



Implementing Bundled Payment: Learnings from Early Successes and Failures

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Integrated Healthcare Association (IHA)

Agenda

- IHA – history and related work
- IHA’s Bundled Payment Demonstration
- Innovation in Value-Based Purchasing Design
- Lots of Questions and Answers (Q/As)

IHA Organization

- Statewide multi-stakeholder leadership group that promotes quality improvement, accountability and affordability of health care in California.
- Actively convenes all healthcare parties for cross-sector collaboration on health care topics; administers regional and statewide programs; and serves as an “incubator” for pilot programs and projects.
- Organized as a 501(c) (6) non-profit association; does not operate as a trade association.

IHA's Evolution Towards Bundled Episode Payment

Pay for Performance

Medical Devices

Episode Payment

Efficiency Measurement

DOFR

CALINX

Speakers

Resource Library

Other Programs



Value-Based Purchasing of Medical Devices Project

The project provides
participants use

Originally the program
statewide hospitals, care, and
statewide in initiatives in

Statewide Initiative

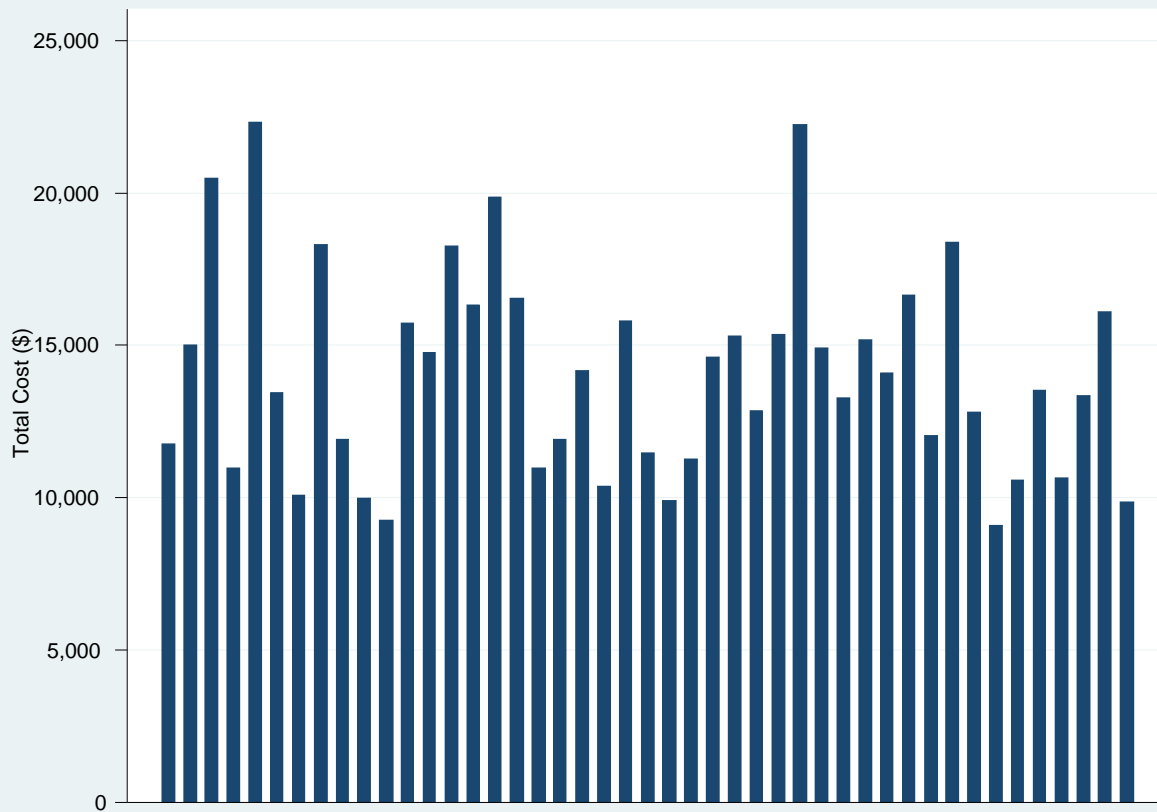
Over time, the goal of the VBP project is to encourage adoption of practices that

project provides
the value of

IHA has extended
a Foundation. The
among
ction, quality of
se these methods
nce initiative sparked

