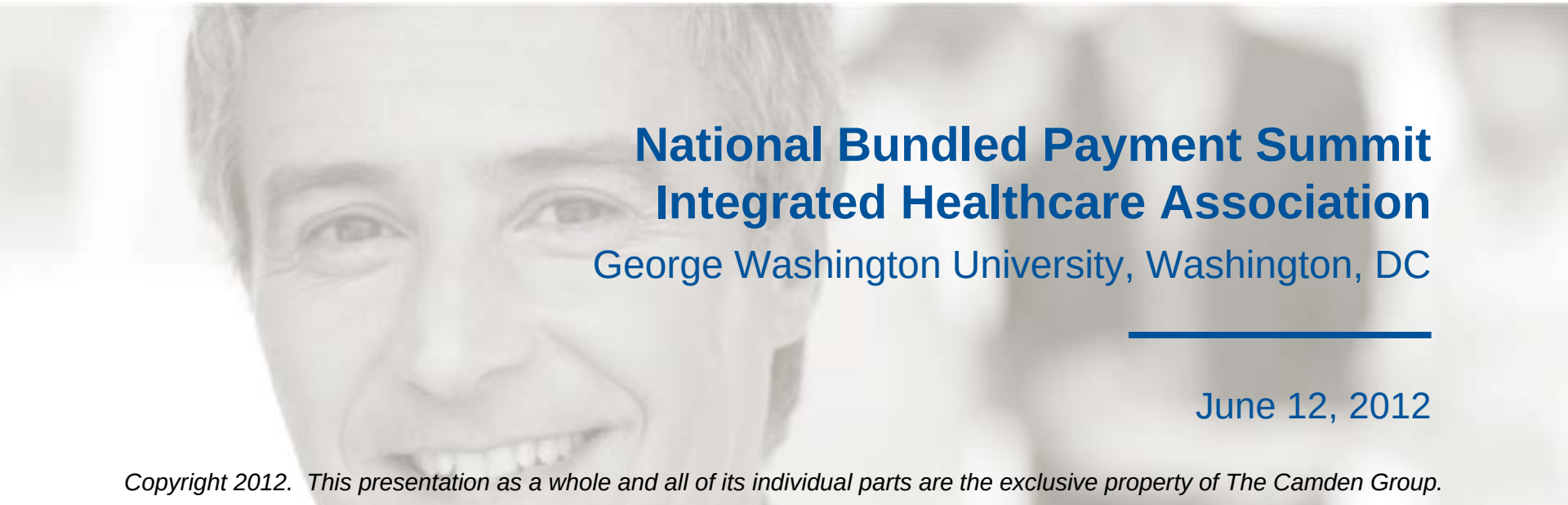
THE CAMDEN GROUP

ideas. answers. action.

