

ArdentSM

HEALTH SERVICES

The Medicare ACE Demonstration Project

Testing a new bundled payment system.

Acute Care Episode (ACE)

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Ardent Health Services

Hillcrest Healthcare System

- ▶ 6 hospitals
- ▶ 1,159 Beds
- ▶ 1 teaching hospital
- ▶ Multi-specialty physician group

ACE demo site

- ▶ Cardiac
- ▶ Ortho

Lovelace Health System

- ▶ 4 hospitals
- ▶ 580 Beds
- ▶ 1 Health Plan (300,000 members)
- ▶ 11 Retail pharmacies
- ▶ Medical reference laboratory

ACE demo site

- ▶ Ortho
- ▶ Cardiac (11/01/11)

Acute Care Episode (ACE)

- ▶ Payments shift from fragmented components of care to a coordinated episode of care
- ▶ Economic incentives aligned to benefit all four parties
 - Patient
 - Hospital
 - Physician
 - CMS

The Demonstration Project

- ▶ **Bundled payment**

 - Part A & Part B (combined 835 to hospital)

- ▶ **Admit to discharge (all services physician & hospital)**

- ▶ **Provider Incentive**

- ▶ **Quality reporting**

- ▶ **Patient incentive (all patients except dual eligible will receive payment from CMS based on 50% of CMS savings)**

CMS Project Guidelines

- ▶ 3-year demonstration
- ▶ Clinical and operational reporting requirements to CMS
- ▶ Annual update to global fees
- ▶ 28 cardiovascular procedures
- ▶ 9 orthopedic procedures
- ▶ Patient eligibility
- ▶ 90 day termination option

CMS Goals of ACE Demonstration

1. Improve coordination and quality of care
2. Align incentives between hospitals and physicians through “global pricing” and cost savings incentives
3. Designate selected centers as “Value based care centers” and provide financial incentive for Medicare beneficiaries to select centers - CMS to actively market programs
4. Reduce Medicare Payments

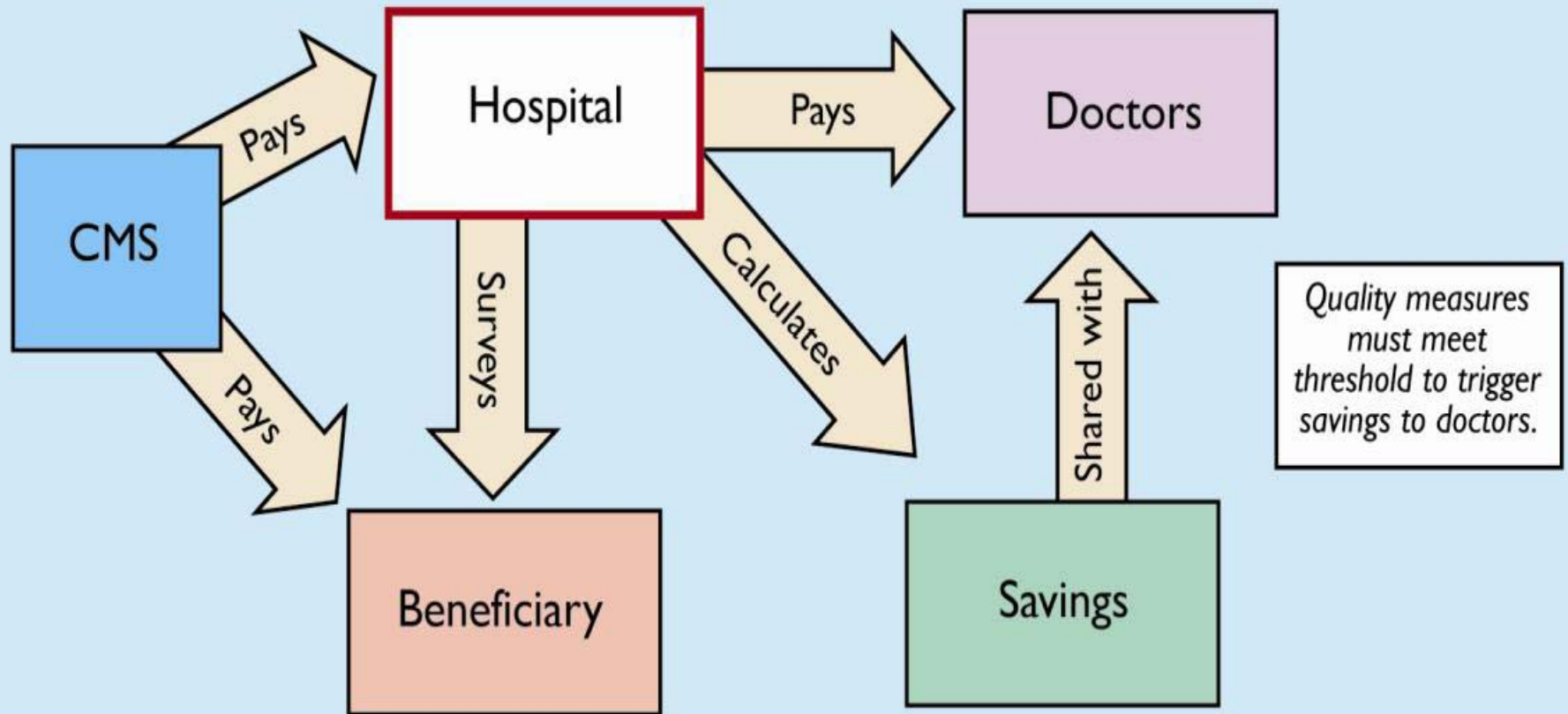
Why Participate?

