

Bundled Payments

Analytical Solution Strategies

Gena Futral RN, MHA
Director, Performance Services
VHA

Objectives

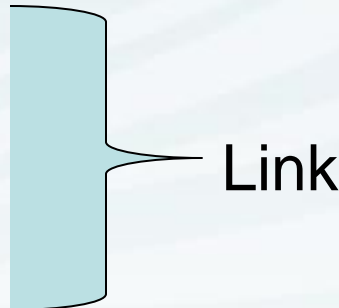
Demonstrate how actionable data can lay the groundwork for bundled payments without sacrificing patient outcome.

Understand why comparative effectiveness research and evidence-based medicine is important for managing the episode of care.

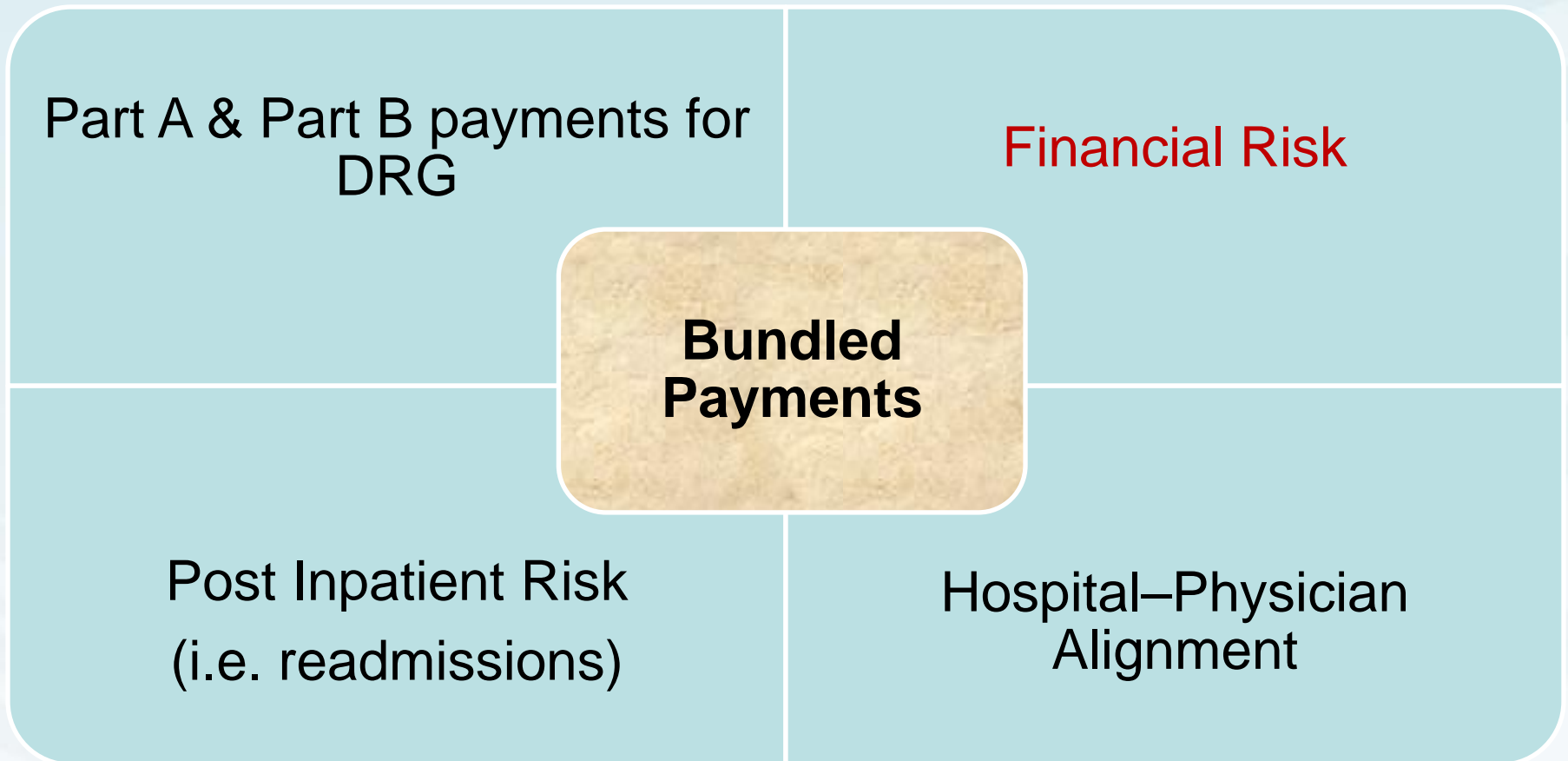


National Health Care Reform

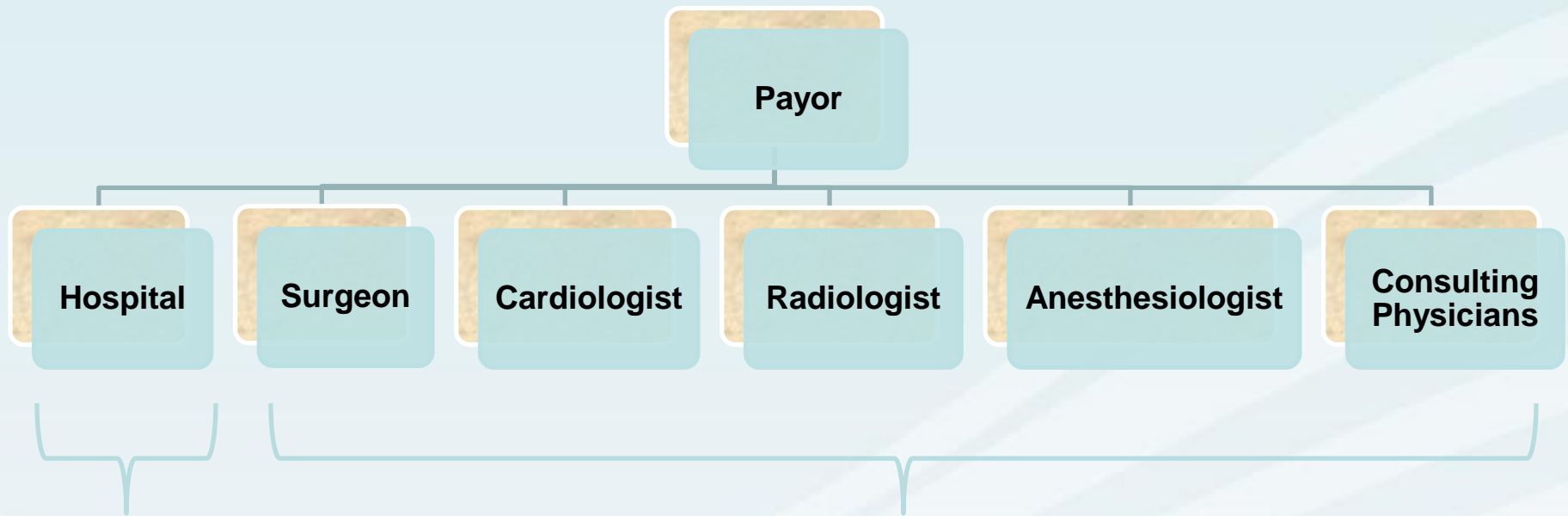
- **Reduce total case costs:**
 - Bundled payments
 - Pay for Performance
 - Accountable Care Organizations
 - Lower reimbursement – survive on CMS rates
- **Requirements:**
 - **Actionable data**
 - Price
 - Utilization
 - Clinical Appropriateness
 - Quality
 - Physician Level
 - Hospital-physician alignment



