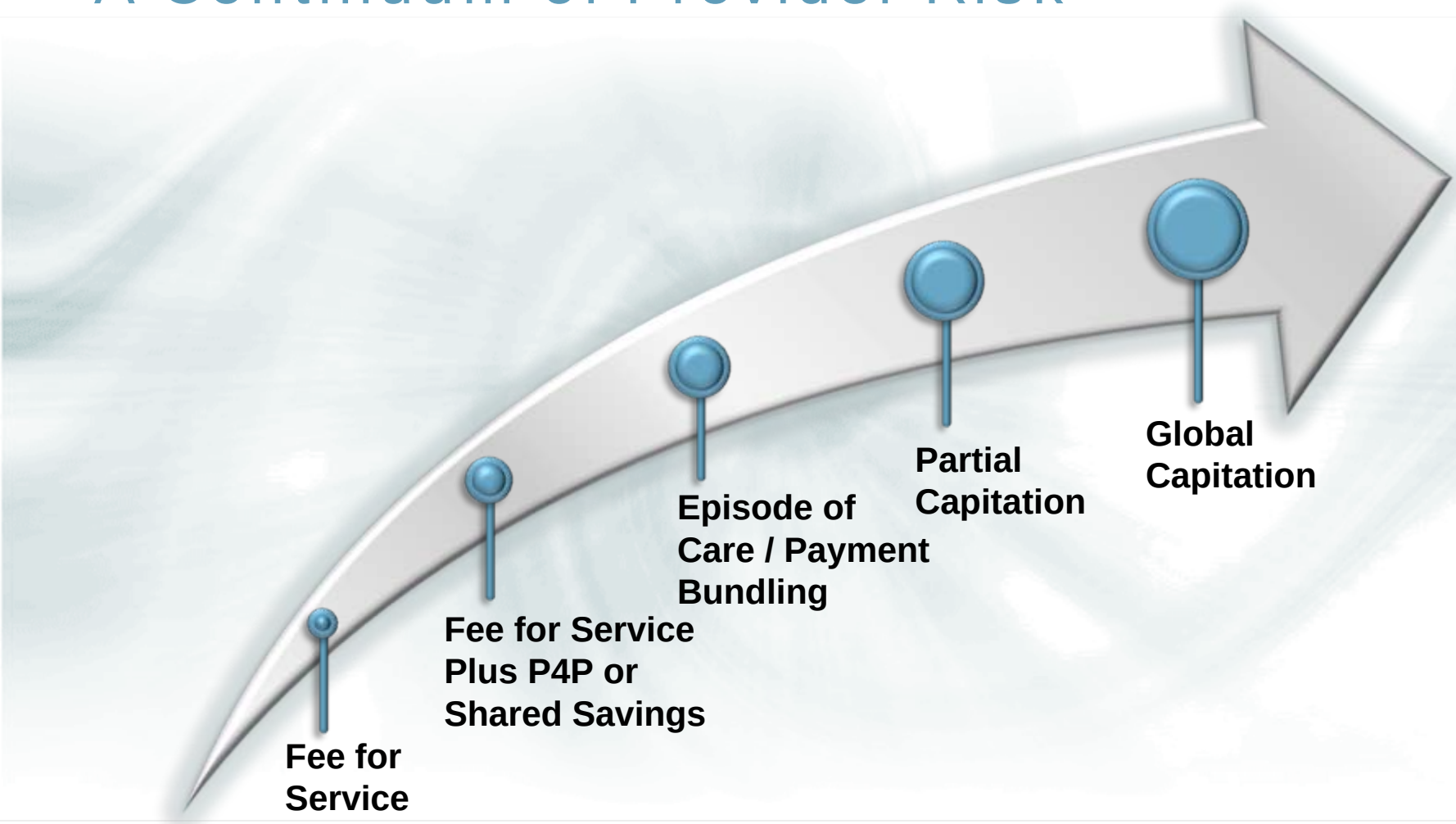
NEW CHALLENGES
NEW SOLUTIONS
NEW TRIZETTO

