

## Consulting firms see big business in 'accountable' health reform

BY KATHARINE GRAYSON  
STAFF WRITER

For Todd Cozzens, a key component of the 2010 health reform legislation is also an opportunity to break into an emerging, multibillion-dollar market.



**Cozzens**

Cozzens is CEO of Optum's Accountable Care Solutions business, an Eden Prairie-based unit of UnitedHealth Group Inc.'s Optum's business. Optum formed the accountable care group last year to assist health providers that want to set up accountable care organizations, or ACOs. Optum is offering a mix of IT, consulting and other services, drawing on talent from other Optum divisions. It also acquired Carol Corp., a Bloomington-based consulting firm that specialized in ACOs, as part of its plan to break into the market.

"We realized that Optum was purpose-built for this," Cozzens said. "One-third to half of the hospitals, within five years, are going to have some example of [an ACO]. I think that equates to several billions of dollars in potential opportunity for companies like us."

ACOs aim to change the payment model for health care by rewarding providers based on how well patients fare after treatment. In the past, providers were paid per procedure. Medicare recently announced guidelines for ACOs and accepted 32 health providers — including three from Minnesota — into its "Pioneer ACO" program.

Consulting firms both large and small are expected to play a role in building the IT systems and other components needed to make ACOs work. IT infrastructure will be important because health providers need to closely track patients' health outcomes.

Other types of businesses see opportunities, as well. Minneapolis-based Star Line Group, for instance, recently launched a reinsurance product specifically for ACOs. The firm's product will help insure ACOs against profit losses they

might face if they don't meet Medicare's expectations. Under Medicare guidelines, health providers that lower the cost of treating Medicare patients will get to share in the resulting savings. If they don't meet Medicare's expectations, they will have to cut a check to the government.

Kelly Munger, senior vice president of Star Line Group, said the product is one way reinsurance companies can play a role in the ACO market. "We're very engaged in what's going on through the affordable care act. We want to be supportive of it and certainly we're interested in the opportunities it creates."

Some health care groups will begin forming ACOs as early as this spring, with more expected to come online in January of next year, Munger said. Other providers were ahead of the curve, including some in the Twin Cities. Fairview Health Services, for instance, partnered with Medica to develop a system that rewarded the provider based on quality of care and cost savings. Minneapolis-based Fairview used outside firms to help establish that system, including Carol Corp. and Accretive Health Inc., based in Chicago.

Fairview, which was selected to participate in the Pioneer ACO program, doesn't have immediate plans to hire additional consultants, a company spokesman said.

Large consulting firms such as Deloitte and Accenture are well-positioned to serve ACOs, though a wide range of players can enter the market, said Steve Parente, a finance professor and health care economist at the University of Minnesota. "They're already coming in at all shapes and sizes. They range from mom-and-pop groups to ex-hospital administrators wearing their own hats. The wonderful thing about legislation is it creates new business opportunities all the time."

For now, Optum has between 60 and 70 employees devoted to the ACO business. That number could grow over time as the unit gains traction, Cozzens said.

"We're just overwhelmed with demand," he said.

kgrayson@bizjournals.com | (612) 288-2106