Bundled Payment Elements



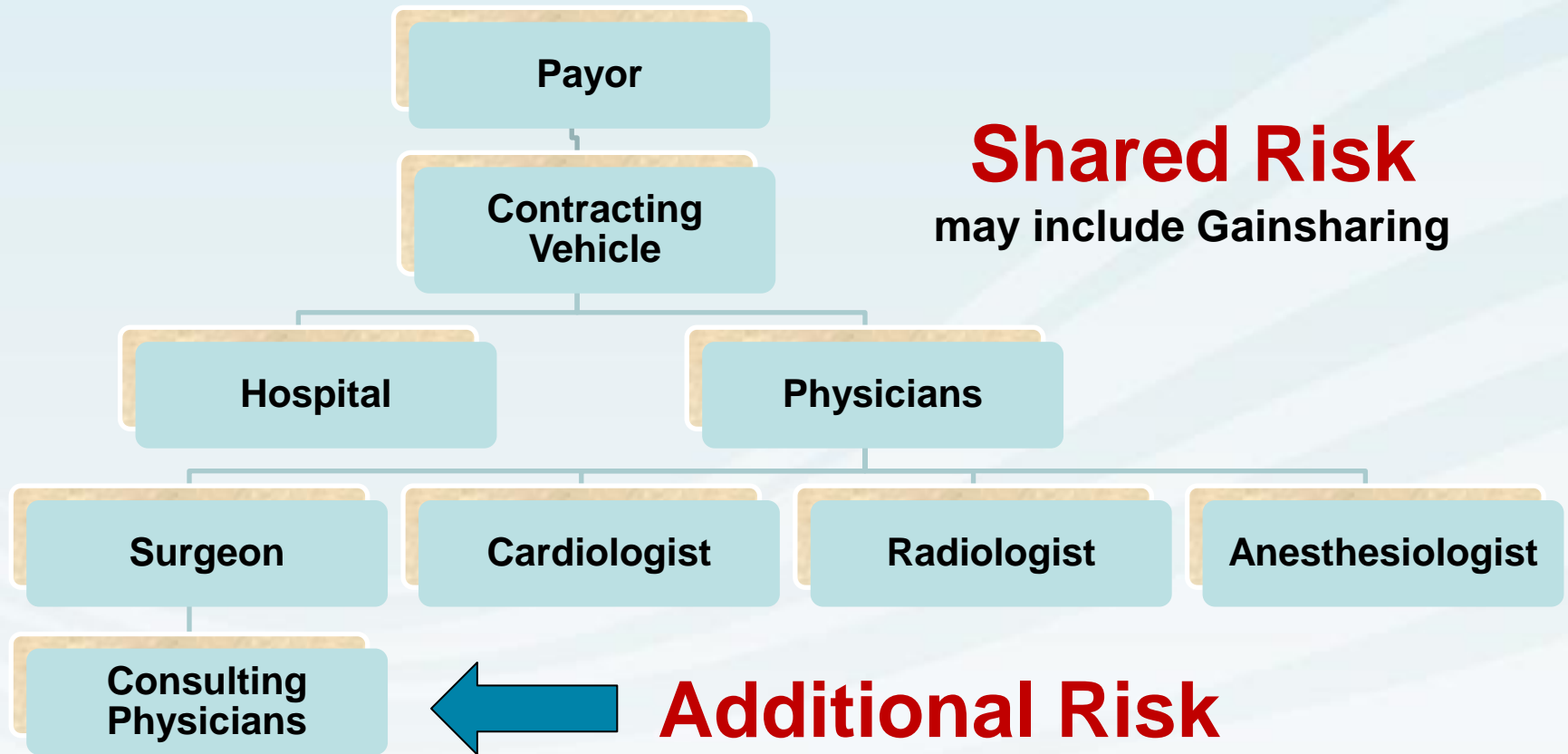
Traditional Payment Model Cardiac Surgery Example



**Hospital
receives
fixed
payment**

**Physicians are paid more
for increasing utilization**

Bundled Payment Model Cardiac Surgery Example



Demonstration Projects and Pilots

Medicare
Cataract
Alternative
Payment
Demonstration

Medicaid
Bundled
Payment
Demonstration

1989 to
1994

1993 to
1996

2009 to
????

2012 to
2016

2013 to
2017

Medicare
Participating Heart
Bypass Center
Demonstration

Medicare
Acute Care
Episode
Demonstration

Medicare
Voluntary National
Pilot Program on
Bundled Payments

VHA /Goodroe involvement

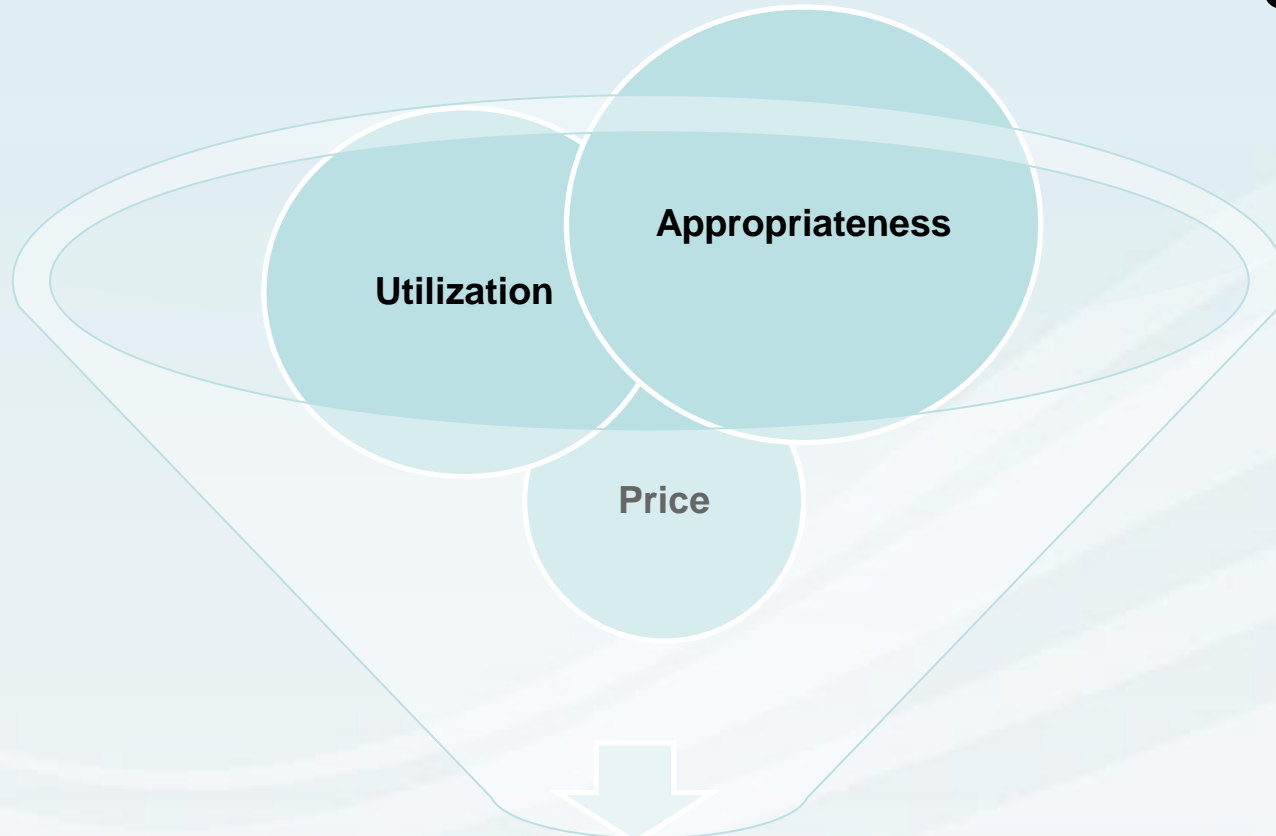
Medicare Participating Heart Bypass Demonstration

- **Bundled payment for coronary artery bypass graft surgery**
- **All inpatient Part A and Part B services and readmissions**
- **Seven sites, seven cities**
- **Discounts from 5-30%**
- **Savings of \$50 million on about 10,000 procedures = \$5,000/procedure**
- **High patient satisfaction and quality maintained or improved**

Acute Care Episode (ACE) Demonstration Project

- **Bundled payments for cardiovascular and/or orthopedic procedures**
- **Part A and Part B services related to acute care episode only**
- **Gainsharing (shared cost savings)**
- **Shared savings to patients**
- **Hospitals accepted discounts on Part A of 1-6%**