IHA INTEGRATED HEALTHCARE ASSOCIATION

Commercial Bundling



National Bundled Payment Summit
Integrated Healthcare Association

George Washington University, Washington, DC

June 12, 2012

Agenda

National Trends

Critical Success Factors

Partnership Strategies

Metrics

Contract Considerations

Structural Considerations

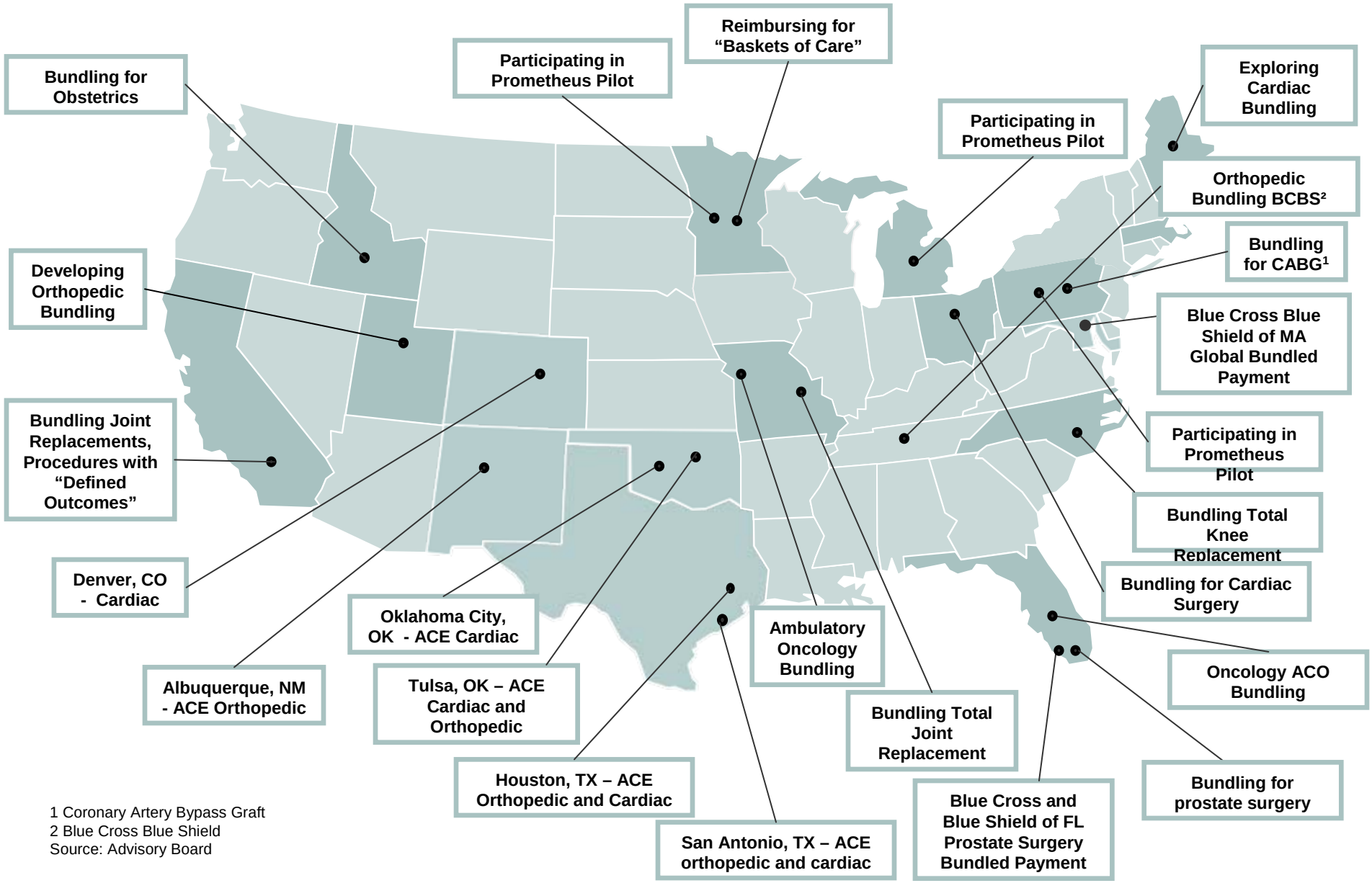
Common Mistakes

Questions and Discussion

IHA INTEGRATED HEALTHCARE ASSOCIATION

THE CAMDEN GROUP

Nearly One-third of the Nation Now Testing Bundled Payment



1 Coronary Artery Bypass Graft
2 Blue Cross Blue Shield
