Enabling and Creating Value from Bundled Payments through Payer-Provider Collaboration

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June 13, 2012
Discussion Overview

Episode Management / Bundled Payment

• Why Bundled Payment?
• What is an Episode of Care?
• Five Core Competencies

Implementing an Episode Strategy

• What Health Plans want
• What Providers want
• Getting Started
• Tools/Tactics

Questions/Discussion
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Value Based Reimbursement

Goals of Value Based Reimbursement

“The central focus must be on increasing value for patients - the health outcomes achieved per dollar spent.”

Episode Architecture

EPISODE OF CARE MODEL
Healthcare services provided for a specific illness during a set time period

<table>
<thead>
<tr>
<th>Episode Components</th>
<th>Definition:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Description</td>
</tr>
<tr>
<td></td>
<td>• Included Services</td>
</tr>
<tr>
<td></td>
<td>• Excluded Services</td>
</tr>
<tr>
<td></td>
<td>• Hardware, etc.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Participating Providers Network</th>
<th>Compensation Model</th>
<th>Evidence-Based Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting Point</td>
<td>Trigger Point</td>
<td>Stopping Point</td>
</tr>
<tr>
<td>e.g. 30 days prior to the Date of Surgery</td>
<td>Decision to initiate on Episode</td>
<td>e.g. 90 days following the Date of Surgery</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Episode Timing</th>
<th>Diagnostic</th>
<th>Event</th>
<th>Follow-up Care</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 days</td>
<td>2-5 days</td>
<td>90 days</td>
</tr>
</tbody>
</table>

BUNDLED PAYMENT
Reimbursement to healthcare providers on the basis of expected costs for clinically-defined episodes
Event vs. Time-Based Episodes
Risk and Process Implications

Phase 1: Major Surgical Episodes

Phase 2: Complex/Protocol driven episodes

Phase 3: Chronic episodes in conjunction with Patient Centered Medical Home (PCMH)

Support for Patient Centered Medical Home (PCMH)
Complex Tracking Episodes
Major surgical episodes
Event-Based Episodes

55 y/o Male: Hip or Knee Replacement

1 month Pre-op

Surgery Date

Readmission Wound Infection

1 month Post-op

2 month Post-op

Take-home supplies

Pharmacy

PCP

Orthopod

Cardiologist

Imaging - MRI

Preop Lab

PT

PT

Non-participating provider

= $100 / pixel
Time-Based Episodes

42 y/o Female: Breast Cancer Treatment

• Same concepts apply to any chronic, Medical Management problem
Episode Definitions

- Prometheus
- IHA
- Custom
- CMS
- CMMI - Models 1-4
- Others
Episode Management
Five Core Competencies

- Clinical Care Coordination
- Episode Initiation, Clinical Auth, Patient ID
- Episode Bundling, Pricing and Payment
- Analytics
- Provider Network Mgmt

Any descriptions of future functionality reflect current product direction, are for informational purposes only and do not constitute a commitment to provide specific functionality. Timing and availability remain at McKesson’s discretion and are subject to change and applicable regulatory approvals.
Automating claims
An episode in motion

Readmission/Potentially Avoidable Complication
Path – services included in global payment

Rehabilitation Path – services included in global payment

Warranty Period ends—claims bundling stops

Trigger Rule – claims Bundling Begins

Surgery Date

Readmission/ Wound Infection

1 month Pre-op
1 month Post-op
2 month Post-op

= $100 / pixel

Non-participating provider

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Questions/Discussion
What health plans want

• High quality of care / great outcomes
• Multiple episodes with choice of providers
• Large service areas
• Substantial financial risk sharing
• Proof of performance
• Predictable expenses
• Consistent contracts
• Administrative efficiency
What providers want

- High quality of care / great outcomes
- Preferred/exclusive referrals
- Gain-sharing opportunities
- Minimal risk; manage only what they control
- Reduced bureaucracy
- Predictable and timely reimbursement
What both health plans & providers need

• Clearly specified clinical outcome measures
• Clinical and claims data across settings of care
• Shared, aligned financial risk
  – Clarity on risk-sharing arrangements
  – Consistent program definitions
• Full transparency for included data
• Full disclosure to Patients
Implementing Bundled Payments

The shift towards bundled payment requires payment, care delivery AND process innovation

Payment Innovation
- Reward efficient quality care through new risk-sharing arrangements, while building off of fee for service

Care Delivery Innovation
- Increase care coordination
- Optimize clinical approaches
- Align incentives across stakeholders

Process Innovation
- Offer decision support and analytics to providers to manage risk
- Standardize payer-provider processes
- Automate to drive efficiency

“You can’t just focus on one element, change is dependent upon whether these pieces are linked. And, when they intersect, do these programs work well together?”
Mark Spooner, VP Provider Contracting, Tufts Health Plan
Episode of Care & Bundled Payment
Aligning payers and providers

Bundled Payment
- Definition & Reimbursement
- Contract
- Payment Automation

Episode of Care
- Care Model
- Care Team
- Care Collaboration

Centers of Excellence Program and Network

Process Innovation via Analytics, Automation, and Consulting
Where to start?