Analytical Strategies Pre and Post Contracting

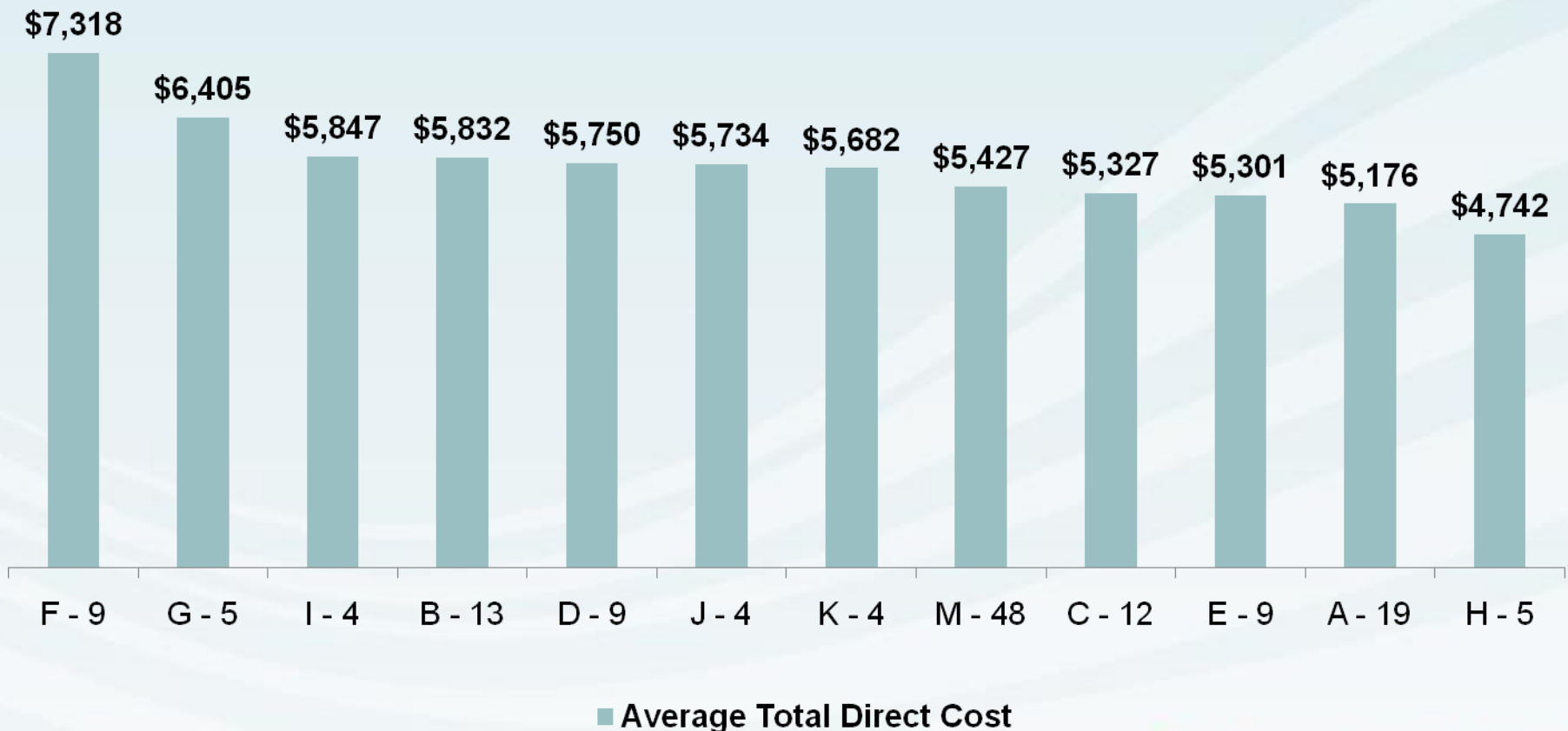


Understanding Variances

Who should you share risk with?

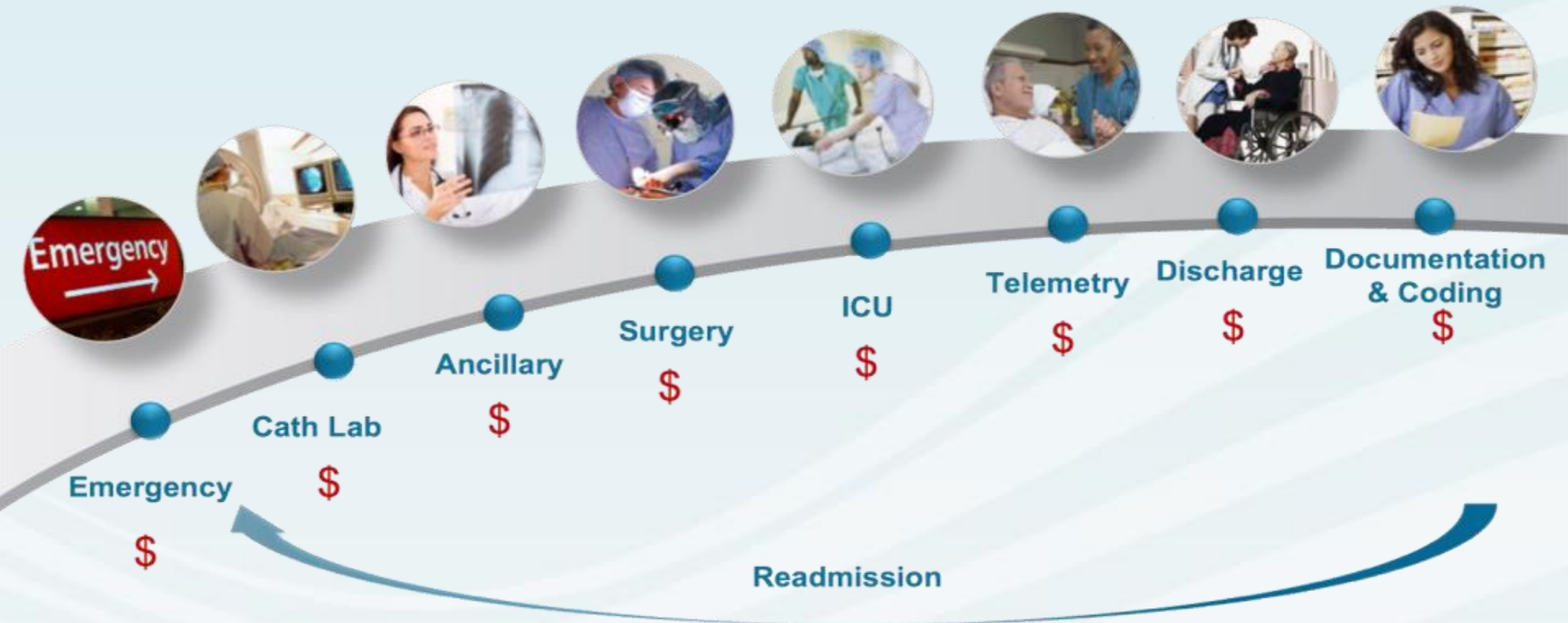
Average Cost by Physician Simple Pneumonia

What is the root cause of the cost variance of \$2,576?



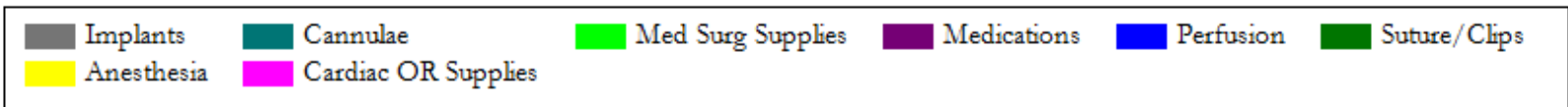
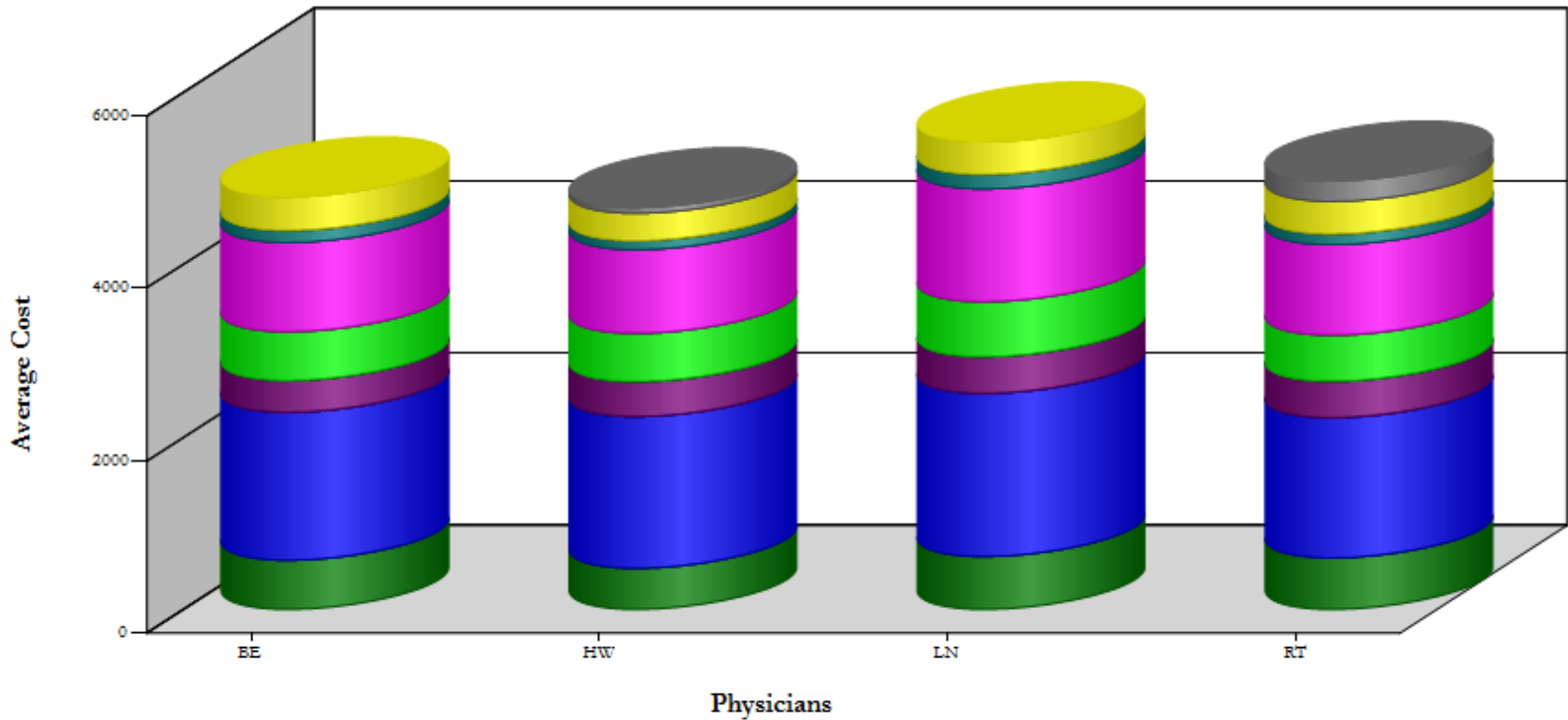
Managing the Episode of Care