Source: Advisory Board

“Drivers” of Readmissions and Variation in Care

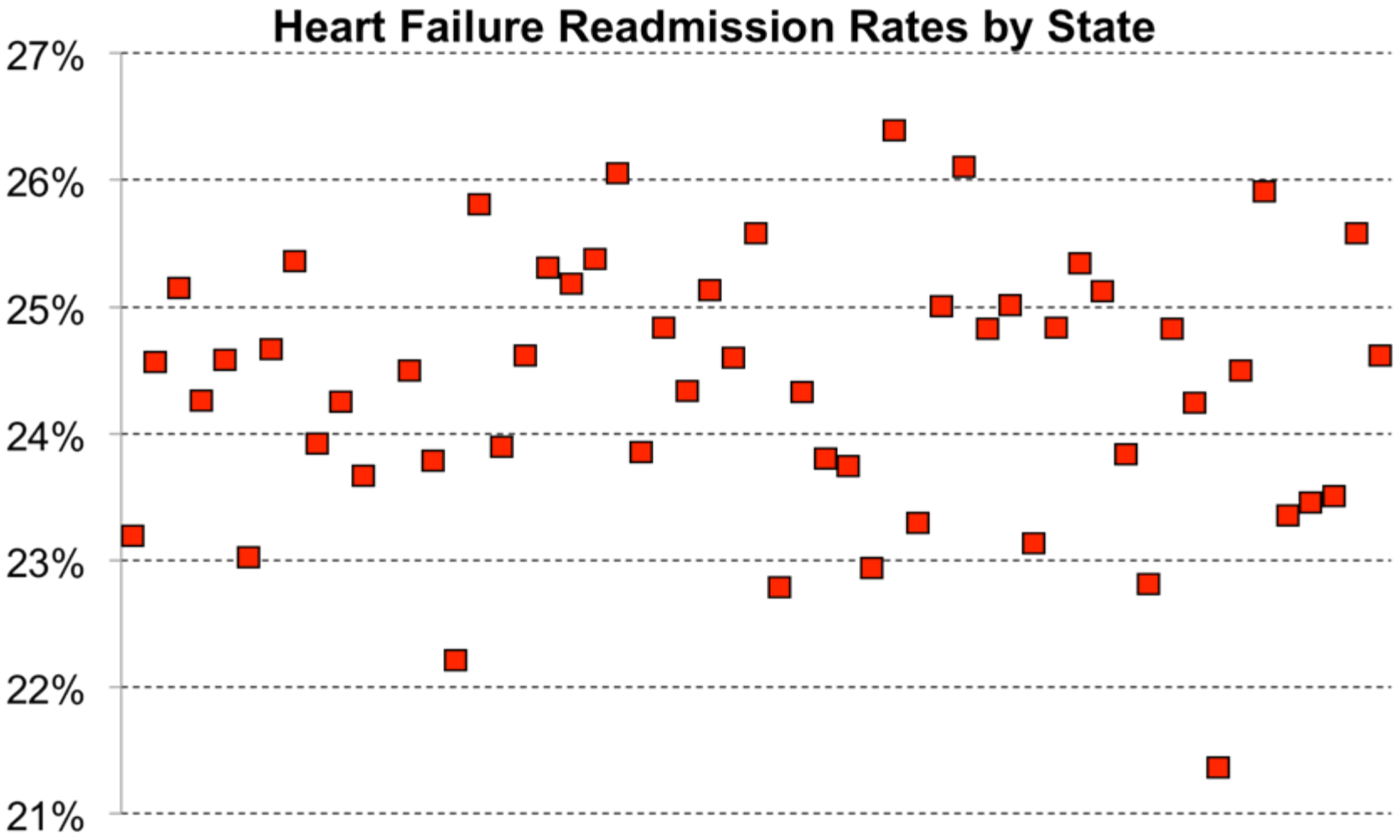
Care Delivery/Management

- Central line infections
- Limited/No patient education pre-discharge
- Incomplete/ Ineffective discharge process
- Limited/Ineffective communication in patient hand-off to post-acute provider
- Post-discharge follow-up with PCP lags or unscheduled

Patient Characteristics

- Culture, literacy, language barriers
- Socio-economic status
- Co-morbidities
- Number of medications prescribed and adherence
- Access to social support
- Psycho-logical status

