact, a \$500 million global technology services firm. He is also Vice Chairman of the Board of Directors of the Hoag Hospital Foundation and a member of the Hoag Strategic Planning Committee.

*J. Michael Cline – Board Member*

Michael has over 15 years of private equity investing experience and is the Founding and Managing Partner of Accretive LLC. Prior to founding Accretive in 1999, Mr. Cline spent 10 years at General Atlantic Partners as General Partner where he played a significant role in building them into the world's largest private investment firm focused on software and business services.

Michael has had extensive experience with start-ups and high-growth enterprises over his highly successful career as a private equity investor. He has co-founded four successful built-for-purpose companies (Exult, Xchanging, Fandango, and Accretive Health) and has led countless companies through periods of rapid expansion as a Board member and investor.

Michael has an MBA from Harvard Business School where he was a Baker Scholar and a Bachelor of Science degree from Cornell University. He currently serves on the boards of NewRoads, Accretive Health, Arise, and First Cardinal Corporation as well as Endeavor Global and the Harvard Business School Rock Center for Entrepreneurship. He is a Trustee of the Wildlife Conservation Society.

*Dale Prestipino – Chief Information Officer*

Dale has over 20 years of health care IT experience across all domains of the health care industry. Dale has made a wide range of contributions from advising senior executives in business strategy and planning of joint ventures to implementing some of the largest and most complex global health care systems. In his most recent position as Chief Technology Officer of Computer Sciences Corporation's Healthcare Group, he has created value for providers, health plans, large employers, life sciences and medical device companies, and federal health agencies. Dale was critical in the creation of MedUnite in 2000, a collaboration of seven of the nation's largest health plans to exchange health care information, was instrumental in leading CSC's work at the Centers for Disease Control and Prevention in building the National Electronic Disease Surveillance System in 2001, was influential in establishing CSC's role in building the Blue Cross Blue Shield Association's Blue Health Intelligence offering consisting of over 100 million covered lives, and has most recently led CSC's efforts to create the Care Focused Purchasing solution for 52 large employers and 9 major health plans.

Dale is active in health care public policy initiatives and public-private sector collaboratives, and has structured several regional health care collaborative initiatives as well as programs at

the federal level. Dale was responsible for CSC's early involvement and leadership in key health care industry groups including the eHealthInitiative, the Markle Foundation/Robert Wood Johnson Foundation Connecting for Health initiative, and the National Alliance for Health Information Technology (NAHIT). Dale regularly represents key points-of-view and capabilities to Washington health policy groups on commercial health care matters and maintains leadership positions with several industry groups. Dale is also on the Program Council of Western Governors University, which is creating a new College of Health Professionals, and sits on the NAHIT Technology Leadership Committee.

Thomas R. Boldt – Executive Vice President, Analytics and Chief Actuary

Tom is responsible for all population analytics within Accretive Care. He has over 25 years of experience in the area of health plan analytics as a consultant and as a health plan actuary. Tom has been focused on improving the quality and reducing the cost of health care.

Tom most recently was Chief Actuary at Definity Health, the pioneering provider of consumer-driven health solutions and an operating division of The UnitedHealth Group. While at Definity Tom worked closely with customers to design programs that address the cost and quality drivers of their populations.

As a consultant, Tom worked with a variety of health plan sponsors on the design, funding, communication and administration of their benefit programs. Tom worked with organizations such as the Public Employees Retirement Association of Colorado, the Ohio Public Employees Retirement System, the California Public Employees Retirement System, Qwest Communications, Agilent Technologies, Countrywide Financial Corporation and Nordstrom.

Alan H. Spiro, MD – Chief Medical Officer

Dr. Spiro has been a leader in the health care industry for the last 20 years. Most recently, Dr. Spiro was Chief Medical Officer for Anthem National Accounts, which covers over 10 million lives for large national employers. Prior to that, Dr. Spiro was a principal in Towers Perrin's health and welfare practice, and led the National Clinical Practice for Towers Perrin. Dr. Spiro was a practicing gastroenterologist for eight years before entering health care management. He has extensive experience in managed care systems, specialty care in managed care, home health care, behavioral health, disease management, medical informatics, and telemedicine. Dr. Spiro has been involved in the analysis of health care data, the design of managed care operations and the development of health care visions, specifically for employers, for the last 20 years.

Dr. Spiro was instrumental in developing a radiology specialty company geared to the managed care industry as well as a company dedicated to home crisis intervention for mental health patients. He has served as Vice President, Medical Director of a national health insurance company developing managed care programs geared to small businesses, and been Senior Vice President of a large IPA-model HMO. He has also served in management in a large hospital system.

Dr. Spiro obtained his undergraduate degree at New York University, before obtaining his MD degree at Columbia University. He completed a residency in Internal Medicine at Michael Reese Hospital in Chicago followed by a fellowship in gastroenterology and nutrition at Beth Israel Hospital and Deaconess Hospital in Boston. While in practice, Dr. Spiro founded a successful IPA, and was very active in hospital affairs. He has worked with physician groups such as the American Gastroenterological Association and for other physician groups. He has an MBA from Northwestern University. He has served on committees for the American Gastroenterological Association, the National Business Group on Health and other physician and industry groups. He has consulted for Blue Cross organizations, the Veteran's Administration as well as hospitals, physician groups, and many Fortune 500 corporations, including Johnson and Johnson, General Electric, Verizon, Dell Computer, IBM and Bank of America.

*Teri P. Osgood – Executive Vice President, Consumer Relationships*

Teri Osgood brings over 20 years of consumer marketing experience to Accretive Care's clients. In her role, Teri is responsible for driving consumer awareness and trial of Accretive Care's services by the employees of our customers, and engaging those employees with their Personal Health Assistant, to help employees make more informed health care decisions.

Teri spent the first sixteen years of her career in product management, marketing a number of well-known consumer brands as diverse as Huggies Diapers, Chicken of the Sea Tuna, Pillsbury Refrigerated Dough Products, Old El Paso Mexican Products, Totino's Pizza and Snacks, and Breathe Right Nasal Strips. In 2003, Teri left the consumer packaged goods industry to move into a marketing leadership role at UnitedHealth Group. In her three years at UHG, Teri was responsible for leading the marketing of a number of new product launches, including Health Savings Accounts for Uniprise (the large employer division), National Health Access, a fully funded affordable set of health plans for large employers to offer to their non-insured employees, and Medicare Advantage Health Plans with the Prescription Drug benefit through its initial 2005 launch. After leaving United in 2006, Teri launched a consulting business focused on strategic and marketing planning and execution for health care companies. In this role, she led the 2006 and 2007 advertising campaigns for HealthPartners, a regional health plan, and developed the marketing strategy and plan for HealthEquity, a Health Savings Account Administrator.

Teri brings to the Accretive Care team a unique combination of health care understanding and experience with deep expertise in driving consumer engagement across a diverse set of both established and new products and services. Teri also led the marketing team at CNS to win a Gold Effie Award in 2001 for Marketing Effectiveness for the "On the nose" advertising campaign for Breathe Right nasal strips. Teri holds an MBA from the Carlson School of Management at the University of Minnesota.

*Cathy Cather – Executive Vice President, Client Relationship Development*

Cathy Cather brings over 25 years of experience in the health benefits industry to Accretive Care's clients. Ms. Cather is a well-known thought leader in Consumer Driven Health Care and in the research driven introduction of new products in emerging markets.

Cathy was most recently at HealthEquity, where she was Senior Vice President of Sales and Marketing. Prior to that role, Cathy worked as Executive Vice President of Business Development for HealthAllies, a UnitedHealth Group company focused on meeting the needs of low wage workers. Consumer research was a primary focus to understand this underserved population. Previous to this position, she also served in a number of leadership roles for Towers Perrin including leading the total health management practice and co-leading the health care strategy practice.

Before joining Towers Perrin, Cathy led the Integrated Benefits Practice at Aon (formerly Alexander & Alexander). In the 80's, she held various executive positions in the hospital and HMO industries in the early stage of HMO development. She is a frequent speaker on consumer preferences and topics surrounding the development of new technologies and products in the consumer-driven health care industry.

Cathy was also a founding member and Board Director of the Integrated Benefits Institute, a non-profit research organization.

*Brian N. Doyle – Vice President, Client Relationship Management*

In his role as Vice President, Brian is responsible for overall client satisfaction and driving the transformation process to ensure employee satisfaction and financial success.

Most recently with Hewitt Associates, Brian successfully led the turnaround of the Recruiting and Relocation functions. Prior to joining Hewitt, as a result of its merger with Exult, he led all the client facing elements of Exult's landmark BP contract. He focused on ensuring delivery of the pioneering commercial value proposition and both the HR and employee experience elements of this transformational relationship. In addition to having global executive responsibility for the BP relationship, Brian also led the relationship with a portfolio of clients including International Paper, Unisys, Tenneco and Pactiv Packaging in the US and Safeway, Equifax, Tibbett & Britten, and Standard Chartered Bank in the U.K.

Prior to joining Exult, Brian was the Client Executive of the U.S. Division of Systemhouse, a \$2 billion unit of MCI. Serving in this role since 1997, Brian's responsibilities were to deliver systems integration and outsourcing services to Systemhouse's largest clients on a global basis. He was specifically responsible for client satisfaction, project and service delivery, and annual revenues of \$200 million. Between 1993 and 1997, he was a Managing Director at the company, and successfully delivered systems integration and technology consulting projects to clients in the U.S., Canada, Mexico, U.K., Korea, and Australia.

During his nearly 30 year career, Brian has acquired in-depth knowledge of business process outsourcing, client change management, large project management, technology consulting, implementation and operation of service delivery in markets including natural resources, telecommunications, entertainment, and health care.

Michael Mossman – Executive Vice President, Member Services and Talent Development

Mike is a highly successful customer service executive with more than 25 years of experience in creating exemplary service solutions across unique and diverse industries. Most recently, he ran the customer care operations delivery team for the world's largest and preeminent television satellite provider, DirecTV. At DirecTV, Mike lead the customer care organization with more than 18,000 dedicated service employees across 36 sites in five countries servicing over 16 million customers. Under Mike's leadership, DirecTV's customer service received national recognition from both ACSI and J.D. Power for service excellence.

Prior to DirecTV, Mike lead customer care at Xcel Energy, one of the nation's largest gas & electric utility companies, While at Xcel, Mike was responsible for the "meter to cash processes" (meter reading, billing, collections, call centers and remittance processing) that serviced customers across 12 states. Mike has also had experience throughout the telecommunications sector where he again was recognized by J.D Power for overall satisfaction. Previously, Mike spent 10 years with United Airlines. While at United, Mike held positions in their reservation call centers, world headquarters, in flight service and airport operations, including crisis management resulting from an airplane tragedy. His last job with United, he was responsible for customer service at Denver, their second largest operation and sixth busiest airport in the world.

Mike has been recognized by several industry bodies for his exceptional performance in delivering customer service solutions. He is a three time J.D. Power award winner, won #1 rating in customer satisfaction from ACSI, and is a member of the Customer Contact Council.