Open Heart Surgery Example



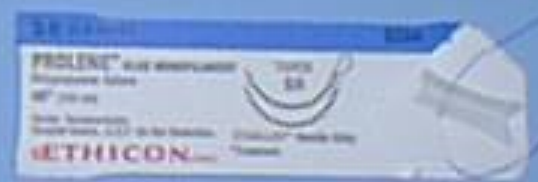
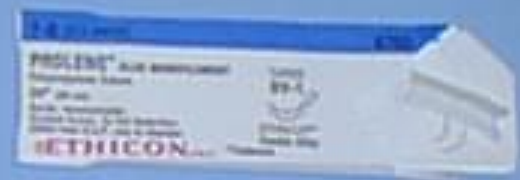
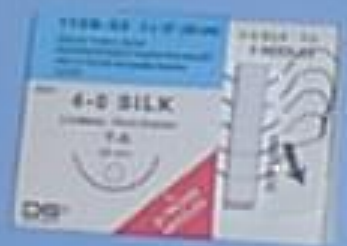
At the end of the “episode”, did you make money or lose money on each patient?

CABG Cost and Utilization by Physician



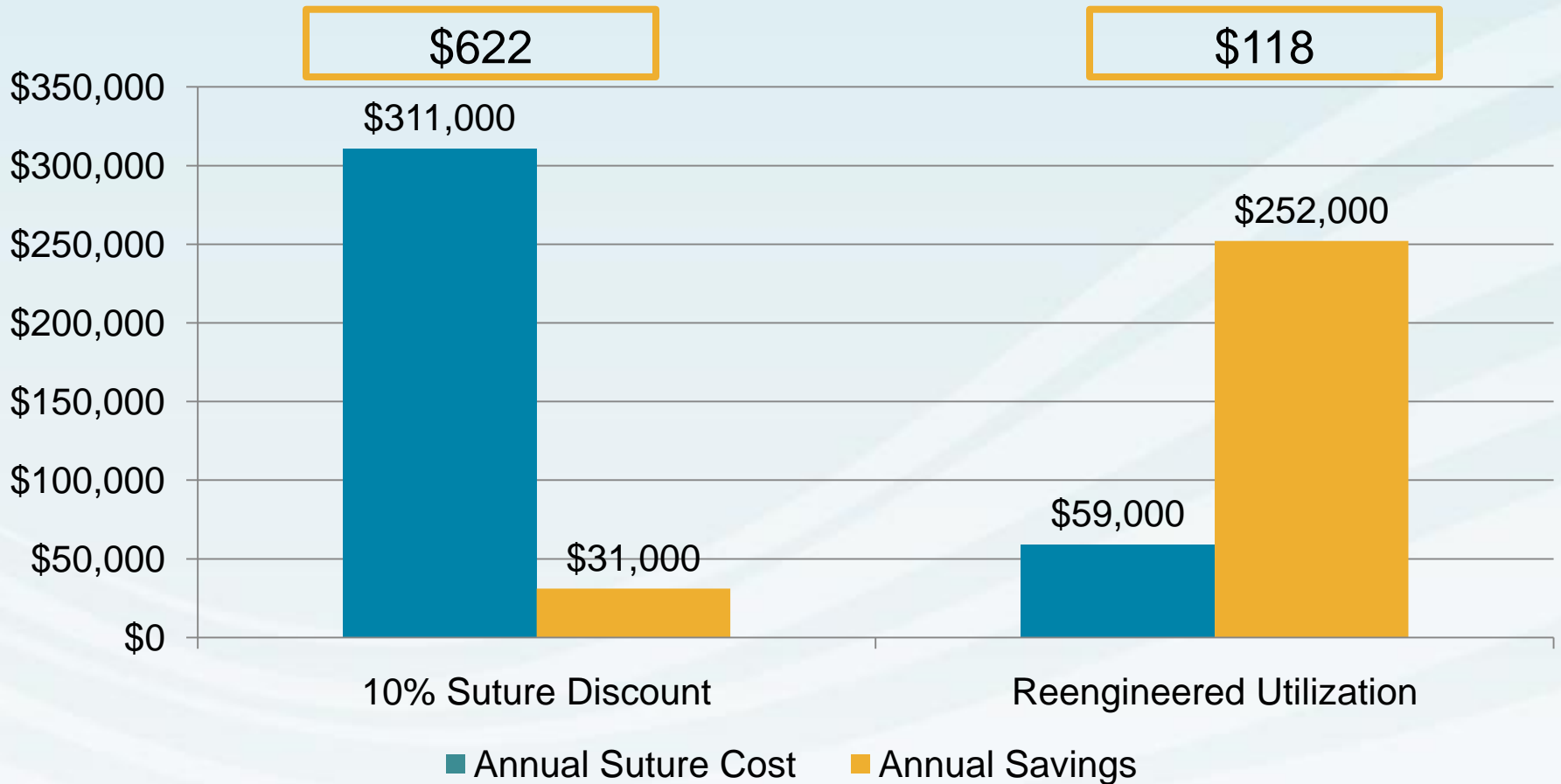


**Average Suture Cost
\$622**



**Benchmark Average Cost
\$118**

Reengineering Suture Price versus Utilization