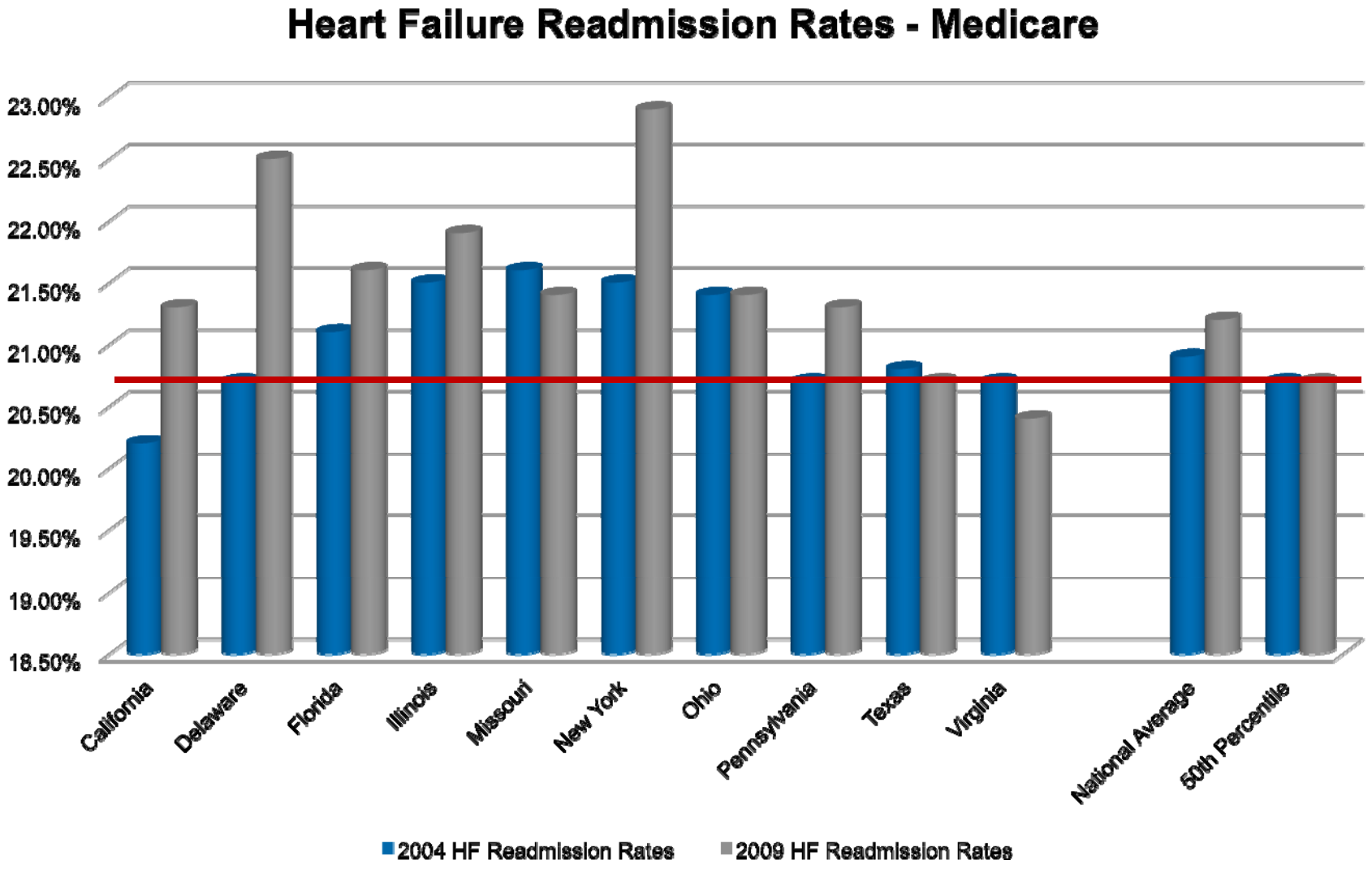
Significant Variation in HF Readmissions by State



hospitals in pursuit of excellence™
Accelerating Performance Improvement

HRET
HEALTH RESEARCH & EDUCATIONAL TRUST
In Partnership with AHA

Heart Failure Readmission Rates Are Not Improving



Source: Dartmouth Atlas 10/20/2011

THE DARTMOUTH INSTITUTE
FOR HEALTH POLICY & CLINICAL PRACTICE

Pending Penalties for High Readmission Rates

- Under Hospital Readmission Reduction Program, Medicare will penalize hospitals for higher than expected rates of readmissions within 30 days of discharge for patients with:
  - AMI
  - CHF
  - Pneumonia
- There will be a payment reduction for each Medicare readmission

October 2012	One percent of Medicare billings penalty begins
October 2013	Two percent of Medicare billings penalty begins
October 2014	Three percent of Medicare billings penalty begins