How to Administer Payment Bundles

Jay Sultan
Assoc. Vice President
Product Manager for Value-Based Reimbursement
The TriZetto Group

TRIZETTO
Powering Integrated Healthcare Management

Alternate Payment Methodologies (VBR)
A Continuum of Provider Risk



Acute Care Episode Demonstration Project: Design Lessons

Payer Lessons

- **Work with well-defined bundle definitions**
- **Defined population – Excluded Medicare Advantage and dual eligibles**
- **Focus on quality**
- **First-mover advantage**
- **Start with a limited program that can be scaled up**

Provider Group Lessons

- **What is the physician group?**
- **Establish risk within group**
- **Know what you intend to fix**

Acute Care Episode Demonstration Project: Operational Lessons

Provider

Collaboration between hospital and physicians essential – and challenging

- Leadership is critical
- You cannot communicate enough

Devote the correct resources

- During design and stand-up, multi-disciplinary resources needed
- Full-time coordinator/case manager

Administrative Issues

- Cost accounting challenges
  - Discrete implant tracking by patient
  - Pharmacy tracking by patient
- Claims Processing
  - 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
- Data collection
- Processing and distributing payments

Provider Strategy for Payment Bundling

First: **determine what risk you can manage**

- What are the unwarranted variations of care that exist?
- What clinical interventions can you make to address them?
- What other providers must align with you to achieve this?
- How will you measure and manage the risk and your changes?

…only then should you contract with a payer

Develop the capabilities needed

- Modeling (and the longitudinal data for the episode)
- Cost accounting/performance measurement
  - If you cannot measure it, you cannot fix it
- Payment distribution among providers
- Administer the claims for the payer?

Distributing Accountable Care Payments

Whether global case rates or shared savings, payers make payments that must be distributed among providers

Distribution is typically based on two things:

- **Utilization/volume:** source is payer data
- **Performance:** source is provider data
- Formula should be based upon the alignment needed to accomplish the clinical transformation

Making such payments has been a Payer function

- Provider administrative systems poorly suited to automate this
- Payers may offer to be a fiscal intermediary
- Providers can contract with a third party

Acute Care Episode Demonstration Project: Operational Lessons

Payer

Source of complete longitudinal data

Necessary for providers – payer is only good source

Very difficult to process claims – just ask Trailblazer

Steerage works

Plan to address outliers, patient liability collection, seepage, many other issues unrelated to claims processing

Commercial plans need to address business integration

TRIZETTO
Powering Integrated Healthcare Management

Payment Bundling Claims Processing

Work with existing provider / payer processes, including authorizations, existing provider payment claims stream, and benefits processing