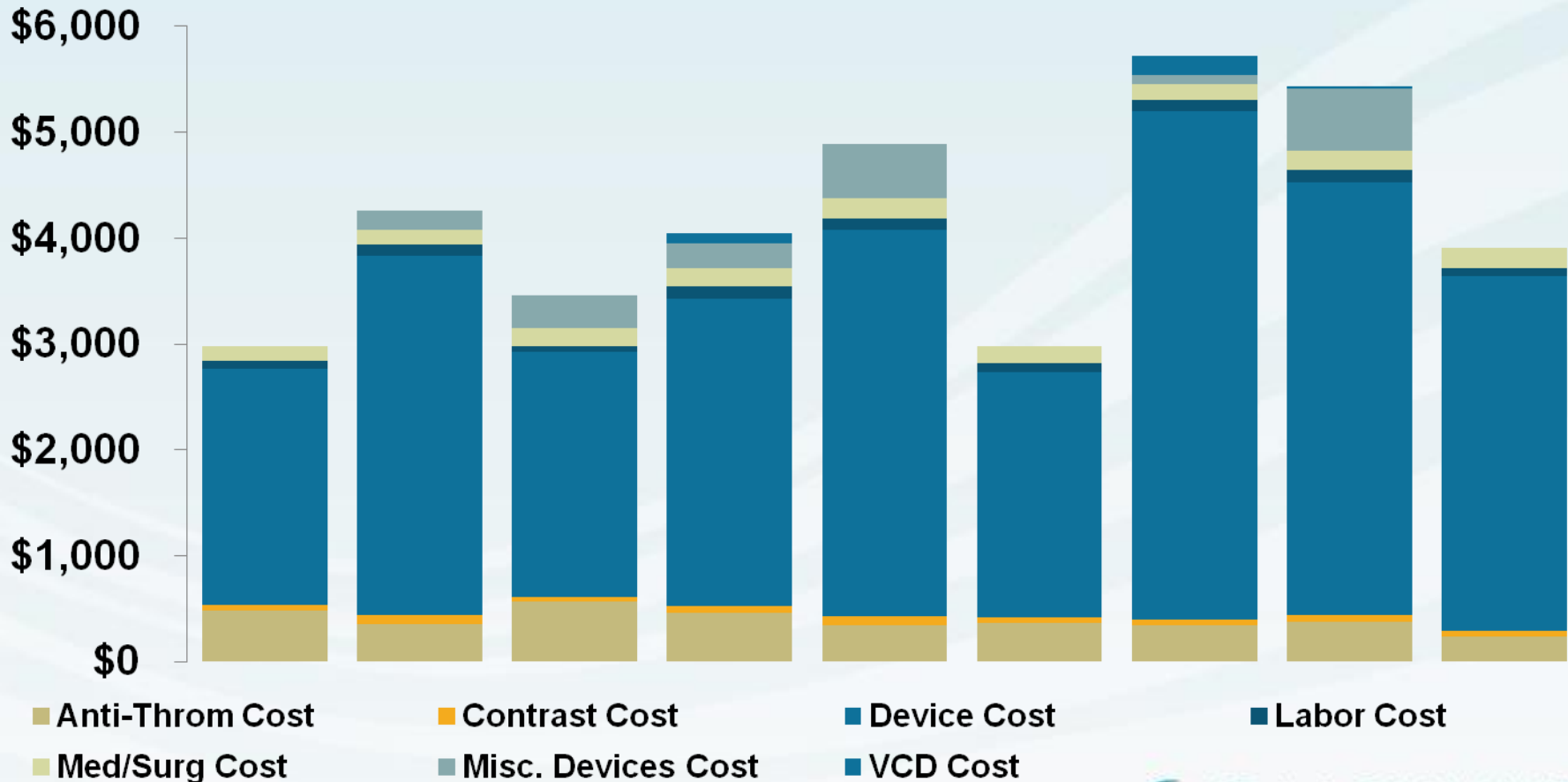
Suture Case Cost

500 Bypass Cases

Drug Eluting Stent Procedures

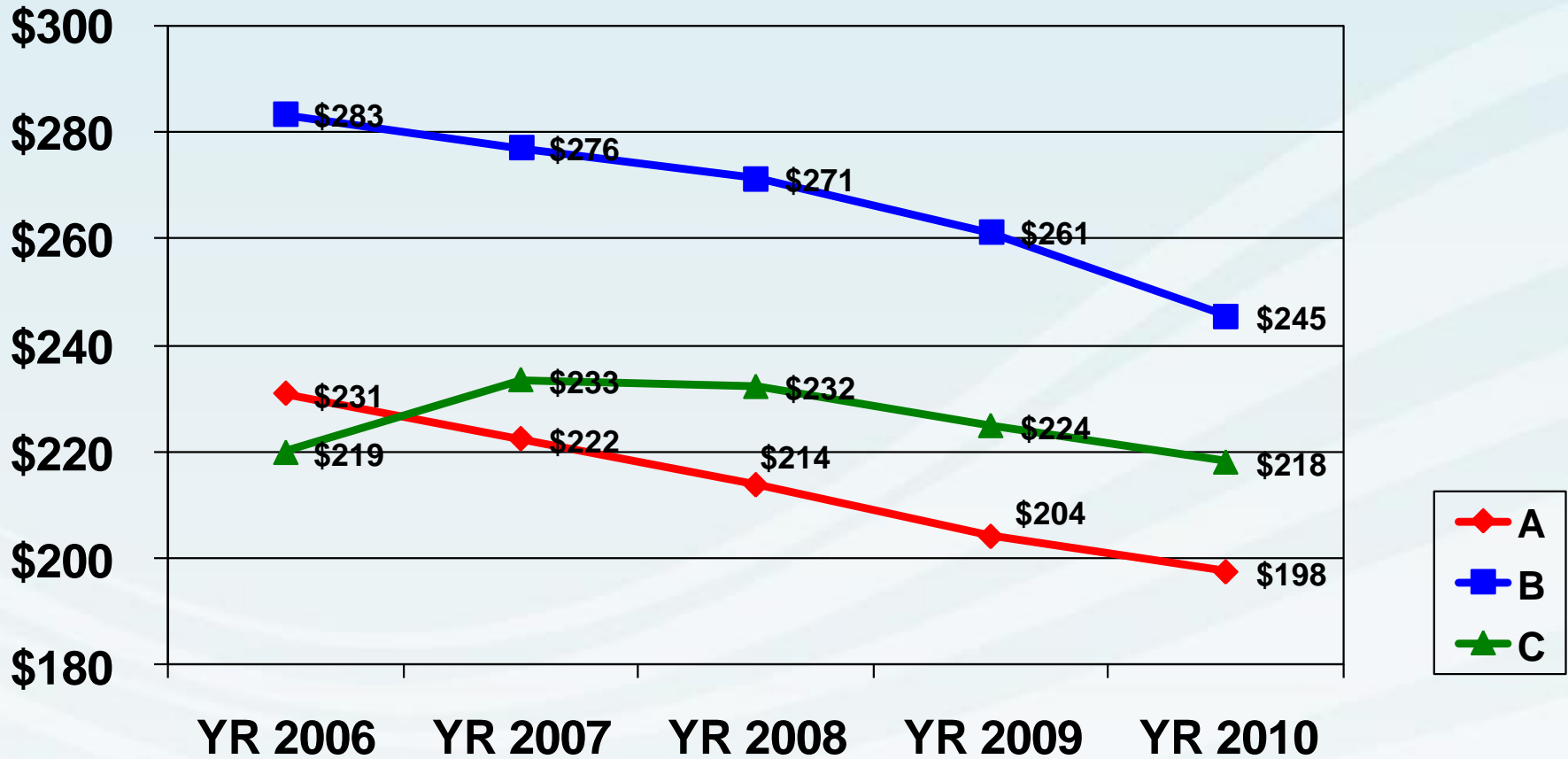
Procedure Cost by Physician

Cost Range from \$2,743 - \$5,720



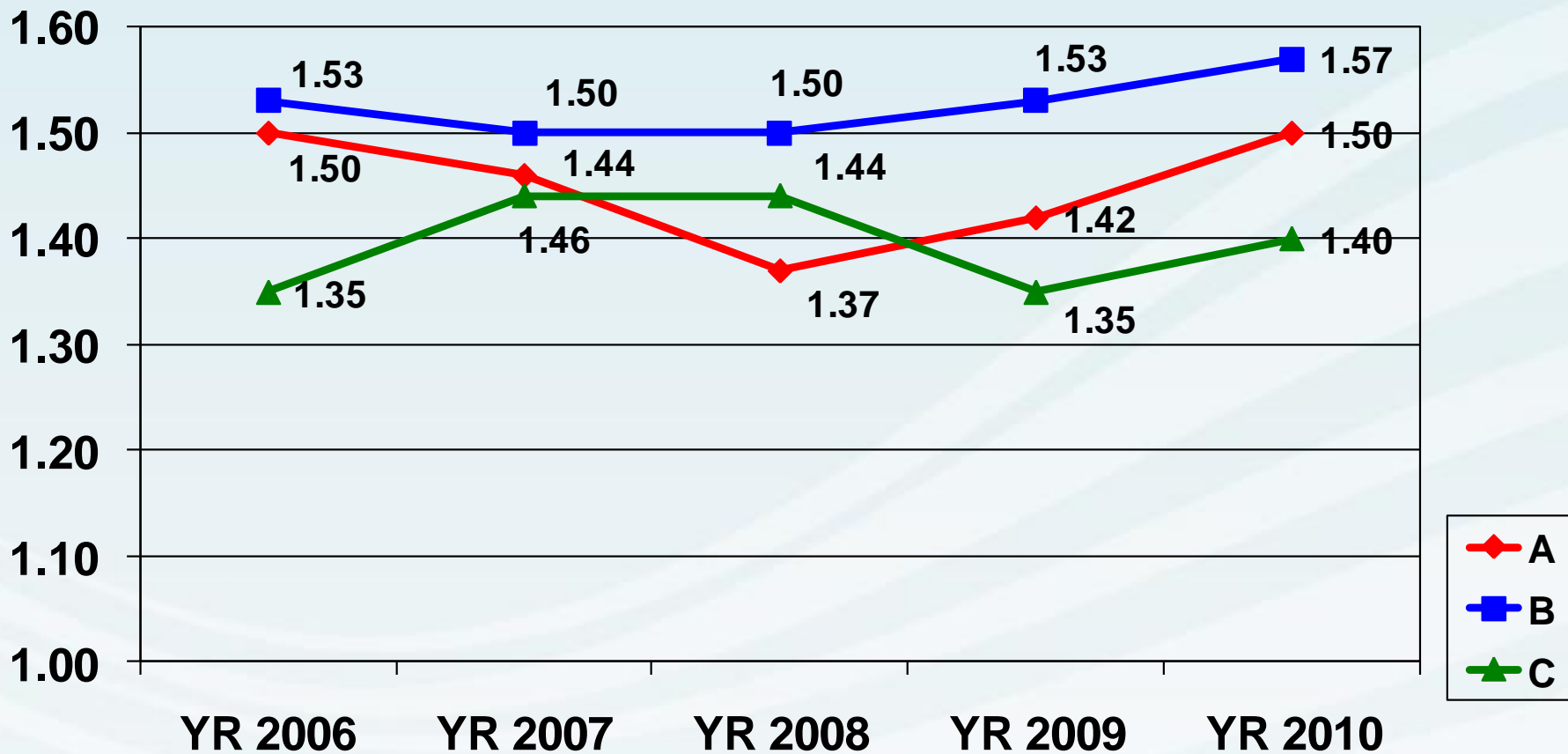
Device Cost Trends

Average Cost per Balloon Catheters



Device Utilization Trends

Average Balloon Catheters Used

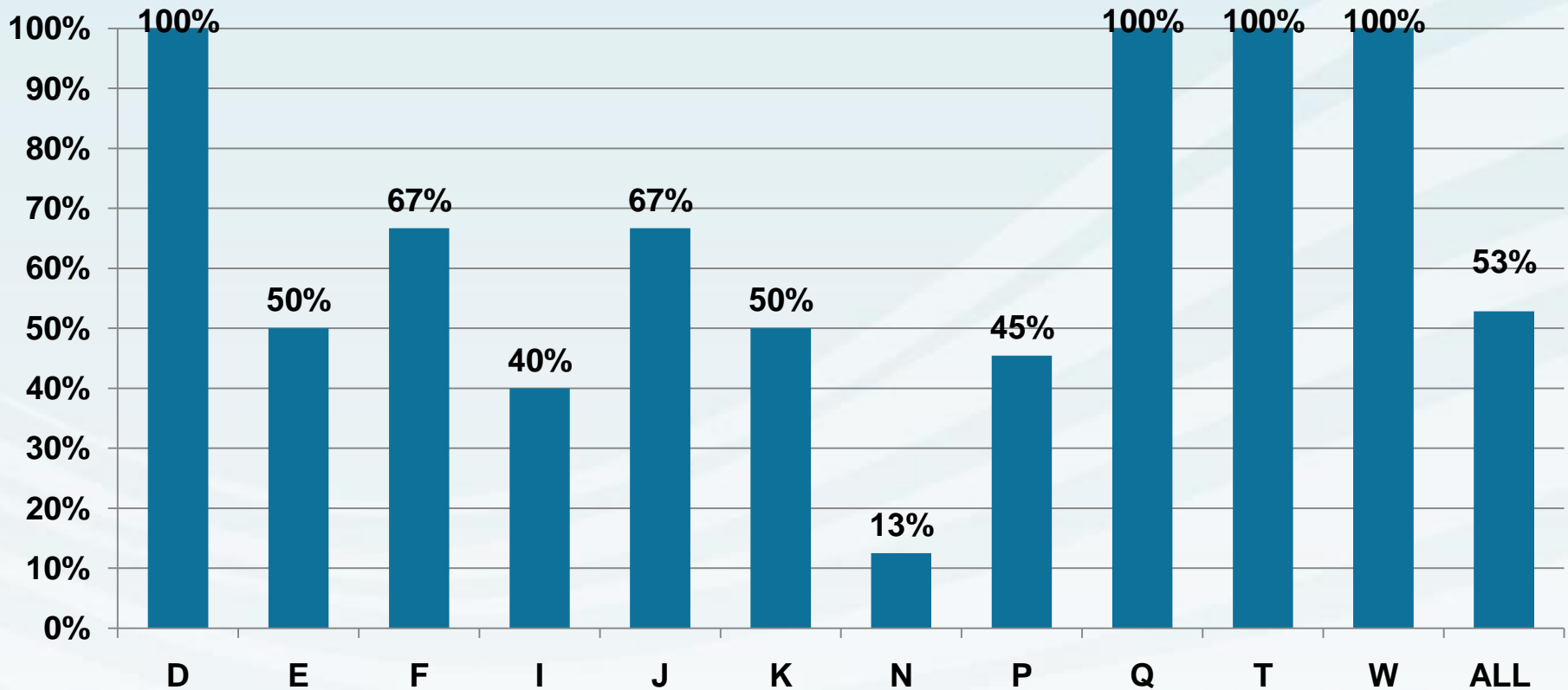