Donna Snow, VP of Clinical Operations

Donna has over 19 years of health care experience designing and delivering best-in-class programs that focus on closing the gaps in healthcare. Prior to joining Accretive Care, Donna was the Senior Vice President of Clinical Operations for Matria Healthcare. While at Matria, Donna provided strategic direction and leadership for disease management and wellness services to large health plan and employer clients.

Donna spent 15 years with Health Management Corporation (HMC), a subsidiary of WellPoint, Inc., before she joined Matria. During her tenure at HMC, she led a multidisciplinary team responsible for improving individual health status and decreasing the costs related to chronic health conditions. Donna has engaged leading universities to train nurses on motivational interviewing used to elicit behavior change. She worked with Vanderbilt University to design and publish a study on the impact nurses have using their teaching and adherence promoting skills during telephonic patient interactions.

*Jill LaVigne – Vice President, Member Services and Talent Development*

Jill is a highly successful customer service executive with more than 20 years of experience in operational and service excellence which included two award winning companies, Lands' End and DirecTV. Her experience includes all aspects of Call Center operations from Care Representative to Executive, from Inbound, Outbound, Training, Sales, Quality and Work Force Management. Most recently, Jill ran one of the world's largest centralized Call Center Operations, DirecTV, the world's largest and preeminent television satellite provider where she was directly responsible for Call Center operations to include 31 locations world-wide serving over 16 Million customers. Through her leadership, she created a leading organization in workforce management and call center management; implemented the first IVR Natural Language Technology in the industry and led the organization in receiving national recognition from both ACSI and J.D. Powers for service excellence.

Prior to DirecTV, Jill was directly responsible for the Call Center operations at Xcel Energy, one of the nation's largest gas & electric utility companies. Jill also has experience in the Catalog Industry, primarily with Lands End and over 10 years in Call Center Outsourcing with West Teleservices where she had the opportunity to gain her experience in all aspects of Call Center operations.

Jill has been recognized for her #1 rating in ACSI with DirecTV, and was awarded the Pinnacle of Excellence Achievement at Xcel Energy for Innovation and Process Improvement, which is Xcel's highest achievement award. Jill is a member of the Customer Contact Council.

*John D. Rollins – Executive Vice President*

John's 30+ year career has focused on working with large organizations to create and execute business and information technology strategies to deliver large scale improvement in performance. As a Managing Partner at Accenture he led the Global Strategic IT Effectiveness practice, and later was responsible for the Business Strategy practice for all Products industry clients. Relevant client experiences include assignments to launch green-field start-up enterprises in both the pharmaceutical and the automotive industries. In both of these cases, compelling aspirations, exciting business concepts and aggressive business building resulted in large, successful companies.

John has an MBA from Wharton, focusing on corporate finance, and a BS in Chemistry from Carnegie-Mellon. He is the co-author of three books on Information Technology, its role in business performance, and its ability to transform industry structures including Prescription for the Future: How the Technology Revolution Is Changing the Pulse of Global Health Care.

***D. Building Innovative Solutions – Select Executive Team Case Studies***

As the biographies suggest, the Accretive Care executive team has a wide array of rich experiences that will be focused on creating value for the Commonwealth. To illustrate these experiences, we have included in this section a sampling of case studies of the experiences of our executives and investors. Whether building entrepreneurial organizations, driving change programs for large organizations, or creating unique health benefit solutions, you will see that the common denominator is an intense focus on client service. Each case study below describes a solution that an Accretive Care executive team member has been personally involved in leading and the results achieved.

## **Large manufacturer bends cost trend with consumer-driven health**

**Situation** A large, diversified manufacturing company covering health benefits for over 18,000 employees. Prior to intervention, the company was experiencing health care cost trends north of 12% per year.

**Solution** Grappling for a solution, Tom Boldt supported the client as they decided to pursue an aggressive strategy that involved incenting consumerism through appropriate plan design and offering extensive health coaching services.

**Outcomes** As a result of health coaching services, the client saw dramatic improvements in health care utilization trends:

- Hospital admits declined 17%
- Hospital days declined 29%
- ER visits declined 4%
- Physician office visits declined 5%
- Rx costs per member declined 10% while number of prescriptions per member remained flat
- Generic utilization increased by 8%

Similarly, the members with chronic conditions showed marked improvements over time in their willingness to engage with health coaching and as a result incurred less health care costs:

Diabetes

- 20% increase in members using health coaching services
- 19% decrease in overall cost per member with diabetes

Hypertension

- 11% increase in members using health coaching services
- 20% decrease in overall cost per member with hypertension

Asthma

- No increase in members using health coaching services
- 12% decrease in overall cost per member with asthma

During the intervention period (2004-2006), the client experienced medical trend of approximately 2% per year. This medical trend was measured based on eligible claims so that changes in benefit plan design or networks do not affect the trend. Actual benefit payment trends actually *decreased* over this period because of concurrent plan changes.

**Relevance** Real experience engaging employee population via high-touch coaching model to improve health care, favorably influence utilization and reduce costs.

## Large national insurer focuses on Evidence-Based Care

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**Situation** A large national insurer needed to amass information about 50 million members into an integrated, member-centric data warehouse to support quality initiatives, pay-for-performance, and evidence-based care programs. This would be the largest repository of disparately-sourced health information in the world, and would help employers give their employees greater confidence in the value of their health benefits. Additionally, this client wanted to create new opportunities for physicians, doctors, researchers, and health policy makers to improve the quality and consistency of health care delivery.

**Solution** The client required a large scale systems integration firm with expertise in health care data and health information technology to design, build and deploy this state-of-the-art data warehouse and analytic solution that is fully HIPAA-compliant and adheres to all federal and state data security requirements. The solution incorporated best-of-breed components from Computer Sciences Corporation (CSC), ViPS, Millimen, and Oracle to produce this highly scalable and clinically robust data collection, warehousing, and analytic platform. Dale Prestipino, in his role as the Chief Technology Officer of CSC's Healthcare Group, was responsible for creating the Clinical Knowledge Exchange<sup>SM</sup>, CSC's clinical data warehouse solution that was used to deliver this work. In addition, this program required a sophisticated governance model, including workgroups for Appropriate Use, Privacy and Security, Clinical Analytics, and Technology.

**Outcomes** This health information integration program represents the broadest, and most clinically-rich pool of health information ever created, and is planned to grow to over 100 million covered lives. This repository is more than twice the size of the next largest database with a proportionate advantage in accuracy. The asset will serve as the industry's most reliable source for planning and decision-making, and is this national health insurer's commitment to evidence-based care. This resource is helping to improve health care quality through opportunities to share critical health information with employers, consumers, and providers of care. The benefits received by these and other stakeholders include:

- Critical insights into health trends and clinical best practices
- Information on efficacy of treatments and new medical technologies
- Benchmarking data to use in conducting comparative analyses
- Unparalleled opportunities for health services and clinical research

**Relevance** Real experience integrating disparate health-related data and providing tools and processes needed to extract information and insight from these data.

## **National financial institution builds health management capability**

- Situation**
- Over 150,000 members in the United States
  - Product of a number of mergers of major banking companies leading to merging of cultures and merging of different benefit approaches
  - Need to control costs
  - Desire to build corporate health culture
- Solution**
- Dr. Spiro was a leader on the team that accomplished a complete re-engineering of the health benefits program
    - Developed health coaching programs delivered by three vendors
    - Developed detailed program metrics in model called “vendor accountability model” with over 100 process and outcome measures used to measure all three vendors’ programs against one another
    - Negotiated with health plan vendors in design and monitoring of programs
    - Wrote uniform policies and procedures across all vendors for health coaching and health advocate programs
    - Hired and put in place sub contracted vendors for specific elements of the program to offer best elements to health coaching program
  - Once the solution was implemented, Dr. Spiro:
    - Continued advisory role with company on all health care management programs
    - Put in place more robust health coaching program and increased the membership services through the health plan
    - Managed the introduction of over 40,000 new lives into the program following a major merger
- Outcomes**
- Kept financial trend significantly below the norm for large corporations
  - Employee satisfaction with program consistently excellent
  - Vendor accountability model consistently revealed strong program performance
- Relevance** Real experience challenging traditional assumptions and building new capabilities to coach and counsel members at very high levels of satisfaction.

## **Built-for-purpose pharmaceutical company created from scratch**

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**Situation** Two global pharmaceuticals companies created a co-marketing agreement to move products from Europe into the US marketplace; part of the agreement called for a new company to be created based on the achievement of predetermined trigger revenue goals.

The client wanted to build a new-model pharmaceutical company – not a small-scale version of either parent company. Each process of the business needed to be re-imagined to create more flexibility, responsiveness and value and the entire company needed to be constructed in months, not years. Leading a team of consultants and integrators, Tom Spann and John Rollins began a long-term relationship with the company focused on creating the full set of capabilities required for their new definition of success.

**Solution** A ‘clean sheet’ design for the business started with a strong appreciation of existing industry best practices, while setting aside legacy industry assumptions and replacing them with probing assessments of target outcomes and possibilities from other industries. Each business process was envisioned as a set of capabilities, focused by a clear strategy, and implemented as a blend of skilled people, documented processes and enabling information and IT-tools. Trade-offs among capability components allowed early versions of business processes to be delivered quickly, and improved continuously, through subsequent version releases. An overall business architecture allowed many concurrent business building efforts to operate independently, with assurance of the pieces fitting together.

A strong, empowering business culture was fostered by the new leadership team both to signal the break from legacy industry practices, and to guide the thousands of individual decisions needed to allow the business to grow quickly.

**Outcomes** Employee count rose from 1 to thousands in the initial two years. Physicians and patients benefited immensely via the successful introduction of a new therapy for GI diseases and in independent surveys physicians ranked the new company over all others, including much larger competitors, in creating real value for themselves and for patients. Parent companies shared hundreds of millions of dollars in value created by the new company. Employees proudly launched a revolutionary pharmaceutical company which became the standard for measuring future success.

**Relevance** Real experience creating clean-sheet, built-for-purpose company capable of high performance, patient satisfaction, customer service, and adaptability.

## **Major Lawn Care and Chemical Products Company**

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- Situation**
- 14,000 members in the United States
  - Work force partially concentrated in small number of sites but also partially dispersed widely, with people working in communities throughout the United States
  - Strong leadership from CEO on health and wellness issues
- Solution**
- Acting as health consultant and program architect for a three years, Dr. Spiro:
    - Worked with CEO, set up robust Wellness strategy including strong on-site fitness, wellness and primary care center at main corporate and manufacturing site
    - Hired external vendor to manage on-site facilities, negotiating rates and performance metrics with vendor
    - Worked to coordinate telephonic, internet and mail components to program with health plan to totally integrate with on-site vendor and present one program to all employees
  - Subsequently joined the main health vendor for delivery of health care management programs
    - Delivered health plan component to comprehensive health and wellness management program that included robust health coaching and outreach to members
    - Delivered on site program in Spanish to augment on-site component in place
    - Integrated with outside on-site vendor to offer seamless program to members
- Outcomes**
- Significantly decreased medical cost trend
  - Very high employee satisfaction
  - Supported CEO goal of driving healthier workforce
- Relevance**
- Real experience successfully introducing meaningful health benefits program changes sensitive to the specific needs and conditions of the member population.

