Private Exchange ACOs Emerge as Next Generation ACO Model

Public health insurance exchanges (exchanges), created by a provision of the Patient Protection and Affordable Care Act (ACA), have received considerable attention as the ACA has started to expand health insurance coverage to previously uninsured individuals. These exchanges alone are expected to provide coverage to approximately 13 million individuals in 2015, a significant increase over the average coverage of individuals by exchanges in 2014, of approximately 7 million individuals. Private exchanges are also grabbing the attention of consumers, with enrollment in private exchanges expected to equal the enrollment in public exchanges as early as 2017. This increased interest in private exchanges is primarily from employers that are looking to cut healthcare costs, as well as from individuals who do not qualify for federal subsidies and are examining their alternatives in order to comply with the Individual Mandate provisions of the ACA. Therefore, both public and private payors are devising innovative strategies, such as partnering with Accountable Care Organizations (ACOs), to capitalize on the increasing demand for affordable health insurance plans, which offer the consumer a range of health insurance plan options. This article will discuss these new private exchange ACO models, as well as the driving factors behind the increased interest from consumers in choosing private exchanges over public exchanges.

Within the first three months of open enrollment for the federal exchanges in 2013, the largest private health insurance exchange provider, eHealth Insurance, experienced a 50% increase in enrollments from 2012. This dramatic increase in enrollment was not unexpected, due to the implementation of the ACA, but also follows a trend of U.S. employers shifting their health insurance offerings to private exchanges. According to a 2014 Aon Hewitt survey, only 5% of employers in 2014 offered private health exchanges; however, the survey projects that this value will increase by 33% in the next three to five years. Private exchanges are attractive to the employer because:

1. They can constrain premium growth due to direct competition between insurers for customers; and,
2. They are able to offer the employee a wider range of choices in healthcare plans.

Other employer benefits which may be realized through the move to a private exchange include:

1. “Improve predictability of healthcare costs by transferring risk to the insurance carrier”;
2. “Increase ability to focus efforts on other initiatives, such as health/wellness programs”;
3. Ability to “[a]llign health care benefits/subsidies with overall employee compensation”;
4. Ability to “[m]inimize employer’s plan design and vendor management responsibilities”;
5. “Improve competitiveness of current benefits”; and,
6. “Reduce long-term cost trend through competitive market forces.”

Another added value for private health insurance exchanges is the ability to offer health and wellness programs. The ACA provides new incentives to employers to promote wellness programs and support healthier workplaces. As private exchanges proliferate in the marketplace, offering comprehensive wellness programs will be an important strategy for consumers and employers to differentiate between plans. With the paradigm shift from volume-based care to value-based care, wellness programs are becoming an essential component to mitigate risk, by reducing emergency care visits and hospital admissions. Therefore, as providers begin to adopt value-based care models, some are looking to ACO models that emphasize quality care while providing services to aid in managing population health. Value-based health insurance contracts have a different focus from conventional insurance products, in that their priority is on structuring agreements that focus on keeping patients healthy, while avoiding unnecessary costs. Therefore, it is relatively easy to identify a collaborative care model, inherent to ACOs, as beneficial to a value-based health insurance plan. Industry experts agree that private exchanges align well with value-based care, and are predicting that the partnering between private health exchanges and ACOs is an emerging care model for insurers. Two of the major players taking advantage of this new emerging care model are Aetna and Bloom Health, both

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of which are rapidly expanding.25 Bloom Health’s private ACO exchange is offered by approximately 250 employers,26 and has a 51% selection rate for ACOs in their private exchanges,27 indicating that customers may increasingly desire the options available to them through an ACO. Another option consumers can explore is Aetna’s private-label health plan, which is a component of the company’s larger plan to create a national ACO chain that can address large employer populations in specific markets.28 Aetna notes that “ACOs can bring very attractive value propositions (cost and quality) in their market where the ACO provider partner has strong local market recognition.”29 This local market recognition is essential to their effort to localize purchases, reasoning that providers may sometimes have stronger local reputations and relationships than a national health plan, and this reputation could increase the health plan’s overall market share.30

The partnering of private exchanges with ACOs represents a new innovation in the fight for market share and value-based care. Private exchanges may still be considered a “progressive experiment” by some, but with the increased emphasis on high quality care at a lower cost, it is likely that these private exchanges could have the flexibility required to meet these value-based care goals.31 ACOs are also at the forefront of streamlined care, and thus will be an attractive option on the private exchanges, because they offer an easy option for employers to purchase health plans with an emphasis on population health.32


4 Accenture, 2013.

5 Ibid.


9 Ibid.


12 Demko, "Private insurance exchanges attract more employers”, June 7, 2014.


14 Ibid.

15 Ibid.


17 Ibid.

18 Ibid.


22 Ibid.


25 Ibid.


28 "Aetna Readies Plan to Offer ACO Products via Private Exchanges” By Jane Anderson, AIS Health, June 2014,


32 Ibid.
Robert James Cimasi, MHA, ASA, FRICS, MCBA, CVA, CM&AA, serves as Chief Executive Officer of Health Capital Consultants (HCC), a nationally recognized healthcare financial and economic consulting firm headquartered in St. Louis, MO, serving clients in 49 states since 1993. Mr. Cimasi has over thirty years of experience in serving clients, with a professional focus on the financial and economic aspects of healthcare service sector entities including: valuation consulting and capital formation services; healthcare industry transactions including joint ventures, mergers, acquisitions, and divestitures; litigation support & expert testimony; and, certificate-of-need and other regulatory and policy planning consulting.