Total Knee Replacement 2008 Outcomes

Total Procedure Cost



Total procedure

cost:

\$9,089

to

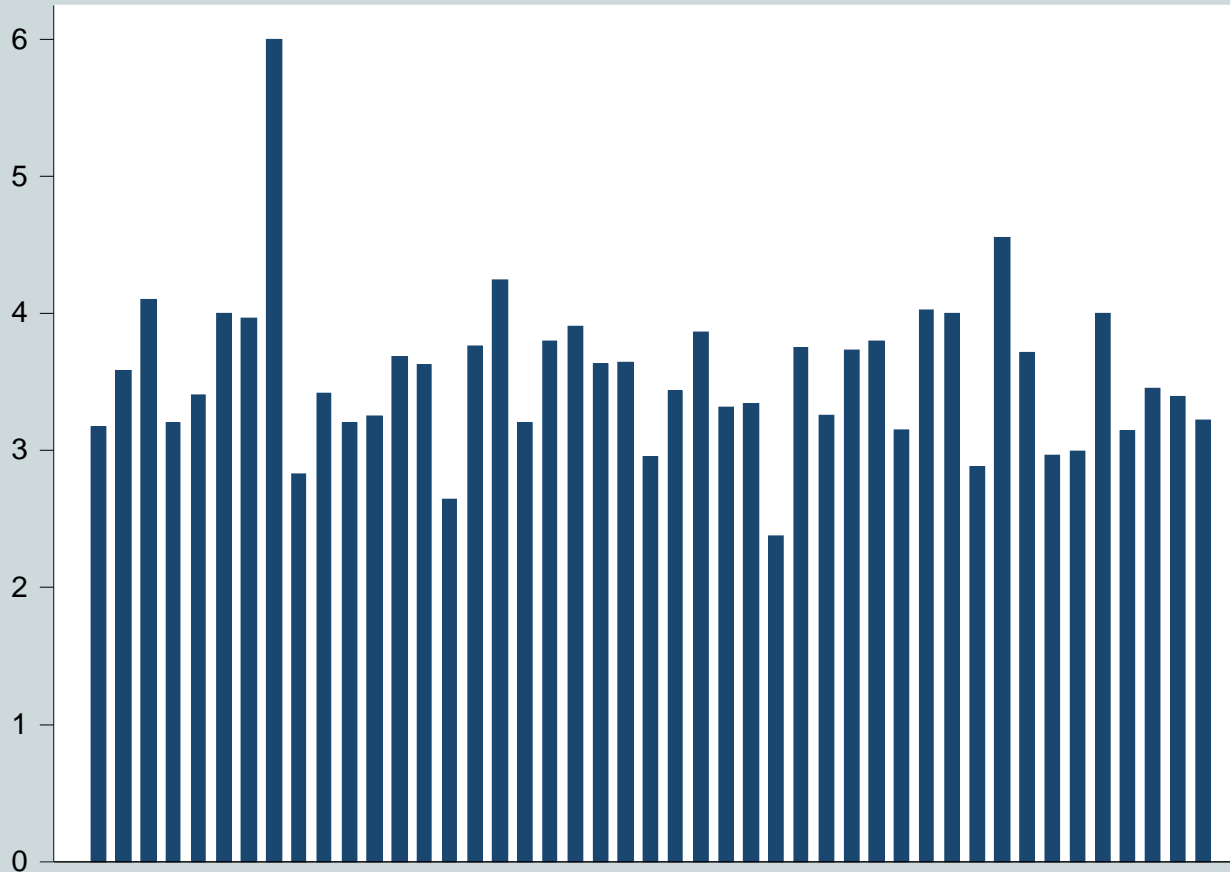
\$22,311

Average:

\$14,036

Total Knee Replacement 2008 Outcomes

Hospital Average Length of Stay (Day)