## **Seven large national insurers combine forces to integrate offerings**

**Situation** Seven large national health insurers were each developing a HIPAA-compliant portal for handling claims submission, claims status, eligibility requests, and referrals and authorizations. The business rationale behind these initiatives included:

- Delayed payment for services – DSOs as high as 120 days
- High bad debt write-off levels – up to 10% of services uncollectable
- Excessive administrative costs
- Eroding patient satisfaction levels
- Legacy information technology limiting business growth

The cost to develop these individual solutions was too high and they decided to join efforts to build an industry standard offering that would compete with other commercial products.

**Solution** A new company was formed to create a suite of software tools that connected in real-time to each health plan's back-end claims systems. In many cases, each health plan had multiple legacy backend systems that had no real-time capabilities. The new company was able to align priorities to build the necessary state-of-the-art integration services into over 20 mainframe and UNIX-based claims adjudication systems. This cooperation among fierce competitors was unprecedented and formed the basis for tight alignment of vision, mission and purpose. Each week, over 30 employees from all seven health plans met to collaborate on strategy and implementation details. Dale Prestipino, in his role as the Chief Technology Officer for Computer Sciences Corporation's Healthcare Group, was the acting CTO for MedUnite. In this capacity, he was responsible for the full scope of design, development and operations of the commercial solution. The solution aligned with several key criteria that resulted in an on-time, on-budget and functionally accurate offering, including:

- Quick-to-market strategy
- Focus on core functionality
- Ubiquitous user interface
- Open, scalable architecture
- Internet-native technology
- Message broker architecture
- Efficient interfaces with legacy systems

**Outcomes** The new company was by all definitions a success, lowering both the cost and risk associated with implementing one of the first HIPAA-compliant online health care exchanges in the industry. The new company was integrated with over 50,000 physicians and over 20 individual health plans to increase efficiency and reduce administrative costs.

**Relevance** Real experience working with large health plans to build data and process links in a mixed-technology, HIPAA compliant manner.

## **Care Management Integration results in Best-in-Class Solution**

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**Situation** Merger of two large health plans with 28 million members that had existing disease and care management programs, which were duplicative in nature. The goal was to design best in class population health improvement programs by identifying and sharing best practices.

**Solution** Donna Snow led a team of representatives from each organization to review the existing disease and care management programs and design a new innovative model which would create value for the members, providers, and health plan.

This was accomplished by:

- Reviewing and evaluating existing program components for strengths and weaknesses (identification and stratification process, clinical assessments, educational materials, physician involvement, etc.)
- Working with IT to define business requirements for a new system design
- Writing policies and procedures to ensure consistent delivery of services
- Defining operational metrics
- Determining clinical outcome measures
- Identifying and collaborating with specialty disease management vendors to outsource management of members with rare chronic conditions

**Outcomes**

- Best in class population health management programs based upon evidence based guidelines
- Increased member engagement by using multiple proven engagement strategies that involve simultaneous interventions
- Expanded services available to members
- Improved member health outcomes by improving clinical outcomes in at least 10% of members who had not achieved the clinical measure in a previous measurement period
- Decreased health care costs by delivering effective patient education, early intervention and applying best practices
- Enhanced reporting – web based reports that provided health plan and employer real-time access to their disease prevalence, program participation, contact activity, and clinical outcomes

**Relevance** Real experience working with large health plans to consolidate clinical management programs which deliver high quality, cost effective, and clinically sound solutions to address the needs of the entire health plan population.

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## **National employer improves health through coaching**

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**Situation** A large products company covering health benefits for over 60,000 employees worldwide. Prior to intervention, the company was experiencing health care cost trends north of 9% per year.

**Solution** The client needed to implement a health care strategy that could eventually be implemented for both its non-bargained and its bargained workforce. The focus of this strategy had to be on controlling cost by improving health care quality and not on cost shifting. The client rolled out an aggressive strategy to promote health coaching without reducing benefits for its non-bargained workforce.

**Outcomes** During the intervention period, the quality of care delivered to members as measured by compliance with evidence based medical guidelines improved and generally exceeded benchmark data. Some examples:

- 80% of diabetics had an HbA1c test versus the benchmark of 33%
- 90% of members with coronary artery disease had a lipid test versus the benchmark of 20%
- 100% of members with congestive heart failure had an office visit for CHF versus the benchmark of 90%
- 70% of members with congestive heart failure had a creatine test versus the benchmark of 40%
- 25% of the members with COPD had flu vaccinations versus the benchmark of 10%

During the intervention period (2004-2006), the client experienced medical trend of 1% per year in eligible claims. Trend on paid claims actually reduced by 9% per year because of network discount improvements.

**Relevance** Real experience with large-population employer improving health care benefits and reducing costs without cost-shifting to employees.

## **Leading Digital TV provider delivers world-class service to their customers**

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<b>Situation</b>	A Company with 16 million customers in the United States and 18 thousand frontline employees. The corporate goal was to provide more profitable customers with higher levels of service, while becoming recognized as the Customer Satisfaction Leader in their marketplace.
<b>Solution</b>	<p>Transformed customer service capabilities and organization starting with a new senior executive, Mike Mossman, and a new Customer Care Service Strategy, which included:</p> <ul style="list-style-type: none"><li>• Redefining performance management for frontline employees focused on quality metrics.</li><li>• Designing and implementing a world class learning organization.</li><li>• Jointly developing a CRM system to identify high value customers and route them to highly skilled employees.</li><li>• Dramatically increasing the number of “owned” call centers to allow for a higher level of employee performance.</li><li>• Seeking to increase service platform on global scale to leverage cost opportunities without sacrificing overall quality.</li><li>• Recognizing requirements for single point of control for 36 call centers across five countries.</li></ul>
<b>Outcomes</b>	<ul style="list-style-type: none"><li>• Recruited and established new learning organization that included groundbreaking simulation training for frontline employees which received national recognition.</li><li>• Built four sites in 2 years that greatly increased number of internal employees from 1700 to 5000.</li><li>• Recognized by both University of Michigan’s American Customer Satisfaction Index (ACSI) and JD Power &amp; Associates as leader in market sector for customer satisfaction and quality.</li><li>• Revenue and satisfaction of most profitable customers increased with deployment of CRM system.</li><li>• Constructed worldwide Command Center that, in real time, managed, routed and balanced 120M calls annually within 12 months.</li><li>• Handled calls in over five countries based upon customer requirements and call types.</li></ul>
<b>Relevance</b>	Real experience building and operating award-winning customer care centers and services tuned to specific, individual member needs.

## Creating a new pharmaceutical services business

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- Situation** A top ten pharmaceutical company had recently transformed its drug discovery operation and now had four times more new products entering the drug development process each year. The drug development processes, however, were not performing up to par in productivity and speed to market to take on the new volumes. The client needed to transform their clinical development capabilities in an environment of constrained funding and without delaying the important new products that needed to get to market and be made available for patients.
- Solution** A team from Accenture’s Pharmaceutical and Medical Products business, led by Tom Spann, created and built a new business that allowed the client to transform their drug development operations quickly, with almost no upfront investment and improved focus on important clinical expertise areas. By looking differently at the standard business processes, the Accenture team defined a set of “back office” data management processes that could be carved out from the client’s operations and performed much more efficiently and cost-effectively. Accenture and the client entered into a relationship where Accenture built a new business to provide all of the client’s Clinical Data Management services over the next ten years, taking full accountability for improving productivity, lowering costs, and improving speed. This allowed the client to focus their attention on bringing their scientific skills to areas such as portfolio management, study design, and data analysis.
- Outcomes** Over the next several years this became one of several large BPO businesses built under Tom’s leadership within Accenture’s Health and Life Sciences organization. The Clinical Data Management business is regarded as the market-defining leader in this new industry, serving 5 of the top 10 global pharmaceutical companies. It has expanded into new services since the original client relationship, including electronic data capture configuration, medical writing, and safety transaction processing. The contract for the original client has been expanded into other services and is a well known success that has repositioned the client as a leader in both clinical development and outsourcing in R&D operations.
- Relevance** Real experience in creating and building ground-up, innovative businesses at scale for large enterprises.

### ***E. The Accretive Care team is Uniquely Capable to Serve the Commonwealth***

Accretive Care is well-positioned to deliver a significantly improved health care experience to the Commonwealth's employees and their families. The Accretive LLC track record of success with built-for-purpose companies provides strong validation that our model works. Exult created the HR BPO industry because the team was able to achieve significant improvements in the quality and cost of HR processes for its Fortune 500 clients. Accretive Health has become a successful pioneer in the health care industry because it dramatically improved the financial health of its hospital system clients. Arise has driven higher quality customer care experiences for leading Fortune 100 brands. And now, Accretive Care intends to improve the health care experience for employees and their families working at large employers in the U.S.

Underlying each of these successes is a commitment to creating meaningful impact for clients. The Accretive philosophy rests on this fundamental, value-creation-focused formula for creating world-class companies. Further, Accretive has established a track record of recruiting top executive teams that ultimately build the right people, process, and technology solutions to solve difficult enterprise problems. One of the key success factors in each of these cases is a team of top talent dedicated to only a short list of clients. Finally, the success of the Accretive companies has been built on an initial set of clients that are leaders in their industries – organizations that seize the opportunity to be part of creating something great. The combination of extraordinary talent dedicated to extraordinary organizations is a recipe that we believe creates extraordinary outcomes.

Accretive Care is being built following this model. The executive team that has been assembled brings the set of skills and experience required to make Accretive Care successful:

- Creating long-term relationships with large enterprises
- Designing and implementing new models of people, processes, and technology to create new kinds of value
- Building world-class, award-winning service organizations that have a passion for service excellence
- Creating care management capabilities for large employers to improve the health of their member populations while reducing costs
- Using value-focused analytic capabilities to understand and explain both health care and consumer behavior opportunities in a population
- Architecting and implementing new information technology platforms that integrate complex health information to create meaningful value

As we've described, building a company expressly for the purpose of delivering the services in this Proposal is a pre-requisite for success. The other critical pre-requisite is the right team backed by the right investors – we are confident that we have built the best possible team in the world for this purpose.

### III. Project Characteristics

Accretive Care proposes to build and integrate an IT-enabled coordinated care model that serves patients and providers. This new infrastructure, when combined with our services, will enhance the quality and satisfaction of health care delivered to the Commonwealth's employees and their families. At the same time, we will provide the Commonwealth with tangible financial savings as well as an intelligent informatics platform that can be used into the future.