Mr. Cimasi holds a Masters in Health Administration from the University of Maryland, as well as several professional designations: Accredited Senior Appraiser (ASA – American Society of Appraisers); Fellow Royal Institution of Chartered Surveyors (FRICS – Royal Institute of Chartered Surveyors); Master Certified Business Appraiser (MCBA – Institute of Business Appraisers); Accredited Valuation Analyst (AVA – National Association of Certified Valuators and Analysts); and, Certified Merger & Acquisition Advisor (CM&AA – Alliance of Merger & Acquisition Advisors). He has served as an expert witness on cases in numerous courts, and has provided testimony before federal and state legislative committees. He is a nationally known speaker on healthcare industry topics, the author of several books, the latest of which include: “Accountable Care Organizations: Value Metrics and Capital Formation” [2013 - Taylor & Francis, a division of CRC Press], “The Adviser’s Guide to Healthcare” – Vols. I, II & III (2010 – AICPA), and “The U.S. Healthcare Certificate of Need Sourcebook” [2005 - Beard Books]. His most recent book, entitled “Healthcare Valuation: The Financial Appraisal of Enterprises, Assets, and Services” was published by John Wiley & Sons in March 2014.

Mr. Cimasi is the author of numerous additional chapters in anthologies; books, and legal treatises; published articles in peer reviewed and industry trade journals; research papers and case studies; and, is often quoted by healthcare industry press. In 2006, Mr. Cimasi was honored with the prestigious “Shannon Pratt Award in Business Valuation” conferred by the Institute of Business Appraisers. Mr. Cimasi serves on the Editorial Board of the Business Appraisals Practice of the Institute of Business Appraisers, of which he is a member of the College of Fellows. In 2011, he was named a Fellow of the Royal Institution of Chartered Surveyors (RICS).

Todd A. Zigrang, MBA, MHA, ASA, FACHE, is the President of Health Capital Consultants (HCC), where he focuses on the areas valuation and financial analysis for hospitals and other healthcare enterprises. Mr. Zigrang has significant physician integration and financial analysis experience, and has participated in the development of a physician-owned multi-specialty MSO and networks involving a wide range of specialties; physician-owned hospitals, as well as several limited liability companies for the purpose of acquiring acute care and specialty hospitals, ASCs and other ancillary facilities; participated in the evaluation and negotiation of managed care contracts; performed and assisted in the valuation of various healthcare entities and related litigation support engagements; created pro-forma financials; written business plans; conducted a range of industry research; completed due diligence practice analysis; overseen the selection process for vendors, contractors, and architects; and, worked on the arrangement of financing.

Mr. Zigrang holds a Master of Science in Health Administration and a Masters in Business Administration from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives, and serves as President of the St. Louis Chapter of the American Society of Appraisers (ASA). He has co-authored “Research and Financial Benchmarking in the Healthcare Industry” (STP Financial Management) and “Healthcare Industry Research and its Application in Financial Consulting” (Aspen Publishers). He has additionally taught before the Institute of Business Appraisers and CPA Leadership Institute, and has authored research papers before the Healthcare Financial Management Association; the National CPA Health Care Adviser’s Association; Association for Corporate Growth; Infocast Executive Education Series; the St. Louis Business Valuation Roundtable; and, Physician Hospitals of America.

Matthew J. Wagner, MBA, CFA, is Senior Vice President of Health Capital Consultants (HCC), where he focuses on the areas of valuation and financial analysis. Mr. Wagner provides valuation services regarding various healthcare related enterprises, assets and services, including but not limited to, physician practices, diagnostic imaging service lines, ambulatory surgery centers, physician-owned insurance plans, equity purchase options, physician clinical compensation, and healthcare equipment leases.

John R. Chwarzinski, MSF, MAE, is Vice President of Health Capital Consultants (HCC). Mr. Chwarzinski holds a Master’s Degree in Economics from the University of Missouri – St. Louis, as well as, a Master’s Degree in Finance from the John M. Olin School of Business at Washington University in St. Louis. Mr. Chwarzinski’s areas of expertise include advanced statistical analysis, econometric modeling, and economic and financial analysis.

Jessica L. Bailey, Esq., is the Director of Research of Health Capital Consultants (HCC), where she conducts project management and consulting services related to the impact of both federal and state regulations on healthcare exempt organization transactions and provides research services necessary to support certified opinions of value related to the Fair Market Value and Commercial Reasonableness of transactions related to healthcare enterprises, assets, and services. Ms. Bailey is a member of the Missouri and Illinois Bars and holds a J.D. and Health Law Certificate from Saint Louis University School of Law, where she served as Fall Managing Editor for the Journal of Health Law and Policy.