Laying the Groundwork for Bundled Payment Success

November 5, 2013 - HFMA Forum Networking Webinar
10:00 – 11:00 a.m. Central (8:00 – 9:00 am Pacific/9:00 – 10:00 am Mountain/ 11:00 – 12:00 pm Eastern)

Margaret Kornuszko-Story, MHA, FACHE
Health Systems Scientist, Lehigh Valley Health Network

Peggy L. Naas, MD, MBA,
Vice President Physician Strategies, VHA Inc.

Dave Jackson
Senior Consulting Manager, Payment Reform Services
Truven Health Analytics

Todd Nelson
Technical Director, Senior Financial Executive and Accounting, HFMA
Course Agenda and Learning Objectives

• Identify market forces driving bundled payments as an appropriate financial tool

• Determine what procedures lend themselves to bundling of services and payments

• Recognize the benchmarks and competitive analyses necessary to develop successful bundled-payment arrangements

• Define the key considerations in evaluating risk

• Identify elements impacting success

• Questions & Discussion
Setting the Stage for Bundled Payment

Peggy L. Naas, MD, MBA,
Vice President Physician Strategies
VHA, Inc.
Polling Question #1

At what point are you in considering participation in a bundled payment model?

• Not yet considered
• Considered and participation rejected
• Pursuing bundled payment with federal BPCI
• Pursuing bundled payment with commercial payers or employers
• Pursuing bundled payment with both governmental and commercial payers
Market Forces

• Volume to value
• First do no harm
• Penalties for harm
• Care co-ordination across the continuum
• “No outcome, no income”
• Eliminate waste including rework
• Do more with less
• Not new
• Legislation, federal, state, and commercial interest
Bundled Payment – A Definition

An episode-based package price reimbursement for multiple providers “bundled” into a single, comprehensive payment that covers a defined set of healthcare services involved in a patient’s care over a specific period of time.

- The bundle design should encourage the provider and payer to agree on the specific types/causes of complications/readmissions to target for better control, rather than set a price based on a general reduction target.

- The bundle design should not create a financial disincentive to direct a patient into the best/appropriate treatment pathway.

- The bundle design should create an incentive to improve the quality and efficiency of patient care delivery.
Lehigh Valley Health Network: A Bundled Payment Initiative

Margaret Kornuszko-Story, MHA, FACHE, Health Systems Scientist, Lehigh Valley Health Network
Lehigh Valley Health Network

- Integrated delivery network
  - 3 hospital campuses (981 acute beds)
  - Multispecialty physician group (550 employed/50%)
  - Home, hospice, & palliative care services
  - Lab and Pharmacy
  - TPA, PPO, PHO
  - CareWorks – retail health clinics
- ALLSPIRE Health Partners

- Largest academic community hospital in Pennsylvania:
  - 12,000 employees
  - 173,678 ED visits
  - 54,056 admissions
  - Revenues more than $2 Billion

- Self-insured health plan
- Funding for data analytics
# Current and Future State: CMMI Models

<table>
<thead>
<tr>
<th>Bundle Payment Method</th>
<th>Acute Care Stay Only</th>
<th>Acute Care Stay Plus Post-acute Care</th>
<th>Post-acute Care Only</th>
<th>Chronic Care</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>“Retrospective”</strong></td>
<td>Model #1</td>
<td>Model #2</td>
<td>Model #3</td>
<td>Model #7</td>
</tr>
<tr>
<td>(Traditional FFS payment with reconciliation against a predetermined target price after episode completion)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>“Prospective”</strong></td>
<td>Model #4</td>
<td>Model #5</td>
<td>Model #6</td>
<td>Model #8</td>
</tr>
<tr>
<td>(Single prospective payment for an episode in lieu of traditional FFS payment)</td>
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**Model 1:** Retrospective payment models for the acute inpatient only

**Model 2:** Retrospective bundled payment models for hospitals, physicians, and post-acute providers

**Model 3:** Retrospective bundled payment models for post-acute care where the bundle does not include the acute inpatient hospital stay

**Model 4:** Prospectively administered bundled payment models for hospitals and physicians for the acute inpatient hospital stay only

*Source: Bundled Payments for Care Improvement Initiative Request for Application, CMS*
Polling Question #2

If you were to participate in a bundled payment, you would have a bundle in:

- Cardio-vascular care
- Total joint replacement
- Spine surgery
- Diabetic care
- Other medical condition
- More than one of the above
Financial Modeling Objectives

• Quantify the baseline bundle reimbursement, utilization, and costs by bundle type of service

• Calculate the minimum discount required for participation and evaluate cost savings opportunities:
  – Decrease readmissions
  – Decrease post acute care utilization/cost
  – Decrease acute stay hospital costs

• Model the financial impact of anticipated care redesign efforts
  – Leverage local cost benchmarks from hospital referral clusters (HRCs) and national utilization benchmarks from standard analytic file (SAF) data

• Evaluate the potential financial risks and opportunities
Polling Question #3

What is your greatest risk related to participation in bundled payments?

