

somewhat
different



Aggregate excess of loss protection allows ACOs to focus on delivering quality patient care.

Innovative Risk Solutions for Basic and Enhanced Tracks & Next Generation ACOs

Introduction

The Centers for Medicare & Medicaid Services (CMS) gives healthcare providers the opportunity to realize shared savings and receive bonus incentives in exchange for taking on risk related to patient outcomes. Accountable Care Organizations (ACOs) that transition to the role of risk taker must be prepared to cover expenditures above the benchmark. Hannover Re's innovative reinsurance solutions enable ACOs to pursue shared savings and bonuses while limiting the financial impact of underperforming against the benchmark. For ACOs that are considering two-sided risk arrangements, we provide consultative services to help you select a program that aligns with your objectives.

Medicare Reinsurance Experts

Hannover Life Reassurance Company of America, which is licensed or accredited in all 50 US states, the District of Columbia, Puerto Rico and Guam, is the North American life & health reinsurance subsidiary of Hannover Re Group. As one of the nation's largest professional reinsurers of Medicare business, operating in this market segment for more than a decade and reinsuring over \$4 billion of premium for our clients, we have the experience to provide you with innovative solutions and exceptional customer service in the ACO market.

Aggregate Excess of Loss Protection

Aggregate excess of loss reinsurance protection with Hannover Re gives ACOs a safety net when entering two-sided risk arrangements. By capping the aggregate amount of shared losses that providers are responsible for, reinsurance mitigates catastrophic financial risk and enables better cash flows, profits and earnings protection for ACOs in a performance year. As risk management experts, we deliver the assurance our ACO clients need to focus on providing high-quality patient care and coordination with confidence and peace of mind.

We understand that the type and level of financial risk that ACOs assume vary considerably based on composition, geography and other dynamics. When designing reinsurance programs, we analyze these factors to develop customized solutions that address their unique risks while also considering their risk appetite.

When you work with Hannover Re, you have access to our team of actuaries and analysts who have significant Medicare expertise and understand ACOs' challenges as well as the opportunities associated with emerging risk-bearing arrangements. As your risk partner, we are invested in your success.

How Reinsurance Works

This example illustrates the effect of reinsurance on a Next Generation ACO's financial losses in the event that expenditures exceed the benchmark.

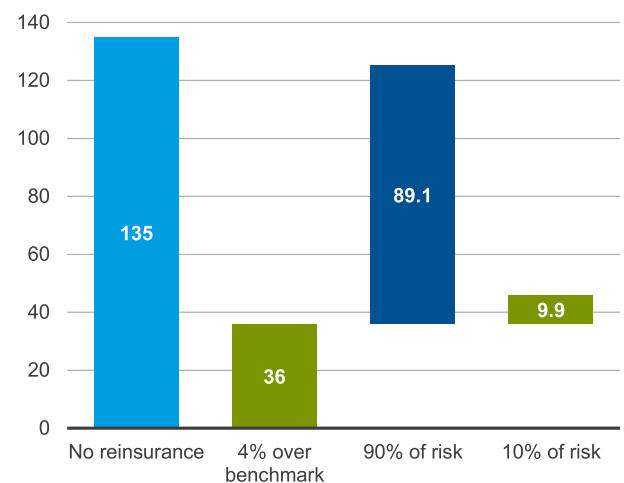
XYZ ACO is assigned 75,000 attributed members with a benchmark of \$1000 per person, per month. This brings the annual benchmark expenditure to \$900 million (75,000 x \$1000 x 12 months). Under the risk sharing model with CMS, XYZ receives the benefit of, and is responsible for, 100%¹ of all actual savings or expenditures up to 15% below and above the benchmark. Without aggregate excess of loss protection, XYZ's financial risk of loss is \$135 million (\$900 million x 15%).

An aggregate excess of loss agreement with Hannover Re includes an attachment point that, when reached, triggers the reinsurance coverage. In this case, XYZ is responsible for 100% of the expenditure up to the attachment point of 104% of the benchmark, which is \$36 million (\$900 million

x 4%). After that, XYZ is only responsible for 10% of the remaining expenditure up to 115% of the benchmark which equals \$9.9 million (\$900 million x 11% x 10%). Hannover Re is responsible for 90% of the expenditure between 104% and 115% of the benchmark which is \$89.1 million (\$900 million x 11% x 90%). Figure 1 below illustrates these results compared to XYZ's financial risk without reinsurance.

In this example, reinsurance reduces XYZ's financial risk from \$135 million to \$45.9 million.

Figure 1 (in USD millions)



- XYZ's risk without reinsurance (\$135 million)
- XYZ's risk with reinsurance (\$45.9 million total)
- Hannover Re's risk (\$89.1 million)

Advisory Services

Advisory services are also provided and include an analysis and benchmarking of your ACO's performance statistics using Hannover Re's proprietary data analytics tool, recommendations to improve savings and access to industry best practices, case studies, and briefs. As members of the Accountable Care Learning Collaborative, we are actively working with other industry leaders to develop best

¹A Next Generation ACO may elect either 80% or 100% gain and risk.

practices and competencies for ACOs to succeed in risk-bearing contracts, and we will be happy to share our work with you.

About Hannover Re Group

Hannover Re, with gross premium of EUR 24 billion, is the third-largest reinsurer in the world. It transacts all lines of property & casualty and life & health reinsurance and is present on all continents with around 3,000 staff and a network of more than 170 subsidiaries, branches and representative offices worldwide. The rating agencies most relevant to the insurance industry have awarded Hannover Re very strong insurer financial strength ratings (Standard & Poor's AA- "Very Strong" and A.M. Best A+ "Superior").

Contact us to learn more about Hannover Re's customized reinsurance solutions for ACOs participating in innovative payment models.

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