Data is the key

• Providers lack data across settings of care
• Limits understanding of how inclusion/exclusion criteria, comorbidities and included services will impact risk and payment
• Payers need to share historical data with providers to educate and help providers set appropriate rates
• CMMI and BPCI evidence of provider’s hunger for data - ~2,000 providers applied for data
• Establish benchmark and work with providers to understand how their performance compares
Putting the data to work

Analysis creates the framework for a discussion

1. Obtain paid claims data including professional, inpatient facility and outpatient facility claims
2. Review established episode definitions and make any necessary configuration changes to meet program goals
3. Run the prepared data through a bundled payment rules engine configured to program specifications

Output

- Count of completed episodes, by episode definition
- Submitted, allowed and paid FFS payments by episode
- Providers participating in modeled episodes by specialty and ranked by frequency and by allowed amount
- Report of episode volume by region/location
- Establish, normalize and compare providers cost, complication rate to benchmark
Create baseline contract templates

Template for a discussion

- Based on the care and compensation model and the identification of providers from analysis
- Determine primary administrative provider and sub-contractor models
- Determine acceptable variations in contract terms to accommodate provider customization:
  - Compensation model
  - Bundled payment definitions
  - Distribution of payments
Provider discussions

Data and a template

• Develop presentation on outline of contract terms and longitudinal clinical pathway for episode, emphasizing criteria, definitions and benchmark data for episode

• Review templates with provider groups, preferably with representatives from entire integrated care team in a narrow network all in attendance at the same session
  – Include data in presentation showing volume of bundles, key services, complications and co-morbidities for the narrow network
  – Show benchmark data for comparison

• Determine where changes will be made, additional analyses conducted and scope of automation
Impact of the benefit design

Realizing value from centers of excellence

- Evaluate current design and determine how to incent patients to select and stay with a center of excellence

PRODUCT: PPO VALUE SELECT

<table>
<thead>
<tr>
<th>Benefit Based Member Incentives</th>
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<tbody>
<tr>
<td>10% Premium Reduction</td>
</tr>
<tr>
<td>$0 CO-PAY</td>
</tr>
<tr>
<td>$100 HRA Contribution</td>
</tr>
<tr>
<td>15% Cost Share</td>
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</tbody>
</table>

- Anticipate leakage and determine how payment will be tracked and made to non-participating providers
# Starting the program

## Automation is the Key

<table>
<thead>
<tr>
<th>Topic</th>
<th>Description</th>
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<tbody>
<tr>
<td>Defining the episode</td>
<td>Criteria to identify an episode such as included/excluded services, participating providers</td>
</tr>
<tr>
<td>Paying the episode</td>
<td>Manual claims reviews and aggregation by episode, manual cost calculations</td>
</tr>
<tr>
<td>Provider cash-flow</td>
<td>Retrospective processes delay reimbursements and shared savings</td>
</tr>
<tr>
<td>Disbursement</td>
<td>Determining who distributes accurate payments across all providers</td>
</tr>
<tr>
<td>Analytics</td>
<td>Lack of resources to identify high cost drivers, measure and report outcomes, gain transparency</td>
</tr>
<tr>
<td>Care coordination</td>
<td>Decision support is needed for coordinating care, avoiding preventable complications and reducing waste</td>
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Prospective Bundled Payments

Automating a program

• Automate claims-based episode definitions & prospective bundled payments based on existing fee for service claims
• Bundle and pay claims in real time, within current claims workflows
• Flexible, customizable content and rules
• Evidence based episode definitions
• Provider-specific fee schedules
• Utilize consultants and industry experts (e.g. HCI3, IHA, WPRI) to help define and deploy bundled payment programs
• Reduce administrative barriers and manual processes
Managing a Bundled Payment Program

What payers and providers need to know

- Episode volume by administrative and affiliated provider
- Affiliated providers by case
- Leakage to non-participating providers
- Complication/Readmission rate by provider
- Clinical outcomes by provider
- Episode cost vs. budget at case level and average for provider
- Ability to analyze “what if?” scenarios to assess potential changes to program
The Promise of Bundled Payments

Efficient, Quality Care Drives Savings

Provider Transformation
- Establish centers of excellence
- Engage with community, patients, and participating providers

Quality Improvement
- Reduced variation & complications
- Increased alignment with evidence-based care

Medical Cost Savings
- Contracted rate savings
- Reduced redundant care and in-patient readmissions
- Improved cost efficiencies

Administrative Cost Savings
- Automated processes
Questions & Discussion