Utilization Impact

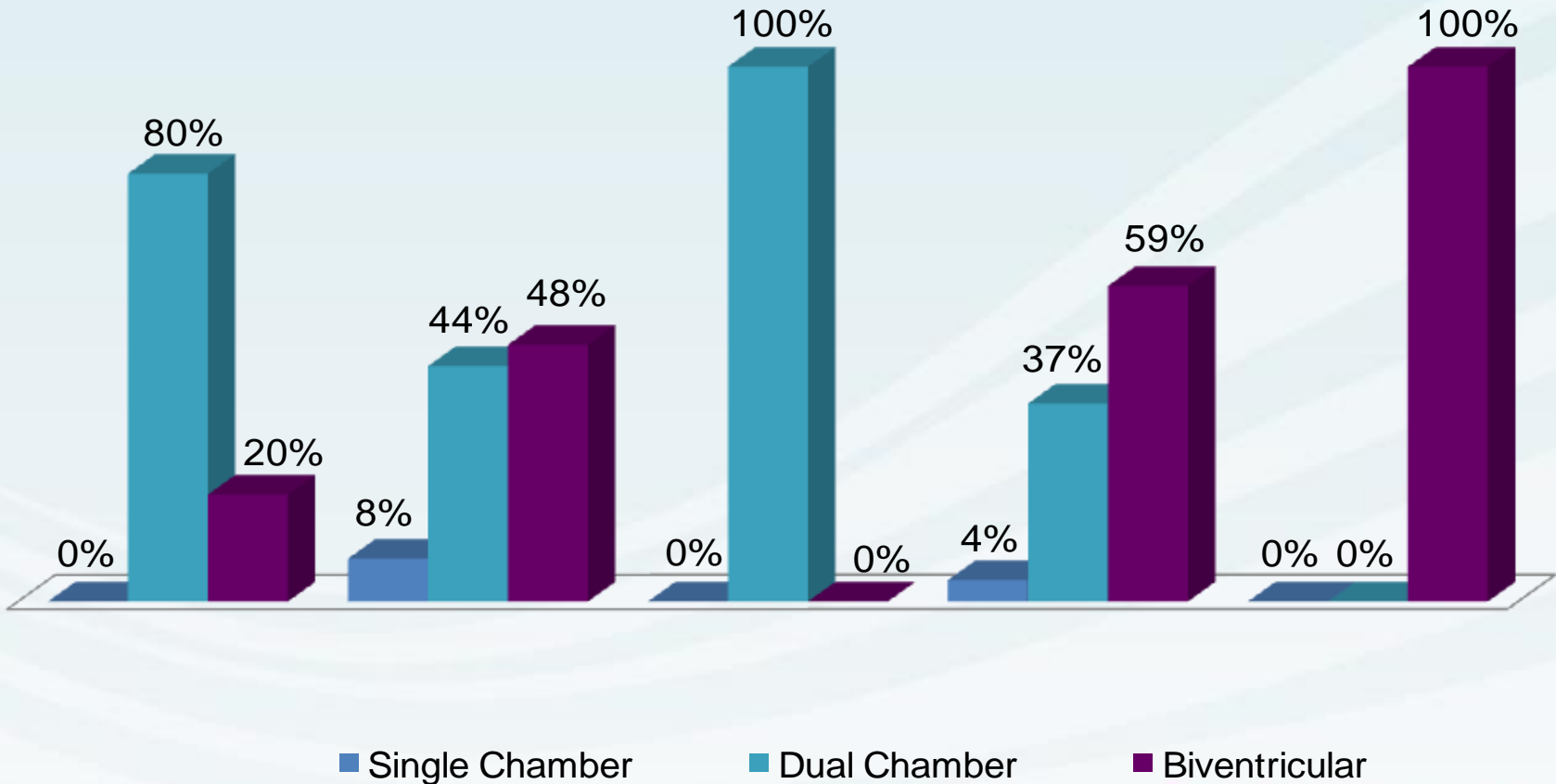
	Baseline	Change
Vessels/Case	1.51	1.52
Lesions/Vessel	1.08	1.09
DES /Case	2.63	2.00
DES/Vessel	1.74	1.31
DES /Lesion	1.61	1.21 (goal: 1.18)
Avg Length DES	20.17	21.04
Avg Length DES/Vessel	35.02	27.66
Avg Device Costs	\$6,522.46	\$4,936.13
Annual savings		\$2,379,000

ICU Utilization Post Procedure PCI with Drug Eluting Stent

Just looking at length of stay is not enough.

