

TRAVELERS

Surety Bonds for Healthcare Providers: Medicare ACO Bonds

PROVIDING SURETY BOND SOLUTIONS FOR OUR HEALTHCARE CLIENTS

Today, the roles of CFOs, Treasurers and Risk Managers at hospitals and integrated hospital delivery systems are far more complex, broad in scope, time sensitive and demanding than ever before.

These professionals deal with a myriad of operational, financial and clinical delivery issues all within a pressurized environment where the paramount goal remains providing high quality patient care within an extremely dynamic and demanding industry entering "uncharted waters."

Medicare Accountable Care Organization (ACO) Bonds

- **New Surety Bond Products!** – Travelers offers surety bond solutions for the following types of Medicare ACOs:
  - Pioneer ACO
  - Medicare Shared Savings Program (MSSP) ACO
  - Next Generation ACO
- **CMS Acceptance of Travelers Developed Bond Forms** – Various Medicare ACO Bonds drafted by Travelers have been accepted by the Center of Medicaid and Medicare Services (CMS).
- **Statutory "Repayment Mechanism"** – Medicare ACO bonds are an acceptable statutory "Repayment Mechanism," as mandated under federal regulations, for participants of the various Medicare ACO programs now underway.
- **Compelling Advantages** – While Medicare allows for two alternative forms of a "Repayment Mechanism", there are advantages in using Medicare ACO bonds in lieu of bank letters of credit and cash escrow custodial accounts.
- **Coming Soon!** – Similar ACO bonds and other new bonds for healthcare entities are under development.

Healthcare – A Key Strategic Goal of Travelers Bond & Specialty Insurance

- **Healthcare Strategic Initiative** – Medicare ACO Bonds are part of a strategic initiative at Travelers aimed at developing a practical suite of surety bonds with utility to financial and risk management professionals.
- **Financial/Risk Management Surety Toolbox** – Ultimately, our vision is to educate our health care customers about how surety bonds, whether existing or custom-designed, can be a valuable financial management tool.
- **Proven Track Record** – Travelers has worked in close collaboration with state and federal authorities as well as our healthcare customers in bringing innovative new surety products to market.

The Surety Bond Advantage

When such new Travelers surety products are used in concert with our existing suite of surety products – whether to satisfy the security needs required of a healthcare institution or as a means of achieving a strategic financial management goal of preserving cash on hand by deferring outlays – hospitals and hospital systems stand to win in the short and long run by:

- **Improving Cash and Credit Capacity** – Supplanting the use of bank letters of credit (LOCs) and cash collateral as well as some escrow and trust accounts thereby conserving credit facilities, retaining cash on hand and retaining yield-bearing unrestricted assets for other corporate purposes.
- **Achieving Cost Savings and Reducing Price Volatility** – Reducing potential cyclical price volatility associated with bank LOC annual fees and other credit facility costs.
- **Minimal Event Risk** – A claim on a surety bond, unlike a standard draw down on a LOC or demand against an escrow account, generally does not lead to an immediate payout or potential cross default on debt instruments.

Why Travelers?

- **Leadership** – With over 160 years of experience, our reliability is proven.
- **Dedicated Healthcare Team** – Travelers Bond has a dedicated, interdisciplinary team of professionals – including legal, regulatory and underwriting personnel – with a solid knowledge of the healthcare industry and drive to build new surety products.
- **Financial Strength** – A.M. Best* has assigned Travelers a financial strength rating of A++ (superior) and Travelers has the ability to extend substantial capacity.
- **National Footprint/Local Presence** – With offices nationwide we possess national strength and local presence.
- **Ease of Doing Business** – Setting up a surety line of credit is a simple, straightforward process requiring basic financial information, minimal legal documentation and no fees.

*A.M. Best's rating of A++ applies to certain insurance subsidiaries of Travelers that are members of the Travelers Insurance Companies pool; other subsidiaries are included in another rating pool or are separately rated. For a listing of companies rated by A.M. Best and other rating services visit www.travelers.com. Ratings listed herein are as of May 23, 2014, are used with permission, and are subject to changes by the rating services. For the latest rating, access www.ambest.com.

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