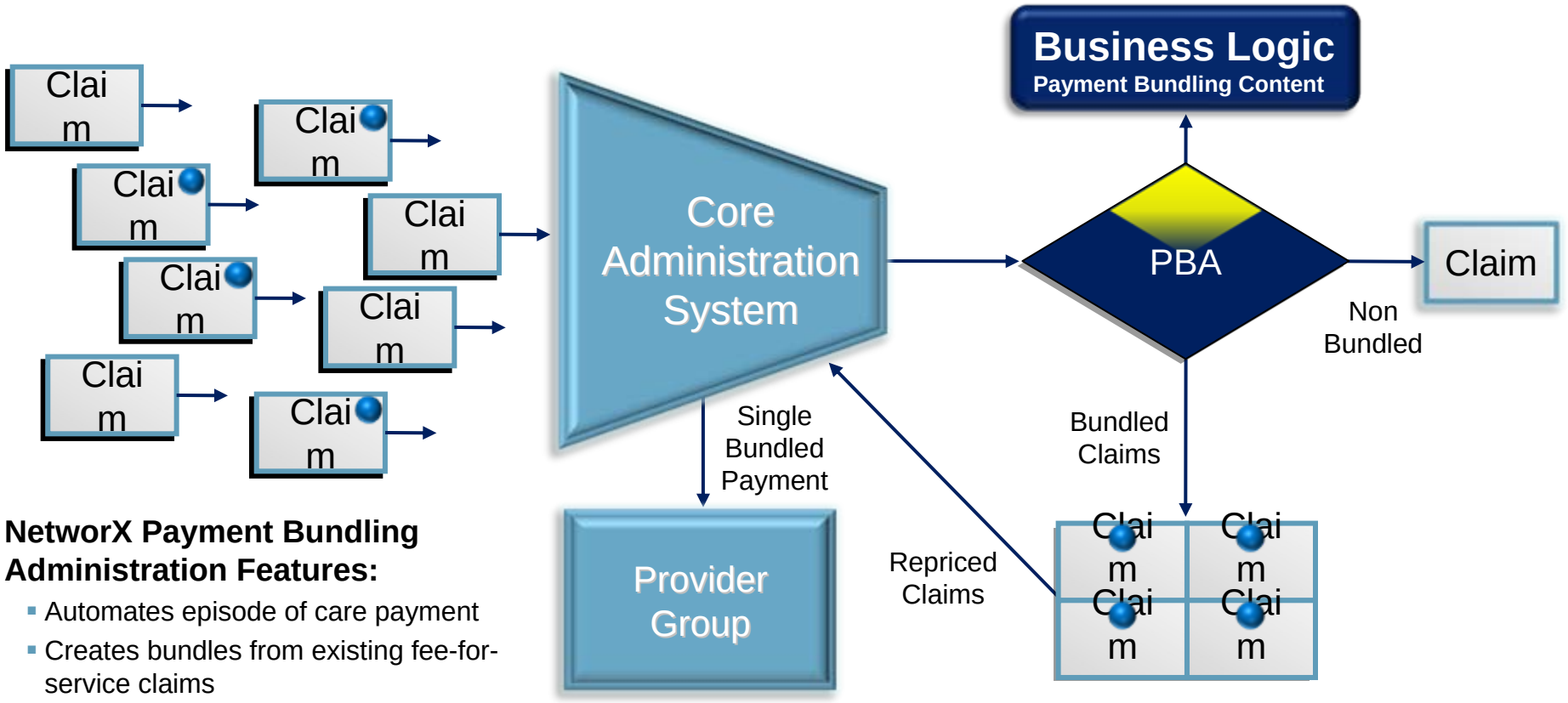
Support different models of payment bundling payment

Support numerous and different definitions of payment bundles

Tightly integrate into the payer's core administration system

TRIZETTO
Powering Integrated Healthcare Management

NetworX Payment Bundling Administration



NetworX Payment Bundling Administration Features:

- Automates episode of care payment
- Creates bundles from existing fee-for-service claims
- Processes claim adjudication through claim repricing
- Potentially integrates with any claims adjudication system
- Contains powerful rules engine for automating bundle definitions
- Handles pre-admission, post-discharge services and warranty care

Episodes are created and paid prospectively, at the time of care delivery

Related Services

TRIZETTO
Powering Integrated Healthcare Management

Realtime Claims Processing Challenges

- **Claims may arrive in any order**
- **Cannot unduly slow down claim processing**
- **Must prevent reversals when possible**
- **Automate the correction of mistakes**

When to Bundle and When to Make Payments?