To achieve these objectives, Accretive Care is building a Core Services model that includes Patient Care Coordination Services, Provider Coordination Services, Integrated Care Support Services, Employer Integration Services, and Employer Analytics Services. Each will be discussed in detail in this section. Supporting this service model is a critical COVA Health Informatics Toolkit that will be built to serve the needs of the Commonwealth as part of our offering. This informatics platform will provide the much needed integration of disparate data sources and provide a cohesive and comprehensible window into the Commonwealth's health benefits program that does not exist today. This Proposal contemplates a comprehensive Accretive Care offering that includes our Core Services and the build-out of a COVA Health Informatics Toolkit. The informatics toolkit will be available to the Commonwealth beyond the 5-year term of this engagement.

In today's age of increased cost shifting to employees, Accretive Care recognizes the need to serve employees and their families in a way that has never been done before. A 2007 Gallup poll showed health care costs are among the top financial problems facing American families<sup>16</sup>. And a recent study funded by The W. K. Kellogg Foundation and The Missouri Foundation for Health found that one in four Americans had trouble paying for medical care, and of those, 69% had medical insurance coverage.<sup>17</sup> Yet with the increasing burden to be smart health care consumers, resources to help members proactively engage their health care decisions are severely lacking. As part of

#### **Sherrie: Better choices for a better back**

Lower back pain was taking the joy out of Sherrie's life. Even a simple bridge game became unbearable by the third hand. That's when her partner suggested she see Dr. Rowl, an orthopedic surgeon who helped her husband a year ago. Looking for relief, Sherrie calls Accretive Care to see if Dr. Rowl is in her network.

Andy, Sherrie's Personal Health Assistant, confirms her coverage and listens as Sherrie describes her condition. Since she hadn't been to her primary care physician or an orthopedic doctor, he talks to her about the different physicians and professionals that treat back pain and discusses the different types of treatments for this common complaint. From chiropractic, to physical therapy, drug therapy to surgery as a final resort, he runs through the various options she might want to consider. He also emails her links to information websites that can help her become well informed.

Now that she's armed with knowledge and choices, Sherrie can begin the journey to a better back with confidence and optimism.

<sup>16</sup> *The People's Priorities: Gallup's Top 10*, The Gallup Poll, March 12, 2007.

<sup>17</sup> "The Illusion of Coverage: How Health Insurance Fails People When They Get Sick", The Access Project, 2007.

our offering, we expect to help members save real dollars on that ever-rising portion of their monthly budget that goes to health care.

**Janet: Doing what the doctor ordered**

Janet feels great. She's walking, eating right, and taking care of herself better than any time since her recent heart attack. So when Accretive Care's follow-up email arrived, she almost didn't open it. But it was from Kevin, her Personal Health Assistant who helped her through those difficult days right after her heart attack.

Kevin was thrilled to hear of Janet's progress and her incredible new outlook on life. But he was curious why she wasn't taking a beta blocker or statin—drugs normally prescribed for post heart attack recovery. Janet said she had taken them, but they made her feel drowsy, and frankly, she felt so terrific, she didn't need them.

What Janet didn't know was those drugs greatly reduce the chance of a repeat heart attack, so Kevin was happy to assist Janet by contacting her doctor about the drowsiness issue and working with him to find a better prescription.

Now Janet is taking the right medications. And she still feels great.

By starting with understanding how people experience the health care system, Accretive Care will simplify the complexity, ambiguity and intimidation that prevent so many patients from making effective health care decisions. And we will do it in a way that understands the financial, social and cultural challenges that are also clearly important factors in getting to the best health care decisions. We will build trusted relationships with the Commonwealth's members through a "high-touch" model that is integrated with existing care processes, and we will help providers to coordinate more effectively as they make key decisions and communicate with their patients. We believe that this all adds up to a revolutionary new approach to health benefits.

## ***A. Description of Core Services***

Accretive Care's differentiation comes largely from the level of integration of our services for patients, providers, and employers. However, we find it helpful to describe our Core Services in five broad categories:

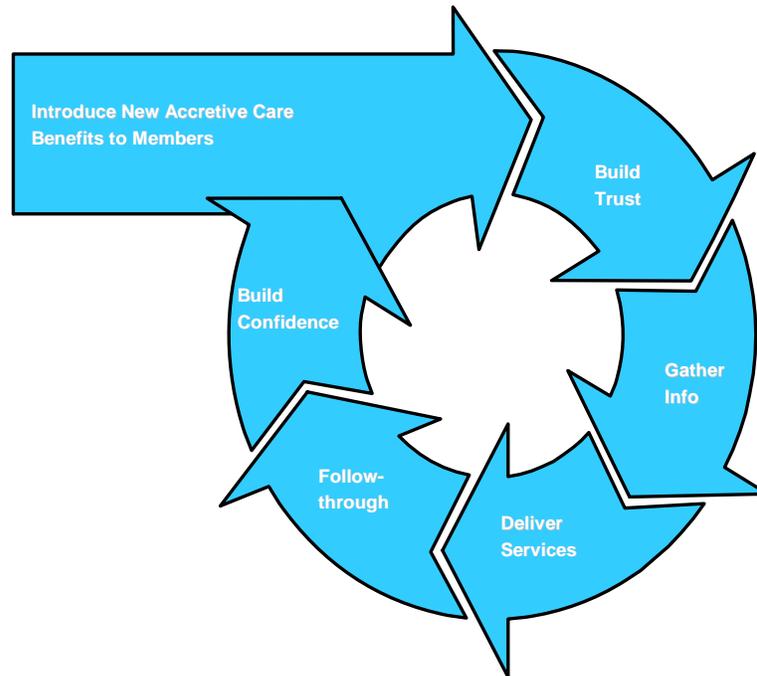
**Patient Care Coordination Services** are provided by Personal Health Assistants who work for Commonwealth employees and their families to make using health benefits and getting health care right the first time easier. Members can rely on their Personal Health Assistant to help them understand their benefits including what's covered, how much they will have to pay out-of-pocket for care, whether a claim has been properly paid, and how to get what they are entitled to without stress and hassle. Members can even ask their Personal Health Assistant to help them evaluate which health plan they should enroll in during open enrollment. Each Personal Health Assistant is backed up by a team of coordinated specialists, including claims specialists, RN's, physicians, pharmacists and health care shoppers. So, when a member wants help understanding a diagnosis, whether or not symptoms are serious, the pros and cons of alternative treatment options, whether they should see a specialist, how to cope with a serious or chronic condition, how much they will have to pay out-of-pocket for treatment and how to get it for a better price, finding a doctor, or other health related questions they know their Personal Health Assistant will get them

answers they can trust and rely on. By putting members' needs first – and by considering the relevant family, financial, cultural, psychosocial and medical aspects of a patient's situation – Accretive Care believes members will be able to make smart choices, gain access to the appropriate providers, comply better with their doctor's orders, and in the end be more satisfied with their health benefits, and spend less money getting the health care they need.

Our member services operation will be built expressly to create relationships with your members built on trust. To do this we will:

- Create a culture built around a “passion for service” as well as a culture of learning and continuous improvement.
- Organize into small teams of Personal Health Assistants, clinical support, claims specialists, and team leaders dedicated to specific populations of members in a community with common primary care providers. This allows our teams to know the members, their plans and coverage, their providers, and available community resources.
- Staff to significantly higher ratios (three to ten times higher) of Personal Health Assistants and supporting experts to members than existing health plan and care management service operations.
- Recruit employees that excel at establishing relationships and problem solving.
- Create metrics for our member service personnel that are focused on relationships, confidentiality, and service quality, not “productivity” metrics used in most health care service operations.

We are confident that we will create a service experience for your members that will exceed their expectations and easily exceed their historical experience with health care. It will also create a virtuous cycle as depicted in the graphic below – the more we earn a member's trust by doing the right thing for them and by delivering on our commitments, the more they engage with us and we learn about them, and the more we are able to create value for them, and so on!



**Provider Coordination Services** are a natural extension of our member services. We assist physicians and their office staff by helping to prepare patients for office visits and procedures, both clarifying health benefits coverage and costs, and educating patients to be informed health care consumers. Our role includes sharing information among providers, providing or reinforcing pre-admission and discharge planning and assistance, and coordinating logistics and paperwork for patients and providers. In our research we have found that providers struggle with the challenges of patients who do not fully understand their benefits, claims payment processes, and the logistics of coordinating care for members. We believe that we can build valuable relationships with providers by helping them and their patients in these areas.

For both patients and providers alike, it is critically important that we build trust. To that end, it is our position that any question or problem that a patient or provider has is *always* our problem. Simply said, it is our job to help.

**Integrated Care Support Services** back up the Coordination Services with more specialized support that can be provided through a number of channels. These services will generally involve the Personal Health Assistant, but may involve others at Accretive Care with more specialized expertise or other organizations with more specialized expertise. For each case,

Accretive Care will ensure that the services are integrated for each patient and for the employer. Such services will include:

- Health needs and health self-perception assessments
- Wellness & preventative care
- Patient education
- Complex-case support and review
- Provider selection support (as the appropriate cost and quality data becomes available to patients)
- Acute care coordination
- Chronic patient self-support

**Employer Integration Services** include the integration of all existing programs related to the health benefit. This includes programs that we may not necessarily directly deliver or impact (such as the *CommonHealth* program) but should be integrated with other health programs and with our coordination services to provide their highest value for members. This also includes the procurement and integration of additional resources that we believe to be beneficial to the Commonwealth and its members. This set of services is meant to provide a single point of integration for DHRM in administering its benefits strategy. For example, if a company created an innovative and valuable way to help members stay compliant with their drug regimens, we would be incented to contract with them as a component of our services, integrate their services with ours so that it is easy to use for members, and integrate their analysis and reporting with ours so that the Commonwealth has transparency into our team performance. This saves DHRM from the challenging task of sorting through the thousands of existing and constant streams of new offerings while ensuring that the services that are implemented are integrated both for patients and for DHRM.

**Dr Bell: Winning the paper chase**

Dr. Diane Bell would much rather be reading MRIs than insurance paper work. Too often, misplaced paper dominoes into complex hassles with insurance companies, physicians' offices and patients' finances.

Such was the case with Jill's recent MRI. Because the insurance carrier didn't receive a pre-certification, they denied the claim. Because Dr. Bell's office didn't receive payment, they generated an automatic invoice to Jill. Jill calls Dr. Bell's office because they told her the MRI was covered, and Jill isn't happy. Dr. Bell's office calls Jill's primary care physician to see if they had a pre-certification. Everyone's confused.

Wendy, Jill's Accretive Care Personal Health Assistant pulls up Jill's information and sees the pre-certification issue. She contacts all parties, gets all relevant information, tracks down the lost pre-certification and contacts the claims department in the insurance carrier, which agrees to pay the claim.

Everyone is back on track, and Dr. Bell can go back to the important reading.