- Commercial payers are expected to follow CMS' lead

Agenda

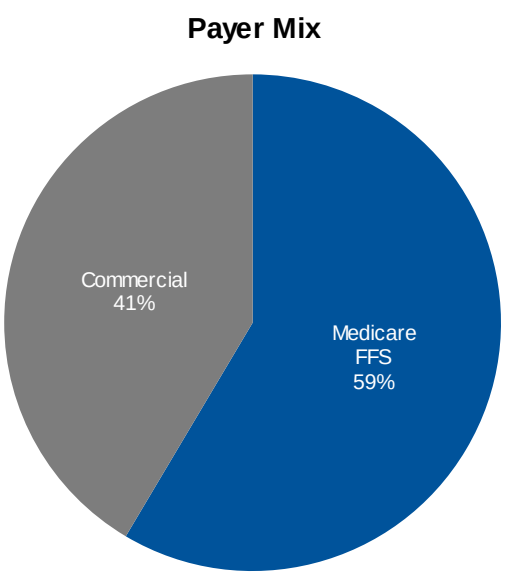
National Trends
Critical Success Factors
Partnership Strategies
Metrics
Contract Considerations
Structural Considerations
Common Mistakes
Questions and Discussion

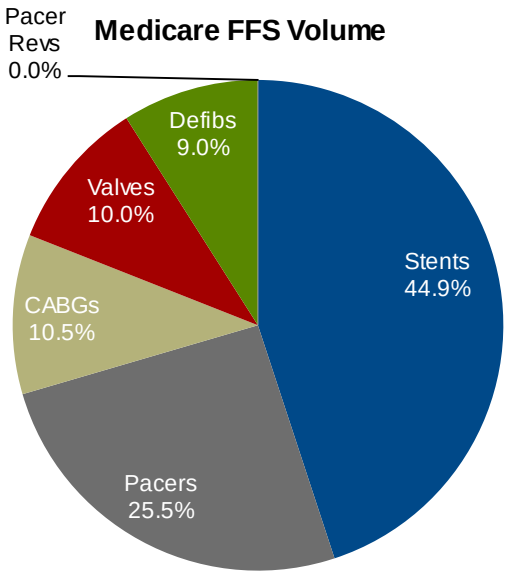
Cardiac Historical Volume

Hospital A
CMMI Bundled Payments for Care Improvement Initiative
Sample Model 4 - Inpatient Stay Only
Historical Cases by Proposed Episode of Care for Cardiac Services
CY 2010

Cardiac Services	Medicare FFS		Commercial	
	Cases	% of Total	Cases	% of Total
Valves (MS-DRGs 216-221)	120	10.0%	60	7.1%
Defibrillators (MS-DRGs 224-227)	108	9.0%	53	6.2%
CABGs (MS-DRGs 233-236)	126	10.5%	149	17.5%
Pacemakers (MS-DRGs 242-244)	306	25.5%	40	4.7%
Stents (MS-DRGs 246-251)	539	**44.9%**	548	**64.5%**
Total Cases	**1,199**	**100.0%**	**850**	**100.0%**

Source: Hospital A.
Black border denotes highest number of cases for each payer category.