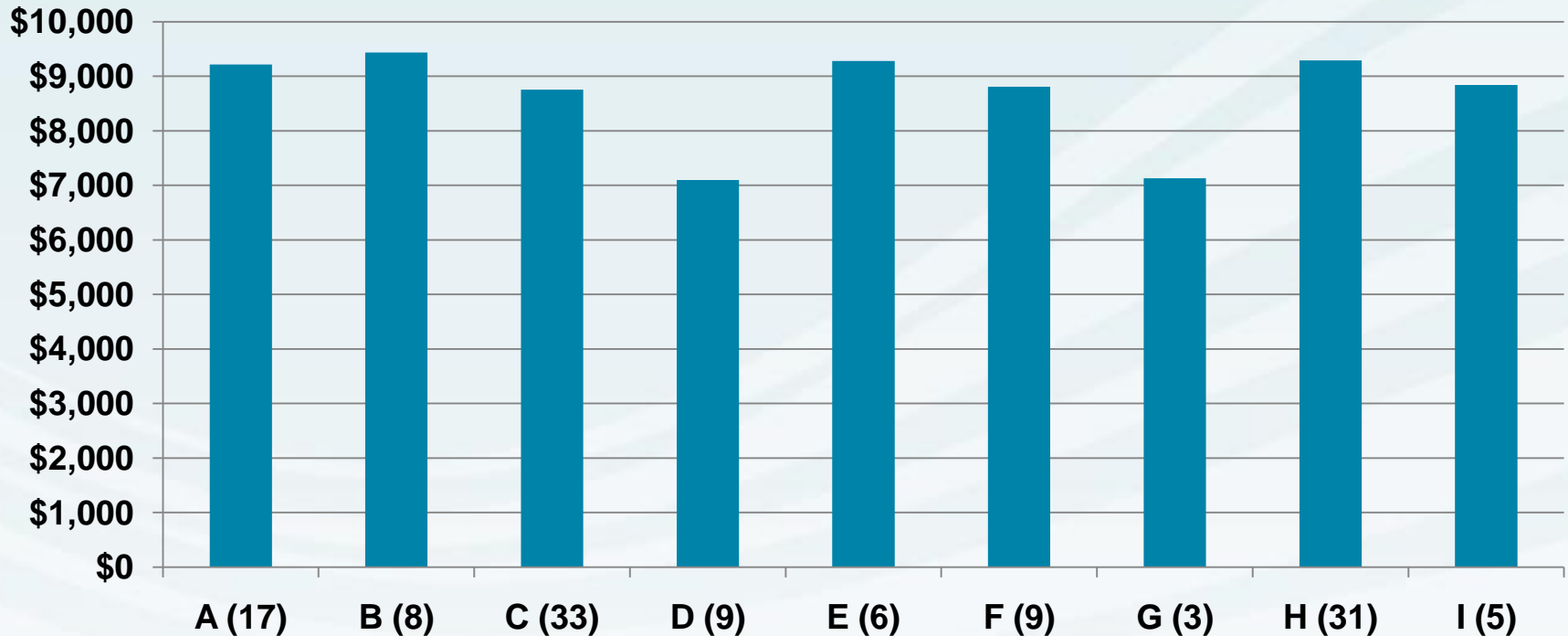


ICD Selection by Physician Appropriateness



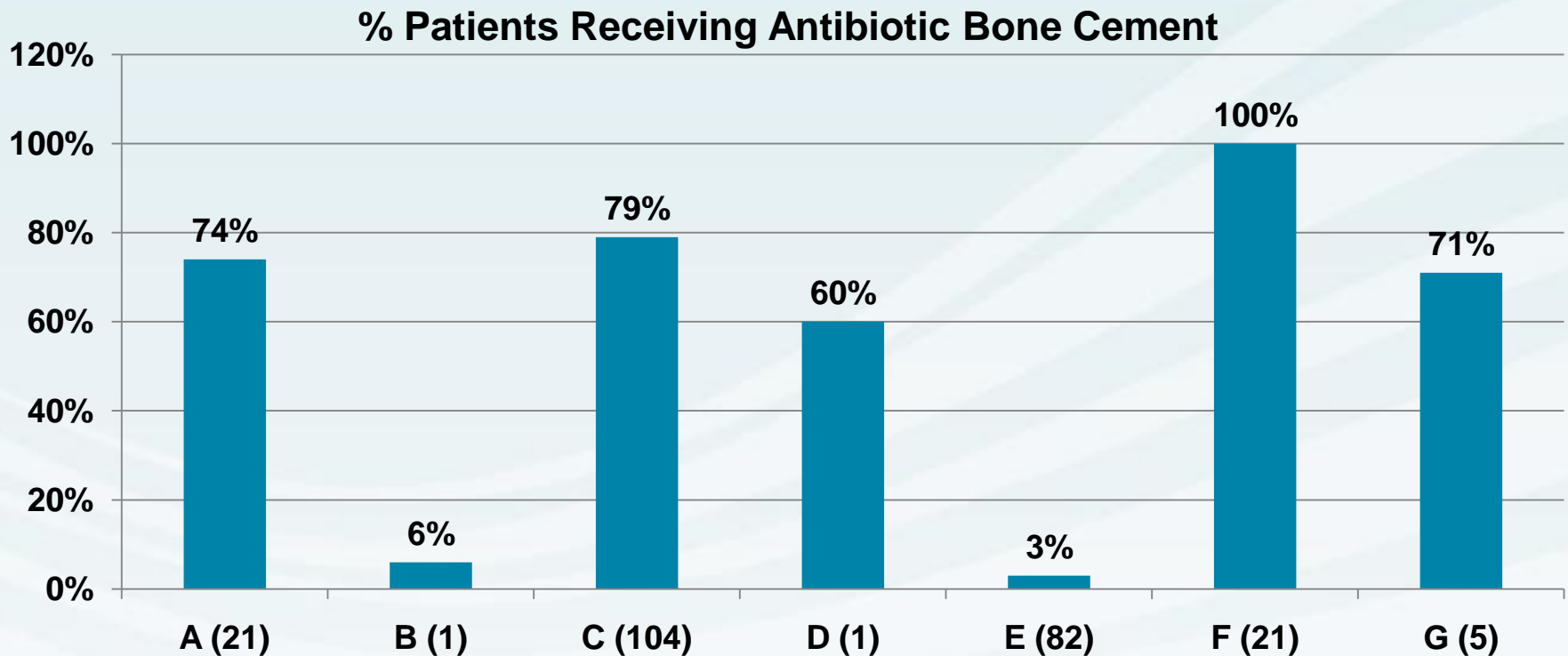
Total Knees Average Implant Cost per Case By Surgeon

Cost range of \$2,338, what is the root cause?