**Employer Analytics Services** include regular reporting to the Commonwealth on health care utilization and cost trends, outcomes, and issues. While constantly vigilant of member privacy and confidentiality requirements, Accretive Care will focus on generating valuable insights and identifying opportunities for further improvement in the cost and quality of care, both across the member population as a whole and within specific incidences or cases.

## ***B. Description of the COVA Health Informatics Toolkit***

Underlying and helping to integrate all of these services is our COVA Health Informatics Toolkit, which will be built specifically to serve the Commonwealth and its employees. This toolkit will have the capability to integrate disparate health data such as medical & prescription drug claims, member health needs & perception information, quality & pricing data (when available), member eligibility & contact data, and a host of real-time input mechanisms that will be fed by our contact with members. This tool, the COVA Health Information Integration Platform, will feed a sophisticated analytical and insight-generating tool, the COVA Health Analytics Platform. This analytics platform will allow the Commonwealth transparency into its health benefit program while maintaining strict employee health information privacy. To simplify access, we will work with the Commonwealth to integrate our employee and HR management front-ends with your existing employee and HR management portals, respectively. From this substantially improved understanding, the Commonwealth will be better positioned to innovate its offering to

employees in the decades to come. During the term of the Full Comprehensive Agreement, the COVA Health Informatics Toolkit will be employed as an integral part of the Accretive Care Core Services. Should our services contract be discontinued beyond the initial agreement term, the Toolkit will remain available to support data integration and analytic uses by DHRM via a perpetual, paid-up license from Accretive Care for the assets created by Accretive Care. To the extent that third-party software products are part of the toolkit, the Commonwealth will be able to license those components directly from those parties as desired.

The COVA Health Informatics Toolkit is a subset of our overall technology platform tailored to meet the unique needs of the Commonwealth, its employees and their families. This environment consists of four primary components that are tightly integrated to provide a seamless, fully member-centric

health data management, informatics and member-servicing function. Although these four components have been coupled together to provide an integrated Accretive Care solution, certain core platform components are available to the Commonwealth once Accretive Care's services contract is complete. Described and depicted in the diagram below is the COVA Health Informatics Toolkit and its relationship to the other elements of our technology platform.

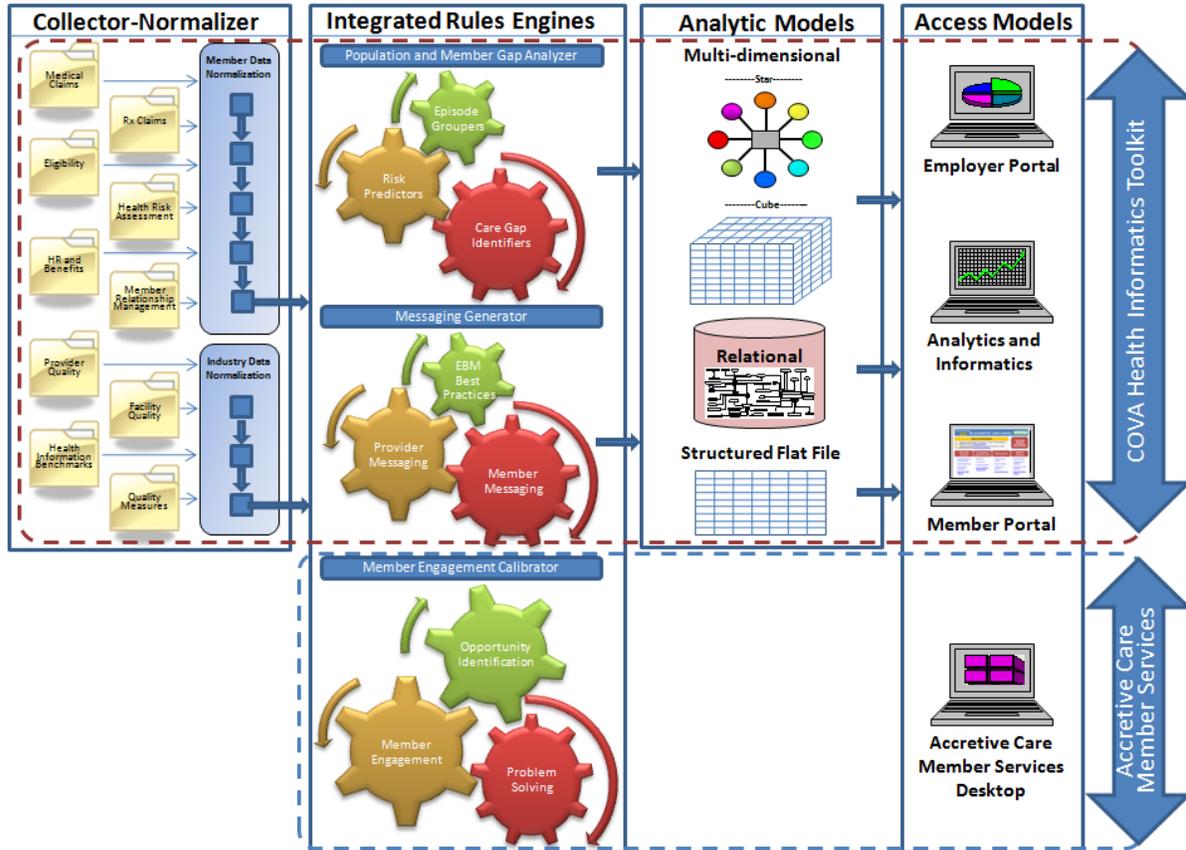
**Alan: The answer is in the text**

Alan is the typical mobile teen. He's wired and ready to go. But lately, his asthma has him sidelined. He's been to the emergency room twice in the past six weeks. It's making his mother a nervous wreck.

The family's Personal Health Assistant, Julie, noticed Alan's recent ER visits and asks Kevin, a clinician on her team who specializes in working with teenagers, to make a call to Alan's mom. Maybe he can give Alan better ways to cope with his asthma around activities, sports, pets, chemicals and other irritants. One of the things that makes Alan's mom crazy is that he won't use his spirometer to keep his asthma in check. Kevin has the solution—he offers to send Alan regular text message reminders to his cell phone. After a few replies from Alan, Kevin is able to tailor the message to uniquely motivate Alan to take control of his asthma.

Now mom's fine and Alan's still the typical teen... but at least he's staying out of the ER.

## Accretive Care COVA Solution



**Collector-Normalizer:** This module performs the collection, aggregation, and harmonization of all data sources. Routines are adaptable to rapidly incorporate new sources and formats. Incorporated into this layer are recognized industry standard formats and transmission methods such as ANSI X.12 HIPAA Specifications, XML, NCPDP, and Continuity of Care Record (CCR). Extraction, Transformation and Load (ETL) architecture enables the efficient processing of raw source data into structures to populate the various analytic and health rules engines that manipulate these data into actionable knowledge assets. For the Commonwealth, the implementation of this component will include the interfaces from all data sources (e.g., health plans, benefits administrators, HRIS) required to establish this solution model and will be included in the COVA Health Informatics Toolkit. This will support compliance with regional health exchanges and transparency initiatives on an ongoing basis.

**Integrated Rules Engines:** This layer combines three distinct intelligence engines to form the basis for how Accretive Care engages, supports, and delivers results for its client’s employees and their families. The algorithms contained in this layer are comprised of industry-adopted evidence-based medicine (EBM) rules as well as Accretive Care-developed methods and algorithms. Together these modules generate the knowledge that allows Accretive Care to best assist employees and their families in their total health needs related to

their clinical, financial, and emotional well-being. Separately, these engines would produce siloed data. However, Accretive Care integrates these functions together in a cohesive way to create understandable, actionable, and measurable care plans for employees and their family members. These engines work together to process member-centric and industry-related health information and produce and populate analytic models that are used to drive member engagement in a purposeful way. These engines utilize best-of-breed commercial software as well as Accretive Care's unique processing of member health information and member engagement data to identify, act and measure opportunities to improve member well-being. The two processing engines that will persist beyond the life of Accretive Care's contract include the core data processing functions of population and member gap in care analysis and the member message generation and translation.

**Analytic Models:** Accretive Care has created technology that deploys the latest analytic tools and methods to support the research and informatics requirements of its business. Through a comprehensive translation process, Accretive Care creates expressions of the information resulting from the Integrated Rules Engine that enable its analytic organization to see a wide variety of important views of members, member populations, and providers. These views, or facts, are set against multiple dimensions such as time, quality, and outcomes that help us understand how Accretive Care tangibly impacts the clinical, financial, and emotional well-being of its clients' employees and their families. For the Commonwealth, specific models for gaining insight into the Commonwealth's unique employee population will be configured and will be a fundamental element of the COVA Health Informatics Toolkit.

**Access Models:** There are four access models that support Accretive Care's operations. These platforms, although physically separate, leverage the same information assets and knowledge generated in the initial three architecture layers. Each access method, supported by its own application suite, serves a specific purpose toward the common goal of improved member health and well-being. Accretive Care applies its Member Services solution toward this goal by providing a key element of member engagement, outcomes measurement, and continuous improvement. The Employee Portal, Member Portal, and the Analytic and Informatics application suites will be available to the Commonwealth as part of the COVA Health Informatics Toolkit.

### ***Privacy and Security of Personal Health Information***

Throughout our proposal we have emphasized our commitment to maintaining the privacy and security of members' confidential health information. To be clear, Accretive Care will conduct its business with integrity and comply with applicable health information privacy and security laws, including, but not limited to, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). Our services fall under the HIPAA definition of health operations, and we will protect the privacy and security of all Personal Health Information ("PHI") to which we have access. As a Business Associate, we will execute the agreements necessary to ensure a secure chain of trust for the members' PHI. Additionally, any independent contractors that Accretive Care works with to assist in providing the services to its members will execute appropriate confidentiality and non-disclosure

agreements and be subjected rigorous diligence by Accretive Care to ensure that the privacy and security of PHI are fully protected across this chain of command.

Accretive Care can meet its commitment to HIPAA compliance only through the efforts of its directors, employees and independent contractors, each of whom must perform his or her duties on behalf of Accretive Care with honesty and integrity. Accretive Care is committed to maintaining a working environment that fosters conduct consistent with these ideals regarding the use and disclosure of PHI. As part of Accretive Care's commitment to health information privacy and security compliance, and in an effort to assist Accretive Care personnel in meeting their compliance obligations, Accretive Care has established a formal HIPAA Compliance Program. This HIPAA Compliance Program is designed to prevent violations of applicable health information privacy laws such as HIPAA and, where such violations occur, to promote their early and accurate detection and prompt resolution through education, monitoring, disciplinary action and other appropriate remedial measures. Accretive Care's HIPAA Compliance Program draws upon and complements many existing Accretive Care practices and procedures, and the company is committed to protecting the privacy and security of all members' health information. Our Privacy Manual and Security Manual are available for review by the Commonwealth and we are willing to submit to appropriate audits as desired by the Commonwealth following service initiation.