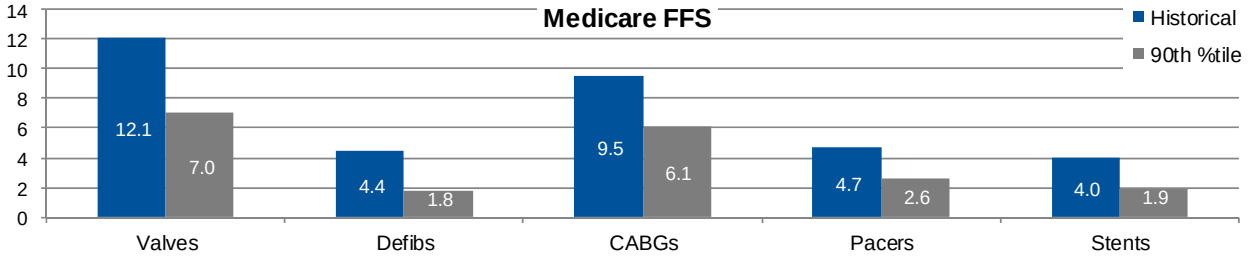


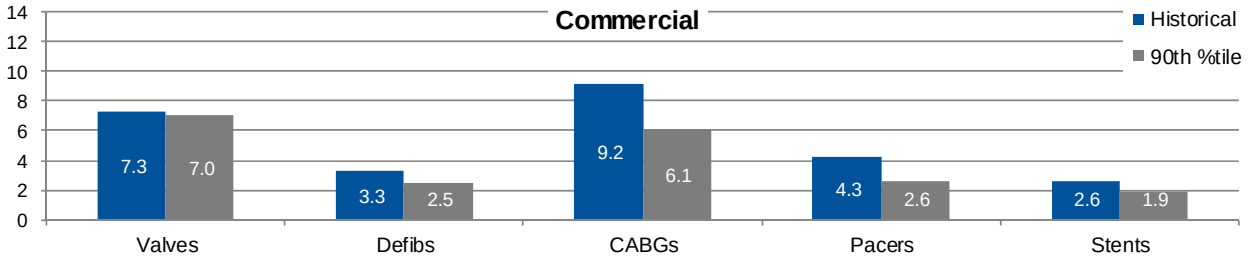
Cardiac Historical ALOS

Hospital A
CMMI Bundled Payments for Care Improvement Initiative
Sample Model 4 - Inpatient Stay Only
Historical Average Length-of-Stay Compared to 2009 Premier 90th Percentile
by Proposed Episode of Care for Cardiac Services
CY 2010

Cardiac Services	Medicare FFS			Commercial		
	Historical ALOS	Premier 90th %tile	Variance	Historical ALOS	Premier 90th %tile	Variance
Valves (MS-DRGs 216-221)	12.1	7.0	**5.1**	7.3	7.0	0.3
Defibrillators (MS-DRGs 224-227)	4.4	1.8	**2.6**	3.3	2.5	**0.8**
CABGs (MS-DRGs 233-236)	9.5	6.1	**3.4**	9.2	6.1	**3.1**
Pacemakers (MS-DRGs 242-244)	4.7	2.6	**2.1**	4.3	2.6	**1.7**
Stents (MS-DRGs 246-251)	4.0	1.9	**2.1**	2.6	1.9	**0.7**
Total ALOS	**5.6**	**3.0**	**2.6**	**4.2**	**3.1**	**1.1**

Source: Hospital A and Centers for Medicare and Medicaid Services.
Black border denotes potential opportunity for reducing average length-of-stay.