- ▶ Enhanced care coordination
- ▶ Improved quality care
- ▶ Cutting edge of global pricing
- ▶ Physician collaboration
- ▶ Lower costs
- ▶ Increased market share

How we shaped the program

- ▶ Competitive bid
- ▶ Selected based on point system
- ▶ Physician involvement
- ▶ Vendor negotiation
- ▶ Comprehensive Hospital team
- ▶ Marketing
- ▶ Claims management

Payment Flow



Flow of Payments - *Expense Comparison*

(For Example Only)

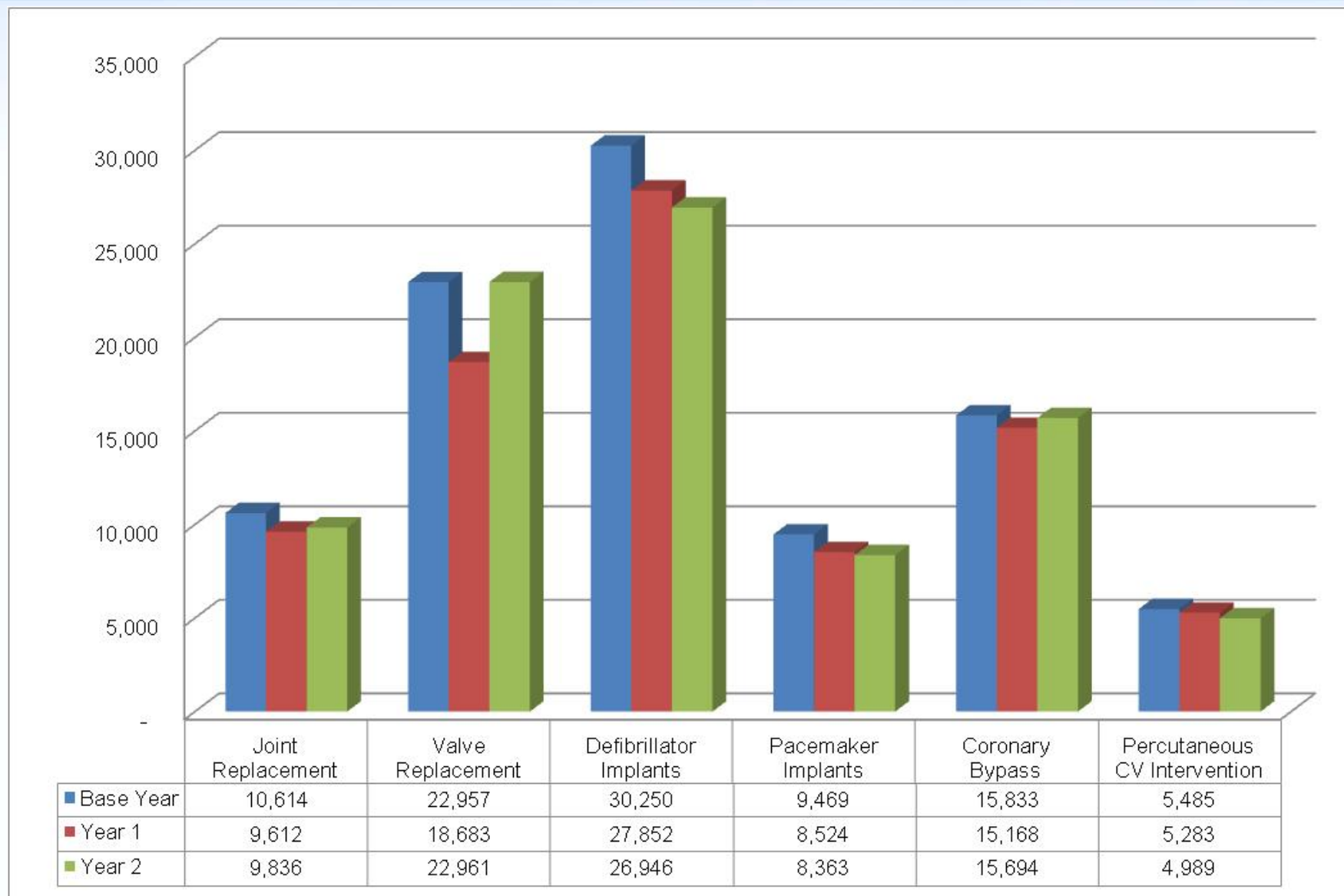
Non-Bundled Model

- ▶ \$14,250 - Part A Payment
- ▶ (\$10,600) - General Expenses
- ▶ *\$3,650 - Margin*