### *C. Scope of Services*

The services provided by Accretive Care will be delivered for the benefit of all eligible employees and pre-65 retirees that enroll in one of the Commonwealth's self-insured benefit plans and their enrolled spouses and dependents. This represents over 80% of the Commonwealth's employees and over 95% of those enrolled for health benefits. We do not envision providing services to employees of the Commonwealth who are not in this scope due to the limited information we would have regarding their health status and care processes, but are open to working with Commonwealth on defining a financial and service model to serve these additional employees should that be of interest.

The coverage scope of Accretive Care's services includes health care claims associated with both medical and prescription drugs. We are excluding dental, vision care, and behavioral health claims for now, but we would like to get access to these claims and plan information on a regular basis to understand co-morbidities and to better support members in answering questions about these plans and related issues. We are similarly excluding short-term disability, workers' compensation, and other related employee benefits but recognize that these are natural extensions should this working relationship prove fruitful.

## ***D. Project Timeline***

Recognizing the evaluation of this Proposal and the procurement process are difficult to precisely predict, we have endeavored to provide a timeline of key milestones that we understand to be reasonable and are based on detailed implementation plans that we have prepared.

- Beginning of Month 1 – Interim Agreement Signing
- End of Month 2 – Full Comprehensive Agreement Signing
- Beginning of Month 6 – Service Initiation

We have outlined a set of major activities between each of these key milestones that we envision conducting along with the Commonwealth.

### **Phase 1: Implementation Planning (Month 1 – Month 2)**

Major activities targeted for this period include:

- Agreement in principle with all third party vendors on interdependencies, process flows, and data exchanges and integration
- Agreement in principle between the Commonwealth of Virginia and Accretive Care on health care benefit plan design changes and timing.
- Agreement in principle on integration of processes between Commonwealth of Virginia and Accretive Care and related operational resource requirements
- Agreement on work plans and resource requirements for Phase 2 implementation
- Final site selected and financial commitments made to establish Accretive Care member service center in Virginia
- Recruiting of Personal Health Assistants and other members services personnel for Virginia center
- Provisioning of historical claims data detail to Accretive Care
- Agreement on the overall implementation, operating costs, and the implication of those costs on the overall deal economics
- Execution of Full Comprehensive Agreement

### **Phase 2: Initial Implementation (Month 3 – Month 5)**

Major activities targeted for this period include:

- Development and delivery of member and provider communications
- Build out of Accretive Care’s Virginia-specific operational capabilities and COVA Health Informatics Toolkit
- Implementation of interfaces and process integration points with Commonwealth of Virginia HR and benefits processes and systems, and with Commonwealth of Virginia’s health plan administrators and benefit administrators
- Development of the Commonwealth’s employee satisfaction baseline survey if required
- Training of personnel in Virginia member services center
- Other potential pre-launch activities as necessary to identify member needs for early attention and to begin identifying improvement opportunities

### **Phase 3: Ongoing Operations (Month 6 – Month 65)**

Issues that arise during Phase 1 and negotiation of a Full Comprehensive Agreement may result in additional activities and/or affect the timing of the phases. During the term of a full Comprehensive Agreement, additional issues may arise that affect the timing of implementation. Accretive Care and the Commonwealth will jointly agree upon a mechanism for assessing the impact of any delays and managing such delays.

#### ***E. Communication plan to all stakeholders***

Engaging the covered employees of the Commonwealth and their families is the most critical success factor for this project. To do this, we must build awareness of our services, encourage trial use, and, most importantly, build trust with each member, with the families and other influencers of the each member, and with the employee community at large. Central to our approach is personalizing our communications and channels to be relevant to each individual member so that we can help every member regardless of their communications preferences, thinking style, medical literacy, health status, or cultural background. Our approach will include the following:

**Consumer Research:** Accretive Care has already conducted several consumer research studies, both qualitative and quantitative, to inform us regarding unmet consumer needs, consumer interest, anticipated service use, needs of various segments of consumers, and responses to key messaging. Our research has validated the significant, recognized need of employees for assistance in making informed healthcare decisions, and assisted us in developing the elements of our service offering and communications which will drive the most trial and use of our services. We will work with the Commonwealth to determine how best to enhance that research with some level of dialogue directly with Virginia employees.

**Building Awareness:** In today's world, cutting through the clutter of organizational communications is a challenge requiring a broad range of approaches. To deliver the right mix of channels and tactics, we will rely on our existing consumer research about communications and messages and supplement that knowledge as appropriate with input from Virginia's employees. Based on that "voice of the customer", we will develop a series of communications and marketing tactics that build awareness and take into account the formal and informal influence networks in the workplace as well as approaches for communicating to employees directly outside the workplace (e.g., via home mail or e-mail). Communications will focus on answering the basic questions: "What is the service?", "Why should I try it?", "When should I use it?", and "How do I access it?". We have a number of recommended tactics based on our research to date that we believe will drive interest, engagement, and significant word-of-mouth throughout the Commonwealth's employee population.

**Encouraging Trial Use:** We are creating a team and capabilities that give us great confidence that if we can get employees and their family members to try our services, they will quickly appreciate the value of our services and we will earn their trust – they will

become more and more confident that we will always do the right things for the health of their families and we will always treat their questions and information with respect and confidentiality. Gaining trial use goes beyond building awareness to activities such as:

- Being present with reminders at the point of need
- Ensuring that people clearly understand the logistics of engaging us and that it is simple to do so
- Having the mechanisms that encourage interactions, such as being the primary support center for all health benefit questions or by providing appropriate incentives for contacting us prior to critical decision points
- Highlighting success stories from our interactions with our members' peers (where we can do so while maintaining confidentiality)
- Constantly seeking feedback from the employee population not only as a way to improve our services but to identify even more ways that we can be helpful.

These are just a few of the ways we can influence people to try us. We will bring a great understanding of marketing and consumer behavior to this task. Unlike many existing services that charge a flat rate per enrollee, we are highly incented to engage as many people as possible to build the relationships that will allow us to serve them and create value.

**Building Trust:** We realize that other health care organizations talk about trust, attempting to use slogans and branding to make up for failures in culture, incentives, and operations. Accretive Care will be built from the ground up to earn members' trust. Since we are incented as a business to earn this trust in our business model and deal structure, we will infuse this value in how we measure every part and person in our business. We won't evaluate our teams and people on anything that might incent someone to violate that trust: call handling time, claims dollars saved, percentage of people handled via the web or IVR, or cost per member or per call. We also aren't in other businesses, so we won't be incented to get people to sign up for additional services or sell them on anything other than working with their doctors to get the great service, health outcome, and peace of mind that they deserve. We know we can attract and lead employees with a real passion for service – they will define our brand more than any logo or slogan. We will earn trust, not ask for it.

Another major group in the Commonwealth that we would strive to engage is the provider community. Studies show that they are rightly the trusted parties as patients make health care decisions. Our model is to enhance and build on that trust, helping doctors and other care providers by encouraging patients to have a trusted relationship with a primary care physician, by helping patients understand and comply with physician instructions, and by helping doctors and other providers have the best possible information and context when making decisions with patients, whether that is helping patients convey that information themselves or whether we are providing information from other providers to better coordinate a patient's care. As part of our communications and engagement plans for Virginia, we would like to work with local physician groups and hospital systems to understand how our services can be both convenient and valuable to them. We will draw upon a number of industry precedents that show that providers value an organization that works with doctors (and just as importantly their staffs) to save them time and effort in

coordinating care, understanding and explaining benefits, and arranging to get care into the proper setting. Although our trust here will need to be earned we believe that providers are motivated by getting the right care and service to patients, and we are excited to be the allies of the excellent health systems in Virginia in achieving this mission.

Finally, we look forward to building effective, trust-based relationships with many existing organizations currently involved in supporting DHRM in the medical benefits arena. Notably, Anthem and Medco are established, trusted entities, woven into the fabric of medical benefits in Virginia. We anticipate working closely with them, and others, to implement the new services we propose, and to engage in on-going efforts to improve service and value to thousands of COVA members. Based on our understanding of the precedents for both carve-out and integration of benefits at other employers and the opportunity for Anthem and Medco to be a part of this innovative solution for patients, we are confident that both organizations will work cooperatively with the Commonwealth in providing the data feeds, process integration, and communications collaboration needed to realize the full benefits of this proposal.

As we have stated, effective engagement with employees, their families, their providers and other Commonwealth health benefit partners, is critical to the success of our services. By starting from a clean sheet of paper, we and the Commonwealth have an opportunity to build a service model that is uniquely purposed to serve the needs of all constituents.

#### ***F. Accretive Care's solution is unique***

Many of the components of the services we are proposing are available from other organizations, but they are available as fragments that limit their value and use, because:

- Employers have difficulty sorting through the huge variety of service components that they might offer to employees
- The services are not integrated from the employer's perspective, so it is difficult to measure results from any one component or across the services
- The services are not integrated from the member's perspective, resulting in a confusing array of numbers to call based on the situation and the requirement that patients themselves identify which services they need, where to call to get help, and to coordinate across providers and services
- Each unique program has to validate eligibility, request repetitive information, and repeat other duplicative and time consuming processes that add expense and waste employee time

Even as stand-alone components, many existing disease management and care management offerings are too removed from patients, resulting in many patients not engaging the service until too late if at all. Accretive Care will interact with members earlier, more often, and more relevantly as:

- Our relationship focus, broad customer service scope, and information triggers allow us to engage with patients earlier and more relevantly
- Our incentives and staffing levels allow us to have more interaction with your members
- Our use of modern consumer behavior practices helps us personalize interactions (both messages and channels) to more relevantly engage and influence members and providers
- Our experienced and educated people with critical thinking skills, a talent for problem-solving, and a commitment to caring with integrity and respect earn the trust and repeat calls of your members
- Well-designed, patient-centric, state-of-the-market technology allows Personal Health Assistants and their expert team mates to access in an integrated manner the information, prompts, tools, and history to support a broad scope of services

In addition, our broad responsibility allows us to take a patient-centric, not disease centric or service-centric approach:

- “One number to call” to reach their own Personal Health Assistant and our “it’s always our job” approach simplifies health care support for members
- We understand that solutions are not just medical decisions – the patient’s personality, culture, lifestyle, mental state, environment, and social support system are all important factors
- Coordinating care across providers and diseases get better results at lower costs
- “All-in” accountability creates a real partnership with employers to bring the best options to employees and their families

Finally, we work to strengthen, not supplant, the patient/physician relationship. We understand that health care decisions belong to patients and their health care professionals, so we help patients understand physician instructions, help physicians understand the whole patient context, and help improve each patient/physician interaction. We do not adjudicate claims or negotiate price with providers, nor limit access, but work with providers to find win/win opportunities for improving care and lowering cost. We are confident that these opportunities exist and are willing to be accountable for employee satisfaction with our services.