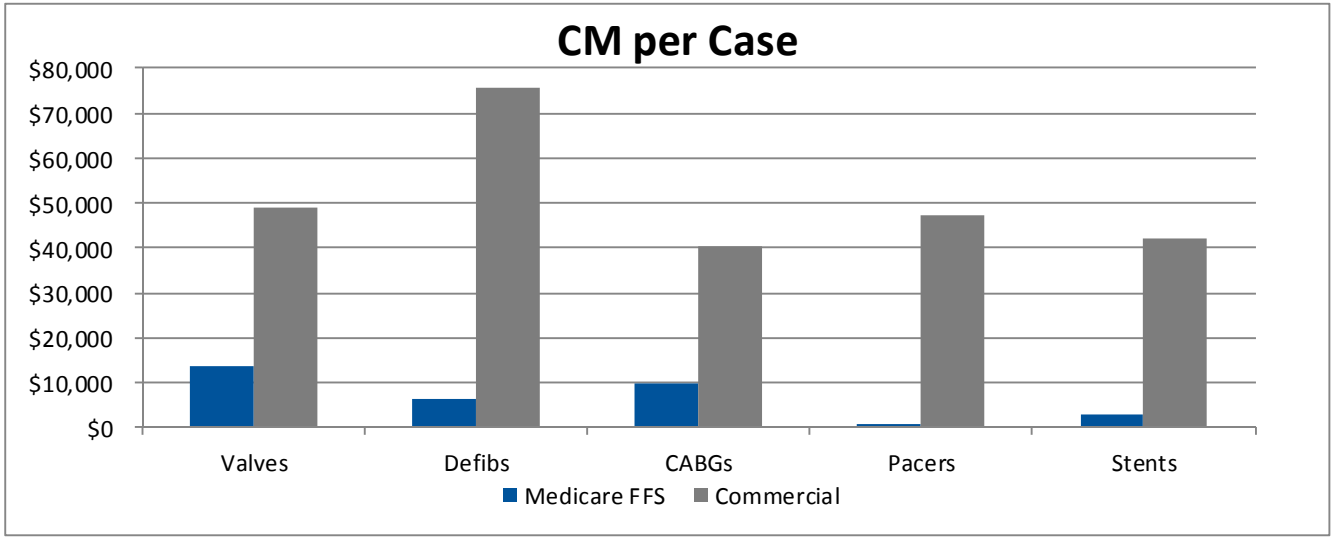


Cardiac Historical Financials

Hospital A
CMMI Bundled Payments for Care Improvement Initiative
Sample Model 4 - Inpatient Stay Only
Historical Financial Performance by Proposed Episode of Care for Cardiac Services
CY 2010

Cardiac Services	Medicare FFS			Commercial		
	Contribution Margin (CM)	CM per Case	Net Profit/ (Loss)	Contribution Margin (CM)	CM per Case	Net Profit/ (Loss)
Valves (MS-DRGs 216-221)	$1,345,588	**$13,456**	($966,813)	$2,438,053	$48,761	$1,608,121
Defibrillators (MS-DRGs 224-227)	578,080	6,423	($327,480)	3,331,806	**75,723**	$2,972,400
CABGs (MS-DRGs 233-236)	1,047,754	9,979	($909,733)	4,996,487	40,294	$2,756,267
Pacemakers (MS-DRGs 242-244)	231,231	907	($1,692,888)	1,558,482	47,227	$1,306,311
Stents (MS-DRGs 246-251)	1,370,393	3,052	($1,994,579)	19,272,101	42,171	$16,589,181
Total	**$4,573,046**	**$3,815**	**($5,891,493)**	**$31,596,929**	**$37,190**	**$25,232,281**

Source: Hospital A, commercial data needs to be updated
Black border denotes highest contribution margin per case.



Cardiac Historical Market

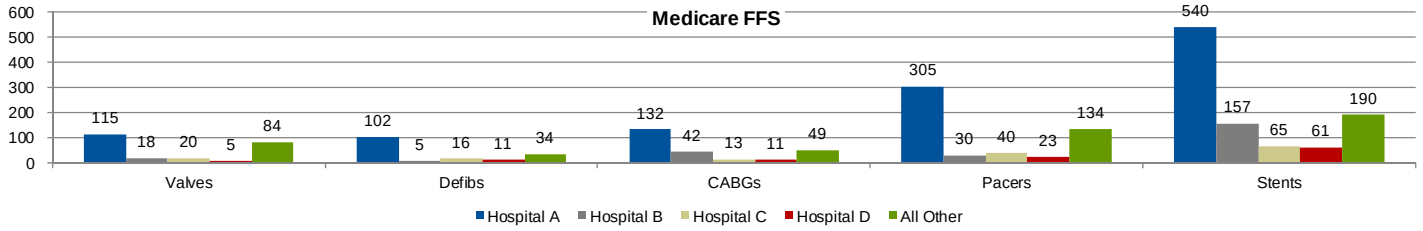
Hospital A
CMMI Bundled Payments for Care Improvement Initiative
Sample Model 4 - Inpatient Stay Only
Historical Market Discharges in Service Area by Proposed Episode of Care for Cardiac Services
CY 2010