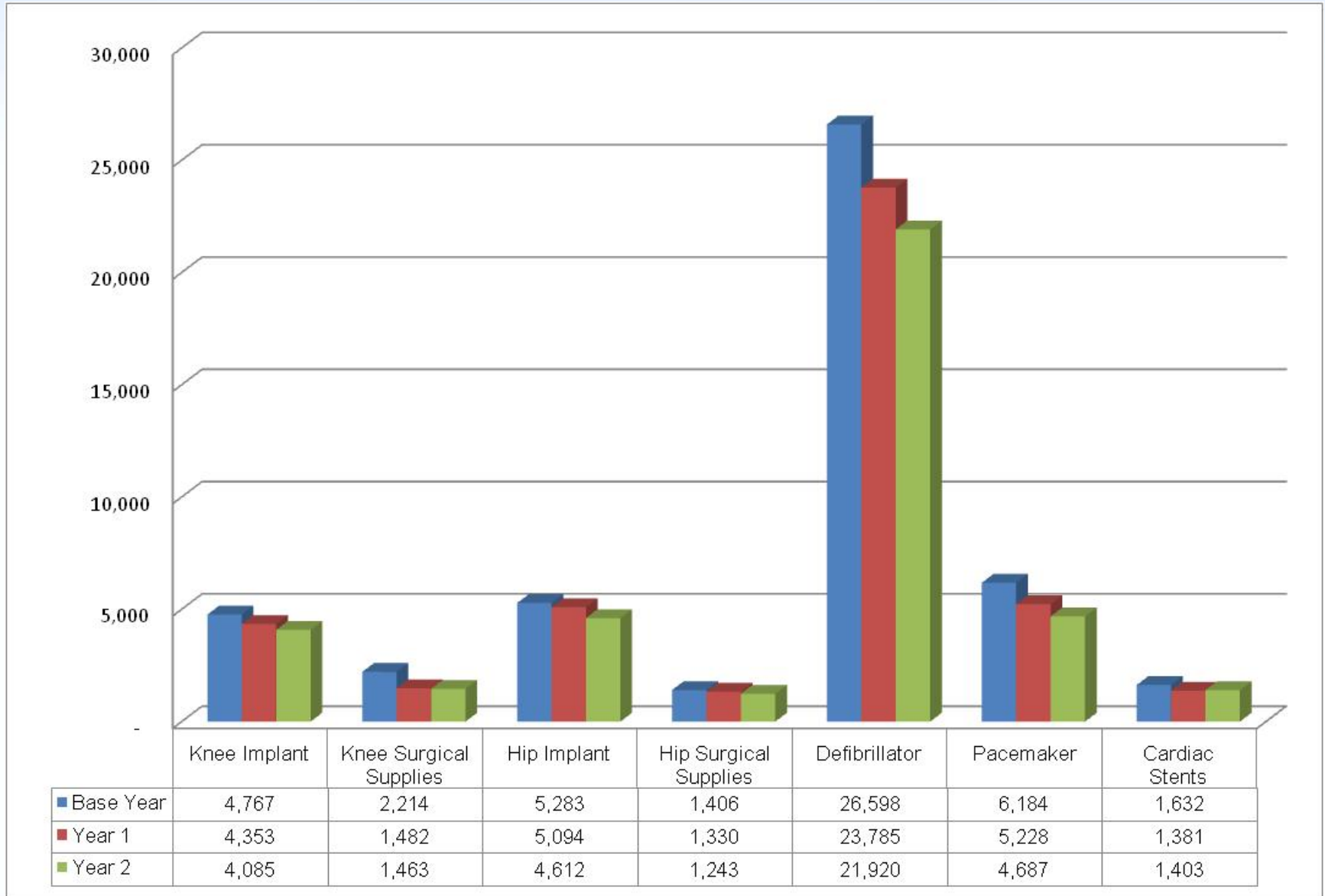
ACE / Bundled Model

- ▶ \$15,900 - Bundled Payment
- ▶ (\$2,150) - "Part B" Payment
- ▶ (\$450) - Admin/Vendors
- ▶ (\$400) - PIP Payment
- ▶ (\$9,250) - General Expenses (reduced as a result of PIP)
- ▶ *\$3,650 - Margin*

Direct Cost per Case



Materials Cost per Case



Key Risk Areas with Bundled Payments

- ▶ **Outlier cases**
- ▶ **Patient liability collection**
- ▶ **Part B discounts not shared with physicians**

Lessons Learned

- ▶ First to implement program, no prior experience to follow
- ▶ Dedicated Case Manager from day one
- ▶ Added value, not primary driver
- ▶ Program liaison
- ▶ Challenges with CMS and fiscal intermediary

Lessons Learned - Volume

- ▶ Call center expanded to service information requests
- ▶ Seminar attendance of 30 - 170 potential patients
- ▶ Surgical volume increased by 25% to 40%

Lessons Learned - Cost Accounting

- ▶ Administration of gain sharing program is complex
- ▶ Major modifications to cost accounting system
 - Discrete implant tracking by patient
 - Pharmaceutical costing by patient
 - Consideration of physician practice expense
- ▶ Expansion of reporting to assist with materials management and vendor negotiations

Lessons Learned - Claims Administration

- ▶ Processing approximately 10,000 Part B claims per year for qualified procedures
- ▶ Claim volume is cost prohibitive in typical health plan claims processing operation
- ▶ Technology solution needs to be scalable in anticipation of additional bundled services or expanded product lines

What's Ahead?