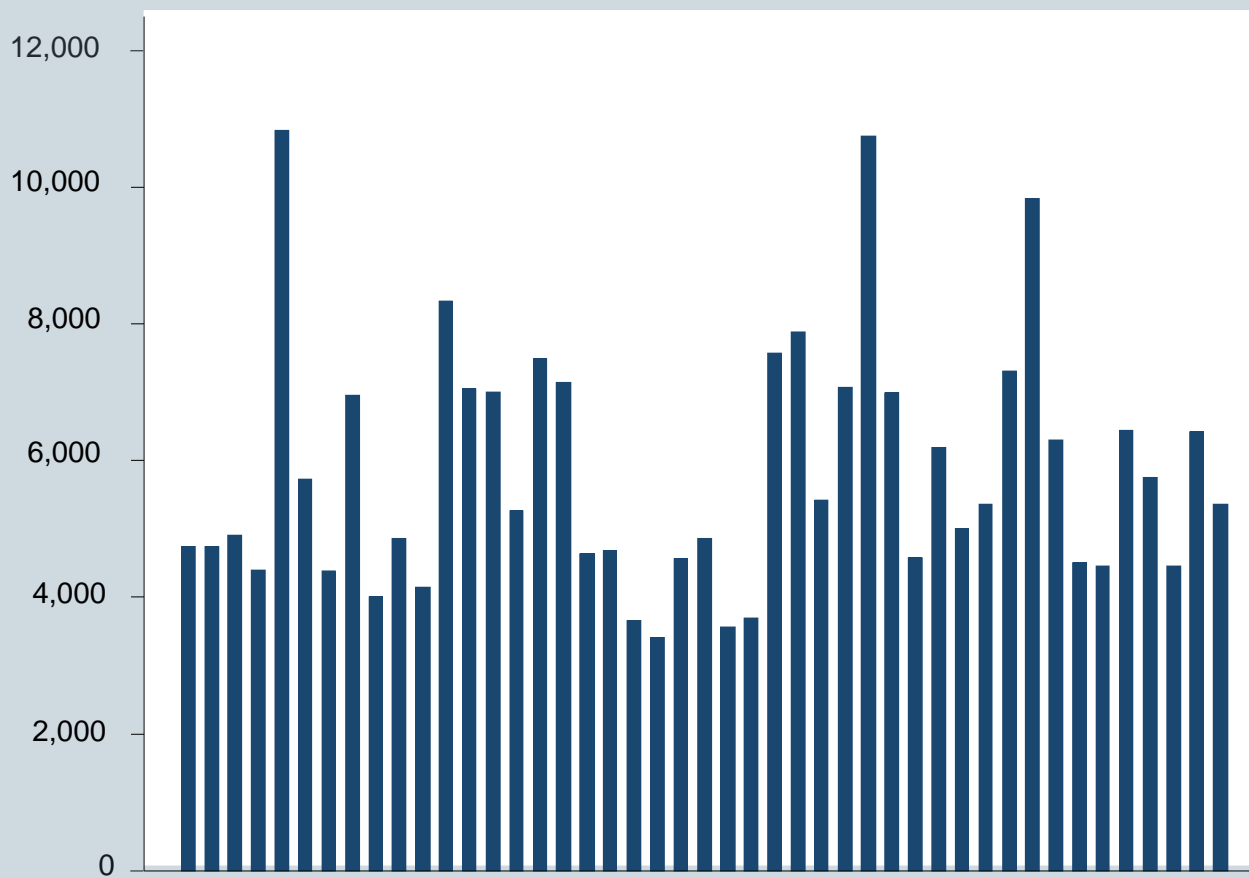
Length of
stay:

**2.4 days
to
6 days**

Average:
3.5 days

Total Knee Replacement 2008 Implant Device Costs

Average Hospital Implant Cost (\$)



The Swing:

\$3,408

to

\$10,830

Average:

\$5,840

IHA's Bundled Payment Projects

Agency for Healthcare Research and Quality (AHRQ)* Bundled Payment Demonstration

- Grant awarded to IHA in September 2010
- Period of performance: 2010 – 2013

Center for Medicare and Medicaid Innovation's (CMMI's) Bundled Payments for Care Improvement Initiative (BPCI)

- IHA “facilitator convener” application has progressed to phase 1 (beginning January 2013)
- Period of performance: 2013 – 2016

* This project was supported by grant number R18HS020098 from the Agency for Healthcare Research and Quality. The content is solely the responsibility of the authors and does not necessarily represent the official views of the Agency for Healthcare Research and Quality.

Bundled Episode Payment

What?

- A fixed, single price for an acute procedure that covers surgeon, anesthesiologist, hospitalist, hospital stay, device, and treatment of complications, including readmissions from date of surgery, during an established warranty period

Why?