The leadership in the Commonwealth of Virginia has identified IT-enabled projects as a critical imperative in order to better serve the citizens of Virginia. Through Executive Orders #29 *Establishing the Health Information Technology Council* (2006) and #42 *Strengthening Transparency and Accountability in Health Care* (2006), Governor Timothy Kaine has directed the Commonwealth’s attention to the need for advanced technological tools that enhance the delivery of care in Virginia. In response, we have crafted a unique proposition for the Commonwealth that combines the use of an IT-enabled infrastructure for medical benefits management, offered as a “leave-behind” benefit as part of this relationship, and a service offering that has the potential to achieve unparalleled results. The informatics toolkit directly supports Governor Kaine’s desire to improve transparency and accountability in health care and further shows that the Commonwealth is willing to lead large employers and the provider community in Virginia towards achieving this goal. The Accretive Care service

model is the critical piece to turning this information into actionable intelligence for the Commonwealth and to improving member health care experiences.

Together, these offerings have the unique potential to integrate disparate data and deliver a cohesive process model that serves the Commonwealth's members and their providers in a way that no current vendors can credibly claim to do. The built-for-purpose nature of our solution, full alignment of financial incentives, and our willingness to invest significantly on behalf of the Commonwealth ensures that Virginia gets a level of service, customization, and commitment that is critical to achieving the results we believe to be possible.

## **IV. Project Financing**

In the spirit of the innovative approach to public-private partnerships as described in the PPEA of 2002, as amended in 2007, and the current imperative within the Commonwealth to pursue innovation via self-funding approaches, Accretive Care's approach is entirely self-funded through performance-based fees. In this section, we will discuss a mutually beneficial incentive structure to govern the relationship discussed in this Proposal.

A core tenet to our model is accountability for producing results. We do not expect to get paid unless we generate tangible results for the Commonwealth by way of employee satisfaction and reduced costs. We believe this is of particular relevance in the health care space, where vendor accountability is often lacking. A large employer such as the Commonwealth will find no dearth of vendors claiming an impressive ROI on various health management programs. We believe however that accountability against those claims is critical to creating the right relationship of partnership with our customers.

**CONFIDENTIAL - REDACTED**

**CONFIDENTIAL - REDACTED**

*A. Setting of Baseline*

**CONFIDENTIAL - REDACTED**

**CONFIDENTIAL - REDACTED**

*B. Calculating Savings*

**CONFIDENTIAL - REDACTED**

*C. Pricing & Charge Structure*

**CONFIDENTIAL - REDACTED**

**CONFIDENTIAL - REDACTED**

**CONFIDENTIAL - REDACTED**

**CONFIDENTIAL - REDACTED**

*D. Payments*

**CONFIDENTIAL - REDACTED**

**CONFIDENTIAL - REDACTED**

***E. Requirements of the Commonwealth***

Pursuing this opportunity will require cooperation from the Commonwealth and particularly DHRM. We have attempted to lay out the major points of collaboration required by Phase.

<p>Phase 1: Implementation Planning</p>	<ul style="list-style-type: none"> <li>• Executive leadership and sponsorship with internal and external stakeholders including employees and providers</li> <li>• Facilitate a strong working relationship between DHRM, third party vendors, and Accretive Care in which all parties are committed to serving the DHRM vision of transforming the health benefit program</li> <li>• Provide avenue for Accretive Care to access employees and providers to collect input on their needs and preferences</li> <li>• Consider Accretive Care’s suggested changes to benefit plan design</li> <li>• Work productively with Accretive Care to expeditiously reach a Full Comprehensive Agreement</li> </ul>
<p>Phase 2: Initial Implementation</p>	<ul style="list-style-type: none"> <li>• Sponsor and support delivery of member marketing and communications</li> </ul>

	<ul style="list-style-type: none"> <li>• Assist as required in the implementation of interfaces and process integration points with DHRM and third party vendors</li> <li>• Collaboration on creating a new member health benefit card with appropriate instructions to members and providers</li> </ul>
<p>Phase 3: Ongoing Operations</p>	<ul style="list-style-type: none"> <li>• Ongoing willingness to engage strategic ideas that emerge as we serve your population</li> <li>• Continued support of our program with employees and third parties involved in employee health care</li> </ul>

One of the requirements noted above is support in creating a strong working relationship among the Commonwealth’s other partners in managing its health benefit. This includes support in the following areas:

- Timely access to claims and claim status information so that we can answer member and provider questions on these matters and so that we can integrate this information into COVA’s data warehouse for analysis and reporting.
- Current information on which members are enrolled and eligible for benefits in each plan.
- Information about member’s out-of-pocket costs such as co-pays, co-insurance, and deductibles.
- Timely access to information on related benefit programs such as EAP, behavioral health, spending accounts, etc.
- The design of each plan and the medical policies used in adjudicating claims.
- The design of processes that allow calls to be easily handled by the correct person and organization.
- Coordination of member communications to optimize utility and minimize confusion.

***F. Termination Options***

**CONFIDENTIAL - REDACTED**

**CONFIDENTIAL - REDACTED**

*G. This is an Attractive Deal Structure for the Commonwealth*

**CONFIDENTIAL - REDACTED**

## **V. Project Benefits and Compatibility**

This project presents an opportunity that has benefits on many dimensions for the Commonwealth. In this section, we will discuss such benefits to the main parties involved. Most notably, this represents an opportunity to improve the health care benefit offered to the Commonwealth's employees in a time when many employers are forced to repeatedly take away benefits and shift more costs onto employees. As Section 4 makes clear, we have offered an attractive funding plan that also offers significant benefits to DHRM, the Commonwealth, and the Commonwealth's employees and their families.

This project has significant benefits to Virginia's health care system. It will provide clear evidence of Virginia's leadership and innovation in health care and health care IT. When implemented, this project will establish a clear precedent for states to lead the way in addressing the prevailing issue of health care cost and quality.

And finally, this project has significant economic development benefits for the Commonwealth. Aside from the creation of hundreds of jobs in the coming years, we will utilize local organizations as vendors further supporting small and minority-owned businesses. But even more broadly, should the Commonwealth and Accretive Care succeed in this initiative, it would establish Virginia as the #1 place to do business in the nation and have significant benefits to employers, both large and small, throughout the Commonwealth who struggle every day with the costs of employer-provided health benefits.

### ***A. Benefits for the Commonwealth's Employees and Their Families***

This project presents a significant opportunity to make an impact on the health care of COVA's employees. The increased financial burden of health care on the American family is well-known. Nationally, the average monthly expenditure has continued to rise rapidly over the last few years.<sup>18</sup> Virginians are faced everyday with the reality of trading off providing for their families and paying for their needed health care. Our proposed services will help members find ways to get more for their health care dollars.

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<sup>18</sup> "Consumer Expenditure Survey," U.S. Department of Labor, Bureau of Labor Statistics, 2006.

In addition to the rising financial burden, navigating the current health care system can be a confusing and overwhelming process for many people. Accretive Care's engagement will use a new approach to give the Commonwealth's employees and their family members significant assistance with all of their health care choices. We have defined a new member experience and paradigm of service that will delight your membership.

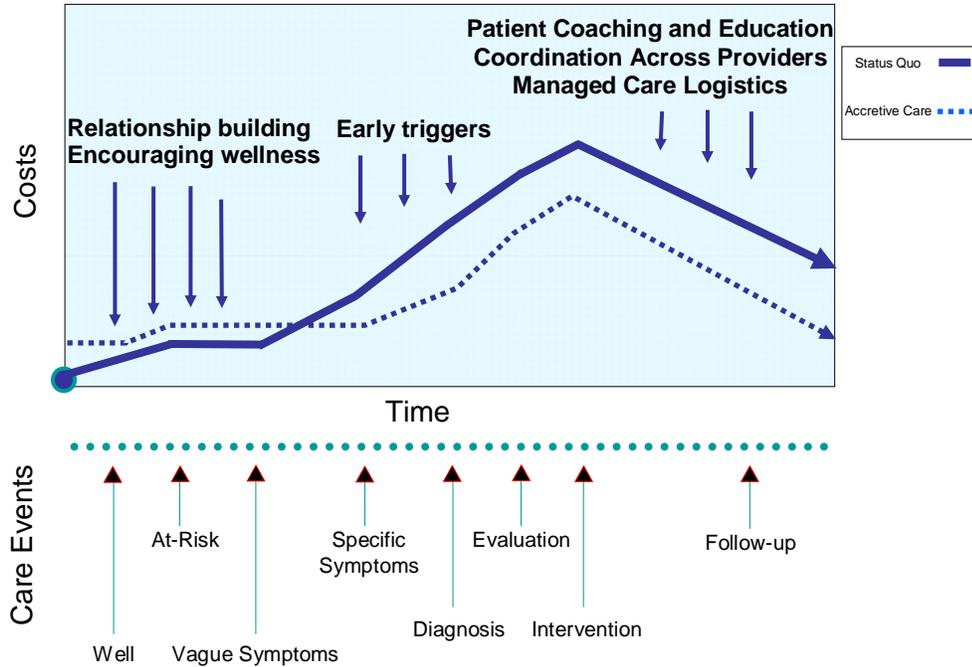
The resources afforded to members under this Proposal will assist across the full continuum of care – from members with acute interactions with the health care system to those having chronic conditions requiring meaningful support to those that are currently healthy requiring preventative care and education. By getting involved in member experiences ahead of potentially serious or even life-threatening health situations, the Commonwealth's employees will enjoy a much higher level of engagement, pro-activity, and coordination with their health care experience. As the graph below shows, our focus will be on supporting all of your members, not just those currently driving large health care costs. By building relationships with those who are well, we can help them prevent serious illness and have an existing relationship of trust to work with them if they are afflicted with a chronic illness or acute health situation.

**Ann: Life-saving wellness made simple**

Ann is a 52 year old single mother who works hard at her job while also caring for three active teenagers. While she tries to take care of herself, she is often so busy taking care of her children and others at work, her own needs often come last. She knows that it has been years since she had a mammogram but she never gets around to having it done. Over the last year she has spoken twice to Gabriella, an Accretive Care Personal Health Assistant, usually about simple insurance bill questions. Each time, Gabriella has talked with her about her need to take care of herself so she can be there for those who need her. She has come to enjoy those conversations with Gabriella but still can't find the time for a mammogram.

Gabriella calls to tell Ann that there is going to be a mobile mammography unit at her worksite and offers to set up the appointment for her. Ann is thrilled that Gabriella is taking care of it all and has the mammogram at work, easily and conveniently. The mammogram does show a small mass that could never have been found any other way. Gabriella then helps Ann get an appointment with a breast specialist and helps Ann through the procedure that shows that the mass is a small cancer. It is removed with Ann never having to be admitted to the hospital and with a minimum of stress.

**GETTING AHEAD OF THE “CYCLE OF CARE”**



What we have designed is most simply a resource – a resource to help Virginians understand and engage in their health care. A resource that will shine a guiding light on the dark and twisted road that health care too often becomes. A resource that will very simply help.