• Difficulty getting necessary data
• Difficulty engaging physicians in bundled payments
• Difficulty engaging post acute providers – SNFs, LTACs
• Minimal margin opportunities
Risks and Opportunities

- **Risks:**
  - Span of control, unknowns: Readmissions being treated at outside facilities (30-40% of valve volumes from outside of the core market)
  - Acuity mix will continue to increase—more challenging to reduce costs/LOS/readmission rates
  - Reductions in utilization (reimbursement) from care redesign will not be limited to Medicare
  - Lack experience with cross-continuum care reengineering
  - Underestimating resources required to effectively execute

- **Opportunities:**
  - Experience and positioning for future
  - More significant physician alignment
  - More focused reduction of expenses (variable costs)
  - Heart valves may be attractive to CMS
  - Alignment with post acute providers
Bundled Payment: Phases and Timeline

Dave Jackson
Senior Consulting Manager, Payment Reform Services
Truven Health Analytics
Commercial Bundle Phases

Local Market Opportunities
- Local View of Population
- Geographic Distribution of Bundle
- Benchmark Analysis
- Inpatient and Outpatient Profile

Baseline Quality Assessment
- Quality Measures
- MD Specific Variation
- Define Improvement Areas
- Advise on Improvement Areas

Financial Risk Assessment
- Modeling Calculator
- Risk Scenarios
- Benchmark Analysis
- Local Market Share

Regional Market Opportunities
- Regional Quality Assessment
- Regional Efficiency Assessment
- Regional Pricing Opportunity
- Regional Volume Opportunity

Pricing and Negotiation Support
- Obtain local payer data
- Employer vs. Health Plan Considerations
- Pricing Opportunity
Bundle Profile: 3 Sets of Diagnoses/DRGs

**Conservative** – Include care that almost certainly results from the anchor event

**Moderate** – Include care that is likely to result from the anchor event

**Broad** – Include care that could possibly result from the anchor event
Bundle Profile: Timeframe

Flexibility to include 30, 60, 90 days post discharge. Limit post acute to readmissions vs. including other post acute care.
Baseline Profile – 60-Day Moderate Definition

- Majority of payments tied to anchor facility
- Readmission risk ranges from $1,500 - $4,500 depending on definition
- Post acute risk varies from $2,000 - $6,000 depending on definition

<table>
<thead>
<tr>
<th>Episode Service</th>
<th>Total Payments Market Scan Region</th>
</tr>
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<tbody>
<tr>
<td>Anchor Events</td>
<td>CABG</td>
</tr>
<tr>
<td>Facility</td>
<td>$53,922</td>
</tr>
<tr>
<td>Surgeon</td>
<td>$4,134</td>
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<tr>
<td>Critical Care</td>
<td>$220</td>
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<tr>
<td>Anesthesia</td>
<td>$3,368</td>
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<tr>
<td>Other Professional</td>
<td>$1,769</td>
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<tr>
<td><strong>Mean Anchor Event Services</strong></td>
<td><strong>$63,413</strong></td>
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<table>
<thead>
<tr>
<th>Readmissions</th>
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<tbody>
<tr>
<td>Mean Readmission Payment</td>
<td>$1,835</td>
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<tr>
<td>Major Post Acute Services</td>
<td></td>
</tr>
<tr>
<td>Cardiac Rehab</td>
<td>$640</td>
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<tr>
<td>Home care</td>
<td>$279</td>
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<tr>
<td>Physical Therapy</td>
<td>$19</td>
</tr>
<tr>
<td>SNF</td>
<td>$113</td>
</tr>
<tr>
<td>All other post acute (IP Rehab and Other OP)</td>
<td>$3,138</td>
</tr>
<tr>
<td><strong>Mean Post Acute Payments</strong></td>
<td><strong>$4,188</strong></td>
</tr>
</tbody>
</table>

*Source: MarketScan Commercial Claims East North Central Census Division, 2011*
Lehigh Valley Health Network
Next Steps

• Test the bundle concept with our employee self-insured population

• In discussions with a commercial payer

• Seeking opportunities with other self-insured employers and commercial payers

• Looking at other service lines for potential bundles
National Landscape

• Government sponsored
  – 200-300 CMMI participants may “go live” on Jan. 1
  – Medicaid Innovation in several states

• Commercial 50+ in the works
  – Large employer driven
  – Commercial health-plan sponsored
  – Health-system driven
Polling Question #4

What is the greatest opportunity related to participating in bundled payments?

• Learn skill set for new payment model

• Increase margins on the episode

• Coordination of care in the acute setting

• Coordination of care in the post-acute setting
Questions & Discussion

Ask the speakers a question or share your bundled-payment challenges and solutions. Just type your question or comment into the Q&A box on your computer screen.
Presenter Contact Information

Margaret Kornuszko-Story, MHA, FACHE
Health Systems Scientist, Lehigh Valley Health Network
marg.kornuszko-story@lvhn.org

Peggy L. Naas, MD, MBA
Vice President Physician Strategies, VHA Inc.
pnaas@vha.com

Dave Jackson
Senior Consulting Manager, Payment Reform Services, Truven Health Analytics
d.jackson@truvenhealth.com

Chad Mulvany
Director, Healthcare Finance Policy, Strategy and Development, HFMA
cmulvany@hfma.org
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