Processing Mode

- **Pre-adjudication repricing**
  - Pros: Does not require core integration, can be done by provider
  - Cons: Limited functionality due to lack of integration; cannot find/fix first-pass errors
- **Prospective episode creation during adjudication**
  - Pros: Tight integration, greatest functionality, most “permanent” solution
  - Cons: Requires core integration
- **Post-adjudication, pre-payment episode creation**
  - Pros: Reduces level of core integration
  - Cons: Limits functionality, core is unaware of bolt-on activity
- **Retrospective**
  - Pros: Does not require core integration
  - Cons: Will not support prospective payment, less effective in impacting clinical transformation, delay in feedback to providers

Payment Timing

- **Retrospectively, 3-12 months after care**
  - This is a supplement or an adjustment made to fee-for-service (FFS)
  - Typically a population-based payment
- **Prospectively, at the time the care is delivered**
  - This replaces the individual fee-for-service payments made to all the providers
  - Typically, a payment for an individual patient
  - This method is preferred by providers (85%) and payers (74%)
  - Better associates the incentive directly to providers in order to change provider (physician) behavior

Power of Prospective Payments

Considerable disagreement between Prospective and Retrospective

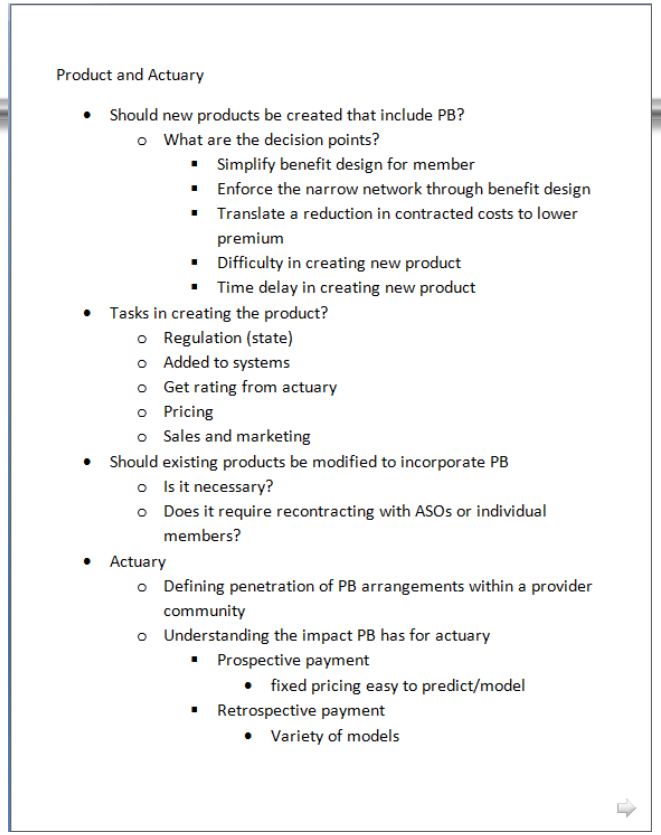
Prospective Payment
Transforms care. Immediate nature creates a stronger incentive to change behavior.
Immediate ROI. Contract sets fixed discounts that the payer gains when care is delivered.
Greater cost predictability. The episode of care cost is fixed and can be budgeted by the payer.
Reduced payer and provider tension. Contracting is transparent and explicit. No question about what's in or out.
More immediate feedback to providers. Providers know what and when they will get paid.

Both have their place in payment bundling programs

Start with the Business Integration

Payment Bundling can impact a large number of payer business areas and processes

- Product development
- Actuary/Underwriting
- Benefit design
- ASO considerations
- Seepage
- Provider contracting/contract management
- Provider relations/communications
- UM/Quality
- Member communications
- Specialty plans



These problems must be addressed as part of a payment bundling pilot

What are the Biggest Barriers?

Providers

- **Contracting is easier than clinical transformation**
- **Accepting risk is easier than managing risk**
- **Finding an interested / capable payer**
- **Administration requirements/changes**

Payers

- **Your IT Department is too busy**
- **Recontracting with providers (and eventually purchasers) is difficult**
- **Requires senior leadership**
- **Administration requirements/changes**

Questions?

jay.sultan@trizetto.com

NEW CHALLENGES
NEW SOLUTIONS
NEW TRIZETTO

Thank You

TRIZETTO
Powering Integrated Healthcare Management