- Bend the cost curve and yield improved quality, care coordination, provider collaboration, cost savings, and administrative adjustments ahead of payer mandates

The Early Bundled Payment Landscape



Medicare Acute Care Episode (ACE) Demonstration

- 2009 launch with acute ortho/cardiac procedures
- Four southwestern states
- Savings/margin results; volume impact mixed

GEISINGER

Geisinger ProvenCare

- Not-for-profit rural health plan (Pennsylvania)
- Cardiac and maternity bundles
- Comprehensive process redesign
- Introduced concept of 90-day “warranty”
- Improved quality and efficiency, saved money



Prometheus Payment

- Acute conditions, chronic care procedures
- Focus on potentially avoidable complications especially chronic care
- Incorporates complex risk-adjustment methodologies
- Virtual bundle (global budget): no down-side risk for the first year

The Value of Bundled Payment

AHRQ Evidence Report/Tech Assessment #208:

- Bundled payment yields $\leq 10\%$ decline in spending
- Decreased utilization of services in the bundle by 5-15% through decreases in length of stay/utilization
- Small changes in quality measures in both directions

Cutler and Ghosh, NE Journal of Medicine*:

- Medicare's 17 most expensive episodes, capped at 25th and 50th percentile regions = \$4.7-10 billion annual in estimated savings.
- Same cap to 245 episode types = \$15-29 billion in annual estimated savings.