▶ CMS Innovation

▶ Bundled Payments for Care Improvements

(published 08/23/11)

- 4 models:

#1 Retrospective payment acute IP stay only

#2 Retrospective bundled payment for hospitals,
physicians and post acute

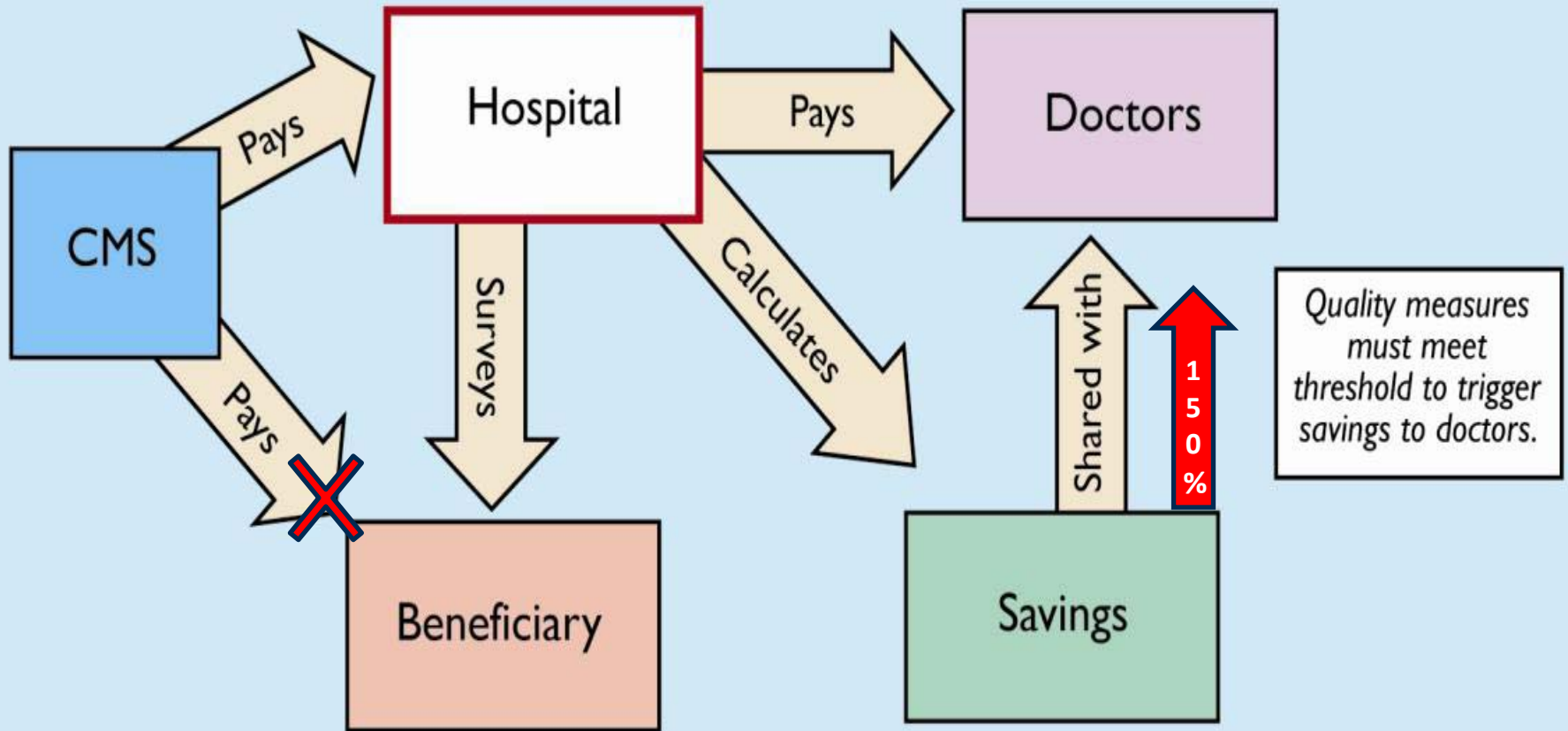
#3 Retrospective bundled payments for post acute

#4 Prospectively bundled = ACE demonstration

Differences

- ▶ Gain sharing - NTE 50% amount normally paid to physicians
- ▶ No beneficiary incentive
- ▶ Discounts

Bundled Payment Initiative



QUESTIONS?