## ***B. Financial and Economic Development Benefits for the Commonwealth***

A direct benefit to all of the Commonwealth's citizens is a potential for significant cost savings over the next five years. This is money that under the current system would be unnecessarily spent on health care costs for the Commonwealth's members (without any real benefit to members), but could instead be used to pay for new valuable benefits for employees and to accomplish critical programs which would otherwise go unfunded. We are aware of the budget realities facing the Commonwealth and the resultant competing demands for funding highly worthwhile causes. These savings would come at a time when programs to seed health care technology innovation or increasing access for the uninsured run the risk of going unfunded. There also exists an opportunity to extend the scope of this offering to include other relevant Commonwealth populations and/or expense categories. Savings generated through this and future programs are dollars that can be reinvested into making the Commonwealth an even better place to live and work.

This program will also have a direct impact on the Commonwealth's business economy. Accretive Care plans to establish in-state operations, including our core service center that will handle all communications with members and their providers. This center would create 150+ skilled jobs in the coming years and could be located in an area that would have a real, positive impact on Virginia's economy. Location decisions would naturally have to be made within the broader need to access the right skills and resources required to serve the Commonwealth in this innovative offering; it is our hope that we can bring job creation to some of the more economically distressed parts of the state through this Proposal. These centers would be staffed with local health care professionals and other compassionate Virginians that are driven to help their fellow Virginians on the road to better health care.

Additionally, Accretive Care will put an emphasis on working with local small, women-owned, and minority-owned businesses and talented local professionals to accomplish its mission in a manner consistent with Virginia's principles and Accretive Care's supplier diversity philosophy. This includes partnering with businesses in printing, communications, change management, staffing and a host of other functions. We envision working closely with Anthem, the health benefit administrator already serving the majority of the Commonwealth's employees. This project will not materially diminish Anthem's role in serving Virginia's employees but rather would allow Anthem to partake in a revolutionary new model of serving its members. This could have significant long-term benefits to Anthem's competitive position if successful and therefore bring new jobs and economic prosperity to the region.

Finally, this represents a real opportunity for the Commonwealth to clearly establish itself as one of the most forward-thinking states in the country. The publicity and visibility of the transformation contemplated herein will demonstrate Virginia's leadership in employee care and further establish it as a great place to do business.

### ***C. Benefits for the Commonwealth's Health Care System***

The improvements made to the health care system across the Commonwealth will also have spillover effects on the citizens of Virginia. The Commonwealth will enjoy improved visibility into the cost and quality of its members' experiences with the health care system, and thereby pave a path for other Virginia employers to become better informed purchasers of health care. These improvements will continue after any termination of the Commonwealth's relationship with Accretive Care due to the 'leave-behind' assets and informatics tools that we are proposing to build for the Commonwealth.

This project will significantly upgrade the Commonwealth's health care technology system in-line with Governor's express mandates. By providing a data warehouse of relevant health care data (medical claims, pharmacy claims, lab results, member-provided data, etc.), the Commonwealth will, for the first time, be able to offer its members a comprehensive view of their member's health care via a Personal Health Record (PHR). This information will be managed by Accretive Care, thereby ensuring member data is maintained in complete privacy from the Commonwealth. The creation of an analytics platform to understand this data will allow DHRM to continue to explore improvements and refinements of the system. The more information added to the integration platform, the more value the Commonwealth can derive from the toolkit. The technology that supports much of this engagement will be retained by the Commonwealth to continuously improve health care delivery support any future developments of HIT, even upon the termination of the project.

Accretive Care's approach will demonstrate tangible progress against many of Virginia's goals in health IT: to improve health care information sharing and to show that investments in health IT lead to lower costs and higher quality. These benefits will spill over into the rest of the Commonwealth's health system in the long-term and benefit even the patients that Accretive Care is not directly serving by improving provider care patterns and coordination. Through these significant improvements in the Commonwealth's system of care, Virginia will reinforce its leadership and innovation in health care and health IT.

### ***D. Why this is a Winning Proposition for the Commonwealth***

As discussed throughout this Proposal and particularly in this section, our proposed services have significant benefits for the Commonwealth as a large employer in the state and for the state as a whole. By offering this highly valuable benefit and resource to your employees and their families, the Commonwealth will visibly declare its leadership in the arena of health benefits and its intention to do more than just pass the health care buck to employees via additional cost shifting. This also represents an unprecedented opportunity to meaningfully bend the trend of precipitously rising health care costs, a trend that is expected to continue unabated into the foreseeable future. Combined, the benefits to the Commonwealth are clearly significant.

This Proposal represents a completely new approach to employee benefits, as witnessed by the lack of prior proposals of this nature. We believe that the Commonwealth would be a

great partner as an anchor client to Accretive Care as we endeavor to redefine and significantly enhance the relationship between members, their health benefit program, and their employer.

Should the Commonwealth decide to accept this Proposal, we look forward to discussing further the many benefits the Commonwealth, its employees, and its citizens would enjoy.

## **VI. APPENDIX**

- ACCRETIVE, LLC Case Studies



**Built-for-purpose company  
improving hospital system  
revenue cycle management**

#### Company description

Accretive Health is a market-defining provider of full-scope revenue cycle management services. Based on over two years of primary research, the Accretive team concluded there existed an opportunity to significantly improve the financial health of large hospital systems by improving revenue cycle processes. Accretive Health was formed in 2003 to pursue this opportunity.

The company currently serves several of the nation's leading hospital systems. In less than four years, the company has achieved remarkable revenue yield improvements for its clients by applying best-in-class people, process, and technology to existing business processes.

#### Notable customers

- Ascension Health
- Dartmouth
- CHI

#### Outcomes

Hospitals in the U.S. are under extreme financial pressures amidst a tight reimbursement environment and ever-rising costs of keeping facilities up-to-date with modern technologies. Accretive Health is able to deliver a significant improvement in revenue yield to its clients – typically 2-5 additional points of revenue which is a meaningful bottom line improvement to the system and allows Accretive Health's clients to reinvest in further improving patient care.

#### Relevance to the Commonwealth of Virginia and Accretive Care

Accretive Health was formed in a very similar manner to Accretive Care, albeit in a different space within the health care industry. Accretive Health has shown that leveraging world-class talent and patient capital against a previously unsolvable problem can generate significant improvements for clients. Accretive Care is pursuing a very similar strategy towards helping large employers such as the Commonwealth of Virginia to address their health care need.



*Process Excellence, Proven Results*

**Pioneer in the HR  
administration space**

### Company description

Exult led the development of world-class HR administrative processing for Fortune 500 companies. Large enterprises are burdened with highly transactional Human Resources processes that oftentimes dilute the HR organization's focus on attracting, recruiting, and retaining talent. Through a combination of people, process, and technology, Exult was able to create significant improvement in the costs associated with such processes while simultaneously allowing a client's HR organization to re-focus on the core activities of talent management.

Exult was founded in 1998 by Jim Madden in conjunction with Michael Cline based on extensive primary research that showed a clear opportunity to significantly improve outcomes for large clients by delivering a focused, built-for-purpose solution. The founders were so confident in their ability to create value that they were willing to commit to significantly reducing costs while also improving service levels.

At the time of its sale to Hewitt, Exult served over 600,000 employees through global service centers spanning four continents. The rapid growth Exult experienced necessitated the development of a core competency around speedy and seamless build-out of multiple service centers simultaneously, including the hiring and training of front-line employees.

### Notable customers

- BP
- International Paper
- Prudential
- Bank of America
- Tenneco
- Bank of Montreal

### Outcomes

Exult pioneered the BPO marketplace, now a \$10 Billion industry according to Gartner group, and established a norm in HR administration around delivering significant value to customers. The company reduced HR administrative costs up to 50% for its clients and committed to a minimum 10-20% reduction. Further, these outcomes were not achieved at the expense of client or employee satisfaction – all of Exult's clients enjoyed world-class execution.

### Relevance to the Commonwealth of Virginia and Accretive Care

The built-for-purpose nature of Exult allowed it to create value for large enterprise clients in an area that was previously perceived as un-addressable. Accretive Care's strategy has been informed by this approach and the success experienced. Solving intractable problems requires a world-class team of executives committed to creating meaningful change for clients.

The CEO (Jim Madden) and former Chairman of the Board (Michael Cline) are both highly active in Accretive Care's development as Members of our Board of Directors.



**Market leading provider of  
at-home contact center solutions**

### Company description

Arise is the market leading provider of virtual contact center solutions. Arise delivers world-class contact center services including customer service, sales, and product support utilizing a network of 4,000+ at-home agents and an advanced technology infrastructure. Arise's customers include some of the most notable Fortune 100 companies.

Previously known as Willow CSN, Arise pioneered the distributed call center model. By utilizing at-home agents, Arise is able to recruit a much more highly skilled and tailored workforce than is typically available in traditional call center environments. 85% of Arise agents have college educations and average age in the agent pool is 38. As a result, leading enterprises trust Arise to handle complex, brand-crucial calls, where agent quality directly impacts outcomes. These are typically highly unstructured calls (e.g., sales discussions, emergency roadside assistance, insurance claims-handling) where having the right person on the phone is critical.

Arise today serves 40 customers and takes over 1.5 million calls a month.

### Notable customers

- Virgin Atlantic
- Virgin America
- Barnes & Noble
- AAA
- Home Depot

### Outcomes

Arise customers enjoy a significant improvement in outcomes over typical bricks & mortar call centers. Notably, clients have seen 10-20% improvements in customer satisfaction and average order values. They also enjoy a lower cost position, are better equipped to weather peak seasonal volumes, and can support a more flexible and desirable working environment for their employees.

### Relevance to the Commonwealth of Virginia and Accretive Care

Core to the Accretive Care offering is a world-class customer care experience. The success that Accretive LLC has had with Arise demonstrates Accretive's ability to attract and support a management team that can build and operate a world class customer service operation. In addition, since Arise employs agents in Virginia, we may consider using Arise as a business partner at some point to further leverage and expand our Virginia operations.



**Integrated health management  
provider driving improved employee  
satisfaction and lower health care costs**

Company description

Founded in 1999, Quantum Health is a Columbus, Ohio-based provider of health care cost containment services. The company typically serves small to medium sized employers (typically 500 to 5,000 employees) with self-insured health benefit plans.

Quantum's Coordinated Health/Care™ program focuses on the coordination of health care for employees and their dependents whenever they interact with the health care system. This care coordination is enabled through Quantum's role as the single point of contact for patients and providers for any inquiry related to the delivery of care or the administration of the plan. By fielding all of these interactions, Quantum is able to identify opportunities to help members better navigate the health care system, thereby improving care and lowering costs.

Outcomes

Quantum's clients enjoy an annual cost trend below 5%, which is significantly lower than industry norms. Even more importantly, this is achieved without negative plan design changes or denying care, resulting in meaningfully lower costs and greater patient satisfaction.

Relevance to the Commonwealth of Virginia and Accretive Care

In addition to demonstrating Accretive's commitment to health care and to an accountable care coordination approach, Quantum's model, while not directly applicable to the Commonwealth, does provide a clear demonstration of the value of coordinating health care experiences.