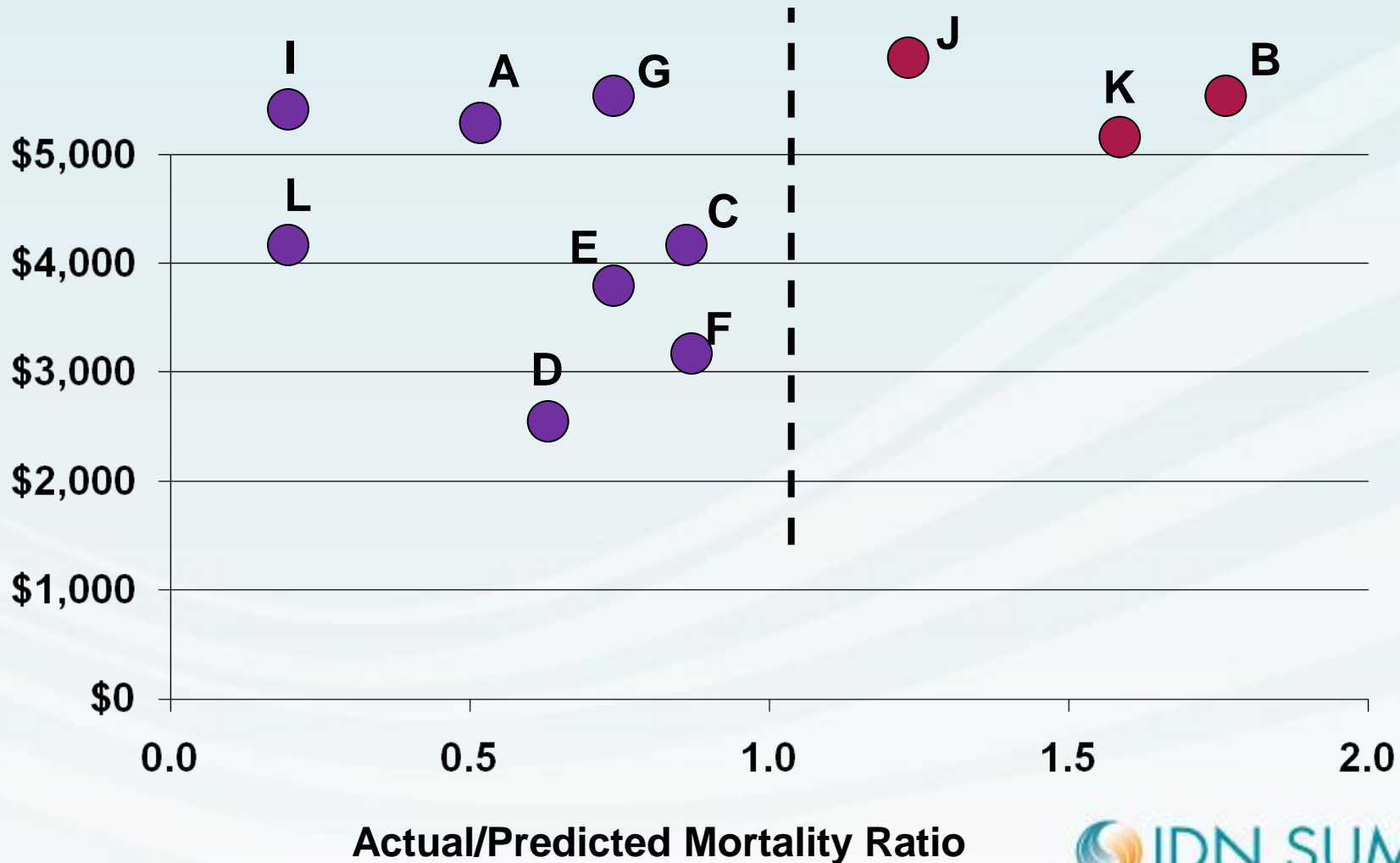


Total Knees Antibiotic Bone Cement Utilization

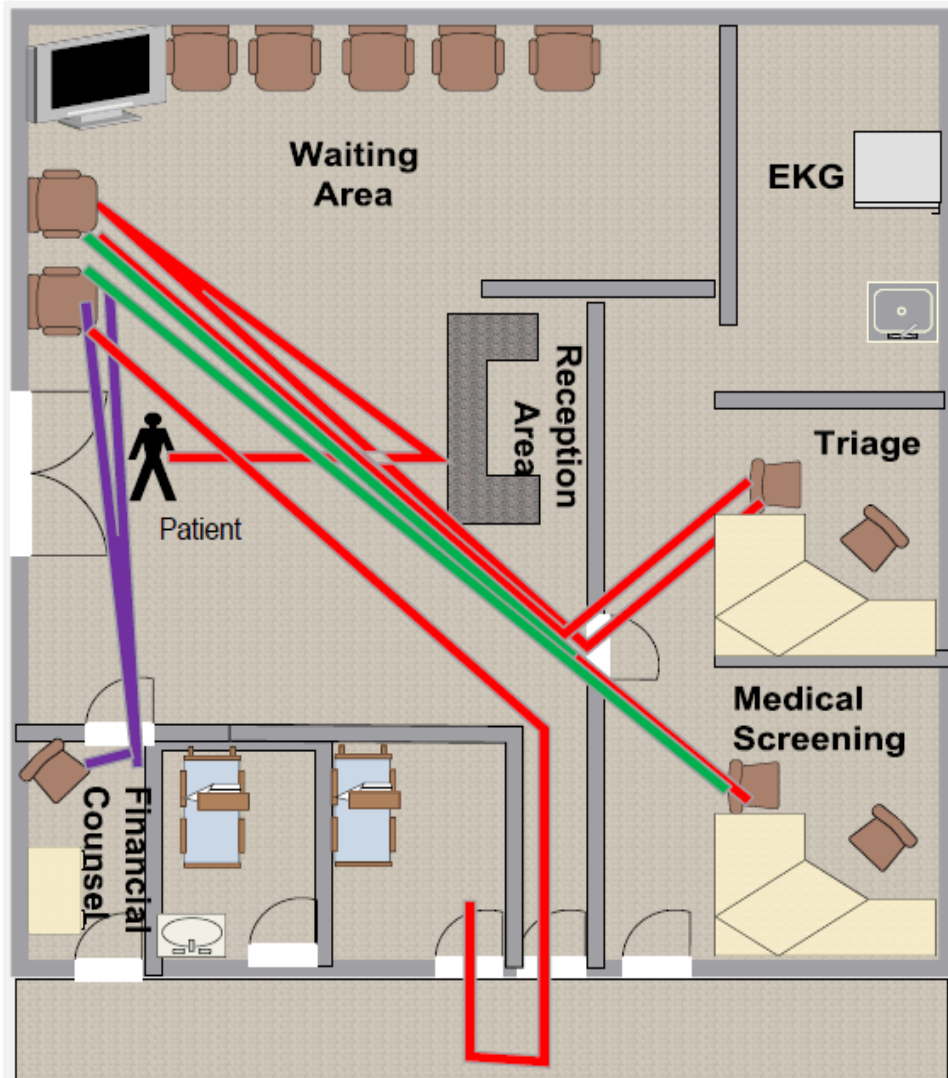
Must identify practice variations and understand why.



Linking Coronary Bypass Surgery Cost and Quality



Emergency Department Productivity



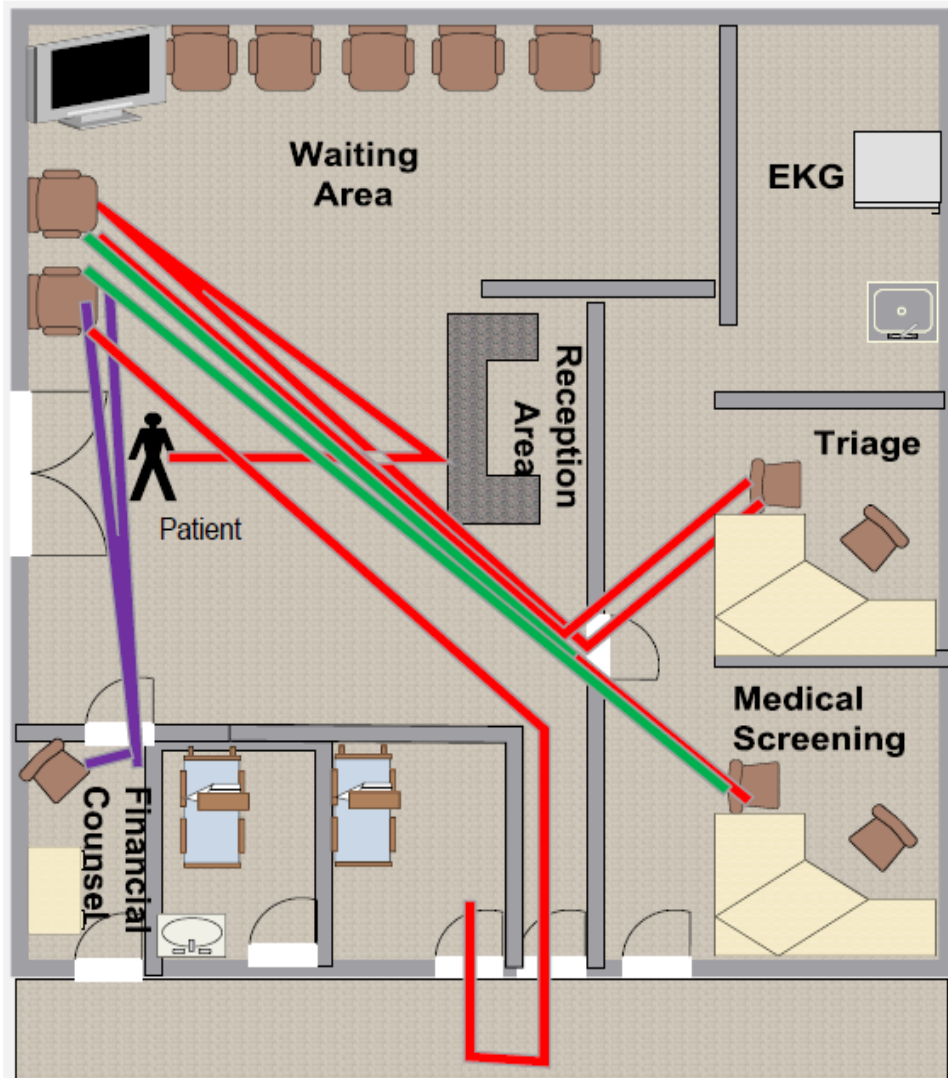
Current wait times:

- 57 minutes, triage to medical screening
- 81 minutes, triage to financial counseling

Impact:

- 545 patients left (78% insured)
- \$310,000 lost revenue (estimate)
- Patient satisfaction **65%**

Emergency Department Productivity



Who should physicians share risk with?

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- 57 minutes, triage to medical screening
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Appropriateness Criteria is Physician Driven

Linking science, practice and outcomes.

- **Comparative Effectiveness Research**
 - American Recovery and Reinvestment Act of 2009
 - Includes \$1.1 billion for CER
 - Compare clinical outcomes, effectiveness, and appropriateness of items, services, and procedures
 - Encourage development of clinical registries/electronic health data
- **Evidence-Based Medicine**
 - Best evidence gained from scientific method to clinical decision making

Potential Next Steps

- **Bundled payment initiatives with local payers**
- **Medicare Bundled Payments for Care Improvement Initiative – Fall 2011**
- **Medicaid Bundled Payment Demonstration – Jan 2012**
 - 8 states, 5 years

Bundled Payments for Care Improvement Initiative

	Model 1	Model 2	Model 3	Model 4
Description	<u>All</u> inpatients	Selected MS-DRGs, inpatient and post-acute	Selected MS-DRGs, post-acute only	Selected MS-DRGs, inpatient only (include readmissions)
Participants	Hospital only	Hospital and physician		
Financial model	Retrospective, paid individually by CMS based on discount off FFS with reconciliation			Prospective, paid to contracting entity
Gainsharing	Focus on coordinating care as well as improving quality and efficiency			
Deadlines	Letter of intent: 9/22/11 Application: 10/21/11	Letter of intent and historical Medicare claims data: 11/4/11 Application: 3/14/12		

Gainsharing - Hospital Shares % of Cost Savings with Physicians

- **14 OIG approvals since 2001 and all are Goodroe/VHA clients.**
 - Cardiac Surgery
 - Cath/EP/Peripheral
 - Anesthesia
 - Ortho/Spine Surgery
- **Bundled payment initiative Gainsharing requirements:**
 - Physician participation is voluntary
 - Physician must meet quality requirements before receive payment
 - Physician payment can not exceed 50% of FFS payment
 - Must document:
 - Cost savings processes
 - Payment methodology
 - Quality metrics

Hospital Readiness Considerations for Bundled Payments

- **Options**
 - Would you consider participating in CMS project?
 - Do you have local payor interested?
- **Physician partners**
 - Do certain specialties stand out as potential partners?
- **Hospital infrastructure**
 - Are your Board of Directors & leadership team supportive of concept?
 - Would you be willing to take on physician risk in early years?
 - Do you have organizational infrastructure to support development and implementation of bundled payments and gainsharing?
 - Do you have ways to measure cost, utilization, throughput and quality?
- **Administration**
 - Who would administer?