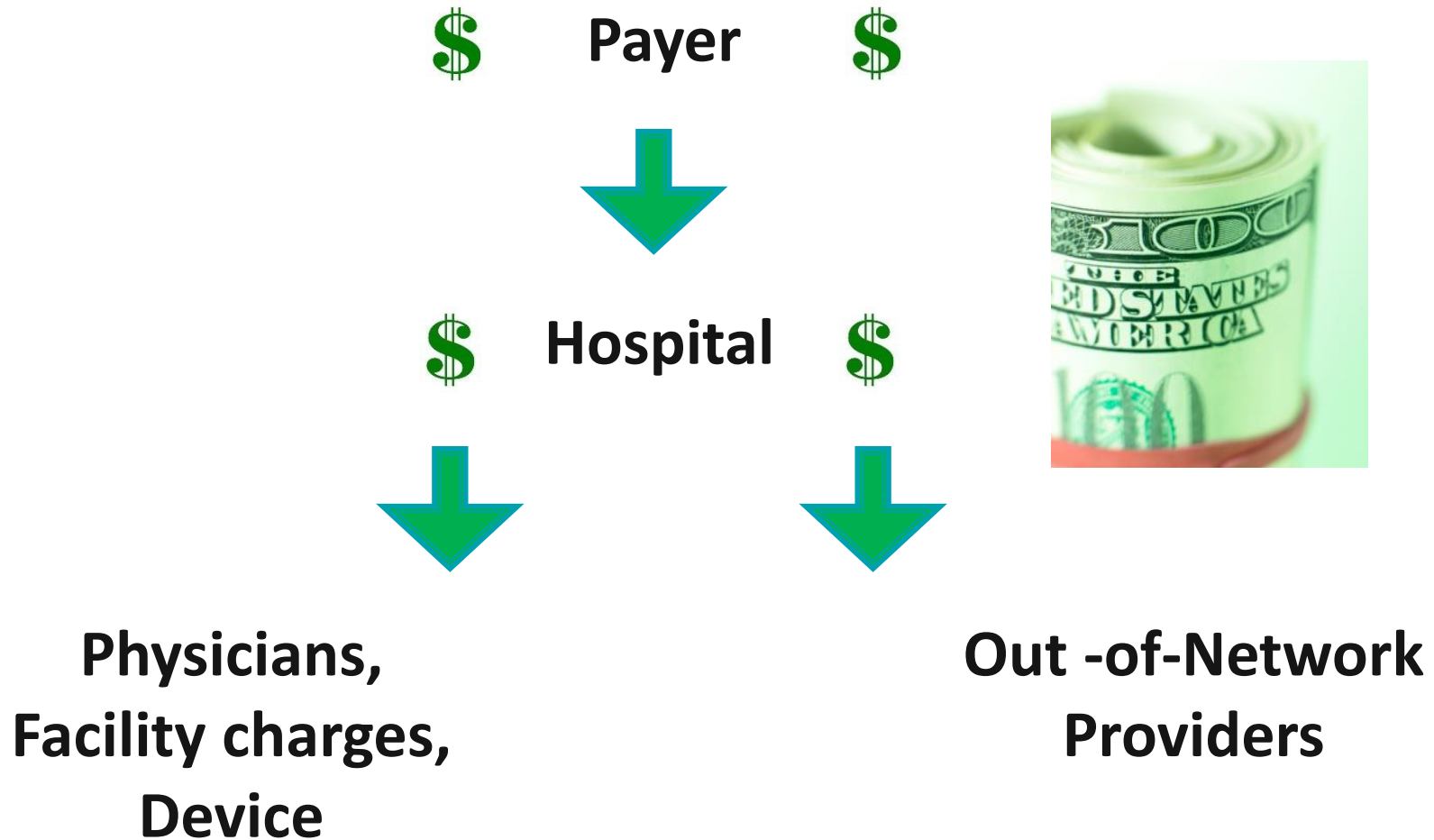
* *NE Journal of Medicine* 3-22-12

IHA's AHRQ Bundled Payment Demonstration (2010 -13)

Grant Deliverables:

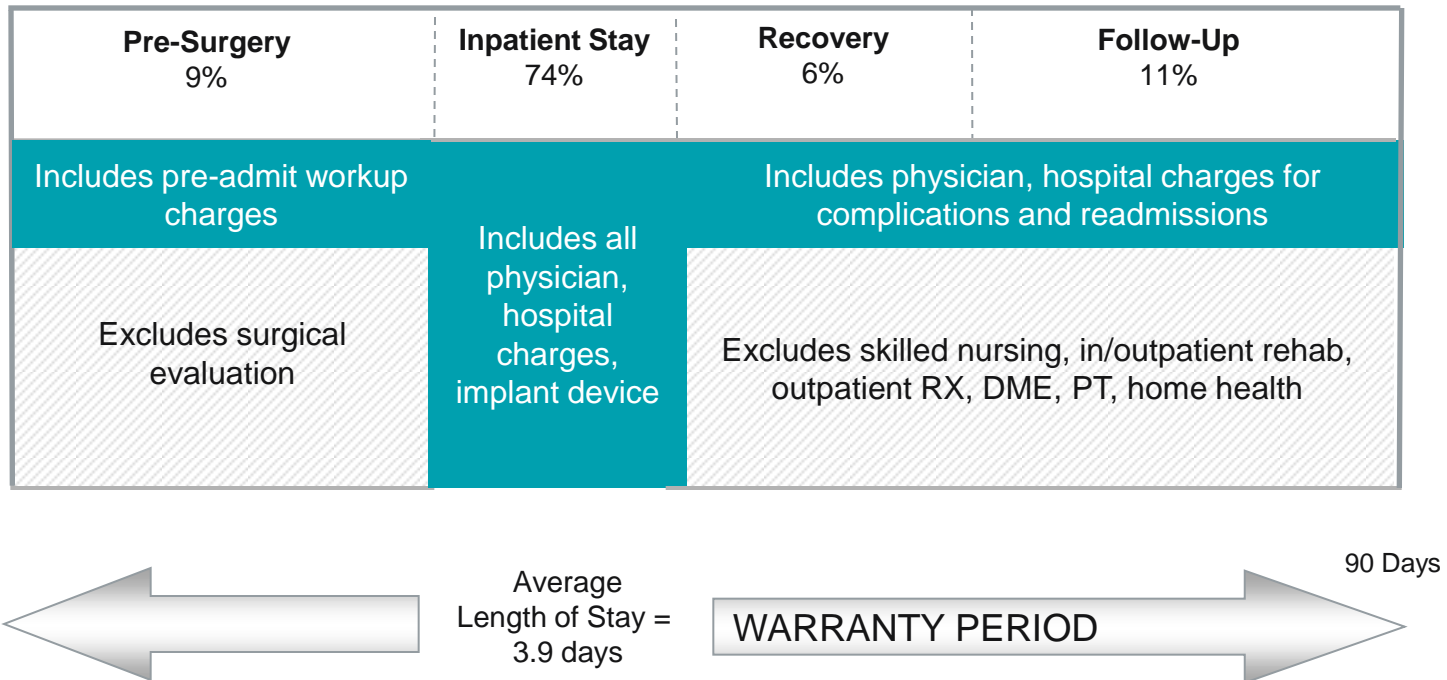
- Test feasibility/scalability of bundled payment episodes in multi-payer environment
- Develop ten episode definitions
- Recruit 20 physician/facilities teams for health plan contracting
- PPO, Medi-Cal, Medicare Advantage, HMO populations
- Research evaluation study (RAND, UC Berkeley)
- Disseminate key lessons and best practices

Orthopedic Bundled Payment Flow



Total Knee Replacement Episode

Distribution of contractual allowed amounts - PPO Population¹



¹Source: Ingenix -, national claims data using 7,632 complete episodes

Total Knee Replacement Definition

Patient Qualification

For inclusion in the pilot, patient must be:

- Covered (as primary plan) by a participating employer and health plan on date of surgery
- Undergoing surgery provided by an orthopedic surgeon contracting to provide services under the pilot for the specific health plan
- Being admitted to a hospital contracting to provide services under the pilot for the specific health plan
- Over age 18 and under age 65
- Presenting for index procedure with an ASA rating of <3 (APR-DRG SOI level of 1 or 2)

Patients are excluded from the pilot when:

- Transferred at any time during initial hospital stay
- Primary coverage with participating employer and health plan ends at any time during the episode
- Clinical history demonstrates clinical condition of:
 - Active Cancer
 - HIV/AIDS
 - ESRD
- BMI is 40 or greater

Index Procedure

Index Procedure Code:

This procedure must exist to trigger the episode.

CPT:

- 27447—Arthroplasty, knee condyle and plateau, medial and lateral compartments

ICD-9 Px:

- 81.54—Total Knee replacement

DRG:

Episode must map to one of these DRGs.

MS DRG 470

Major Joint Replacement or Reattachment of Lower Extremity without MCC

AND

APR DRG SOI of 1 or 2

Diagnosis Exclusions:

Diagnosis (any position) must NOT equal one of the following:

714.0x—Rheumatoid Arthritis

736.89—Other acquired deformities, lower limb

170.7—Malignant neoplasm of long bones of lower limb

171.3—Malignant neoplasm of soft tissue, lower limb, hip

198.5—Secondary malignant neoplasm of bone, marrow
822, 823, 827, 828. 836, 891—Fractures, dislocations and open wounds

928—Crushing injury

Care Redesign

- Care protocol development
- Collaboration across the care continuum
- Fresh dialogs
- Developing trust
- The heart of successful bundled payment implementation

AHRQ Bundled Payment Demonstration Status

Episodes defined:

- Total knee replacement
- Partial knee replacement
- Total hip replacement
- Knee arthroscopy, with meniscectomy
- Diagnostic cardiac catheterization
- Angioplasty with stents
- Maternity (two)
- Hysterectomy
- Cervical spinal fusion



AHRQ Bundled Payment Demonstration Participation

Hoag Hospital

- Signed PPO contracts with Aetna, Blue Shield for total knee replacement
- Cigna contract for total knee and hip replacement effective April, 2013



Alta Bates Summit Med Center

- Signed PPO contracts with Aetna and Blue Shield for total knee and hip replacement



Outpatient Surgery Centers

Bundled Payment Demonstration: Tough Lessons Learned

- Manual claims adjudication
- Volume is small – need Medicare volume
- Lack of physician leadership
- If the hospital drives the model – physicians are wary
- Capitation is not compatible
- Lack of alignment with commercial insurance benefits
- Regulatory oversight

Regulatory Concerns - Department of Managed Health Care (DMHC)

Provider Risk

- Health plan pays the bundle to hospital; hospital pays all providers - What if the hospitals do not pay?
- Plan oversight of hospitals with delegated risk, claims payment, grievances

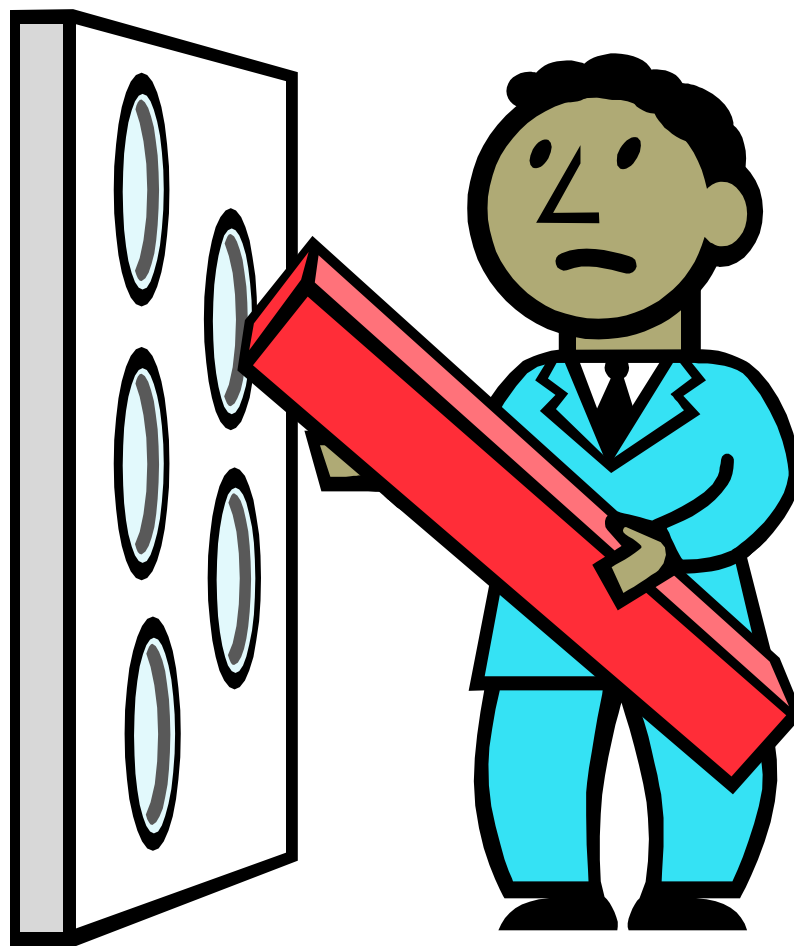
Enrollee Communication

- How will the enrollee be notified of program participation?

Benefit Administration

- Will enrollee's benefits, deductibles/copays remain unchanged?
- Will the Evidence of Coverage change?

Bundled Episode Payment: Square Peg in a Round Hole?

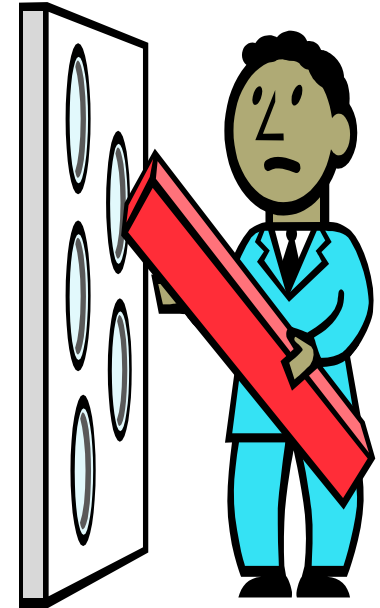


Bundled Payment - Square Round Issues

Capitation: Must unwind it

Benefits: Co-pays/deductibles

Claims Adjudication: Manual



U.S. Bundled Payment Landscape

Center for Medicare and Medicaid Innovation (CMMI) Bundled Payments for Care Improvement Initiative (BPCI)



- BPCI developed by CMMI through its statutory authority also established through the ACA
- Targets fee-for-service Medicare beneficiaries
- Tests several models of care

Medical Travel Programs

- Self-insured employers, bundled pricing
- Employee and caregiver travel and lodging, copay/deductibles often waived
- Cleveland Clinic, Mayo Clinic, Johns Hopkins, Geisinger, etc.



CalPERS Value Based Program

- 2008 all CalPERS plans, total costs for muscle, bone, joint disorders > \$540 million
- Of which, elective knee and hip replacements spend was \$55 million
- Established a \$30,000 *reference-pricing* threshold for knee/hip
- Anthem identified high quality, cost-effective facilities for PPO members
- 2012 Blue Shield rolls out a similar program for HMO members



Overcoming the Square-Round Issues

- Proactive benefit design
- Aligned provider/consumer incentives
- Strategic vision
- Leadership



IHA Bundled Payment Resources

Available on IHA Website

- Issue Briefs
- Episode Definitions
- Contract Templates
- Technical Implementation White Paper
- Conference Presentations

Contact Information

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