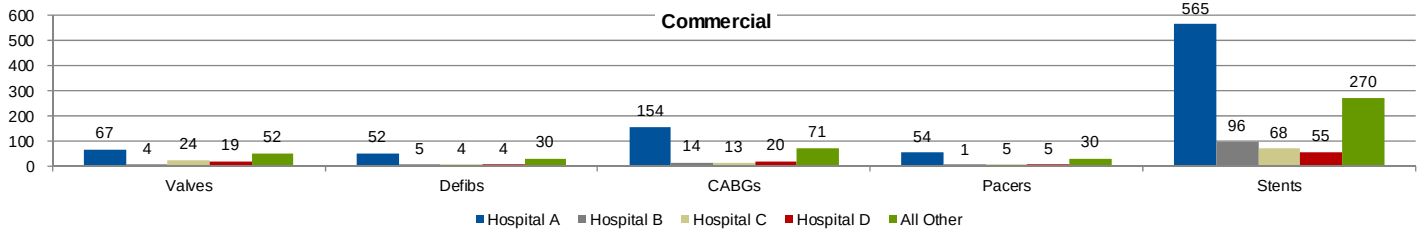
	Medicare FFS											
Cardiac Services	Hospital A	% of Total	Hospital B	% of Total	Hospital C	% of Total	Hospital D	% of Total	All Other	% of Total	Total	% of Total
Valves (MS-DRGs 216-221)	**115**	47.5%	18	7.4%	20	8.4%	5	2.0%	84	34.7%	242	100.0%
Defibrillators (MS-DRGs 224-227)	**102**	61.2%	5	2.9%	16	9.4%	11	6.5%	34	20.1%	167	100.0%
CABGs (MS-DRGs 233-236)	**132**	53.4%	42	17.0%	13	5.3%	11	4.4%	49	19.9%	247	100.0%
Pacemakers (MS-DRGs 242-244)	**305**	57.3%	30	5.6%	40	7.4%	23	4.3%	134	25.3%	532	100.0%
Stents (MS-DRGs 246-251)	**540**	53.3%	157	15.5%	65	6.4%	61	6.0%	190	18.7%	1,013	100.0%
Total	**1,194**	**54.3%**	**252**	**11.5%**	**154**	**7.0%**	**110**	**5.0%**	**491**	**22.3%**	**2,201**	**100.0%**

	Commercial (Blue Cross, Blue Cross HMO, PPO, HMO, Fee for Service)											
Cardiac Services	Hospital A	% of Total	Hospital B	% of Total	Hospital C	% of Total	Hospital D	% of Total	All Other	% of Total	Total	% of Total
Valves (MS-DRGs 216-221)	**67**	40.6%	4	2.2%	24	14.5%	19	11.6%	52	31.2%	166	100.0%
Defibrillators (MS-DRGs 224-227)	**52**	55.1%	5	5.1%	4	3.8%	4	3.8%	30	32.1%	94	100.0%
CABGs (MS-DRGs 233-236)	**154**	56.4%	14	5.3%	13	4.8%	20	7.5%	71	26.0%	272	100.0%
Pacemakers (MS-DRGs 242-244)	**54**	57.0%	1	1.3%	5	5.1%	5	5.1%	30	31.6%	95	100.0%
Stents (MS-DRGs 246-251)	**565**	53.6%	96	9.1%	68	6.5%	55	5.2%	270	25.6%	1,055	100.0%
Total	**892**	**53.0%**	**120**	**7.1%**	**114**	**6.8%**	**103**	**6.1%**	**452**	**26.9%**	**1,681**	**100.0%**

https://sharepoint.thecamdengroup.com/planning/Bundled_Payment/Bundled_Payment_for_Care_Improvement_Initiative/Presentations/Scrubbed Files/[CMMI_Business_Case_Model_4_Updated_05162012_Sent_to_Client.xlsx]Hist_Market_Cardiac

Source: Hospital A, market data may not match internal data provided by the Hospital
Black border denotes the organization with the highest number of cases in each episode of care category.





Agenda

National Trends
Critical Success Factors
Partnership Strategies
Metrics
Contract Considerations
Structural Considerations
Common Mistakes
Questions and Discussion

IHA INTEGRATED HEALTHCARE ASSOCIATION

THE CAMDEN GROUP

How Do You plan to Leverage EOC risk? More Risk for More Volume?

- Commercial Health Plans are just now starting to expand into EOC contracting
- Are there IPAs or other risk managing organizations you could partner with?
- Once you can prove you are able to operate an EOC arrangement, which Commercial plans in your area are ready to use EOC payments? Do you know this now? When?
- What are you planning to ask of the Health Plan in exchange for undertaking more risk?
- Are you able to undertake greater volumes? i.e., Can you advocate to narrow the network if you have enough access points in your system of care?

Agenda

National Trends
Critical Success Factors
Partnership Strategies
Metrics
Contract Considerations
Structural Considerations
Common Mistakes
Questions and Discussion

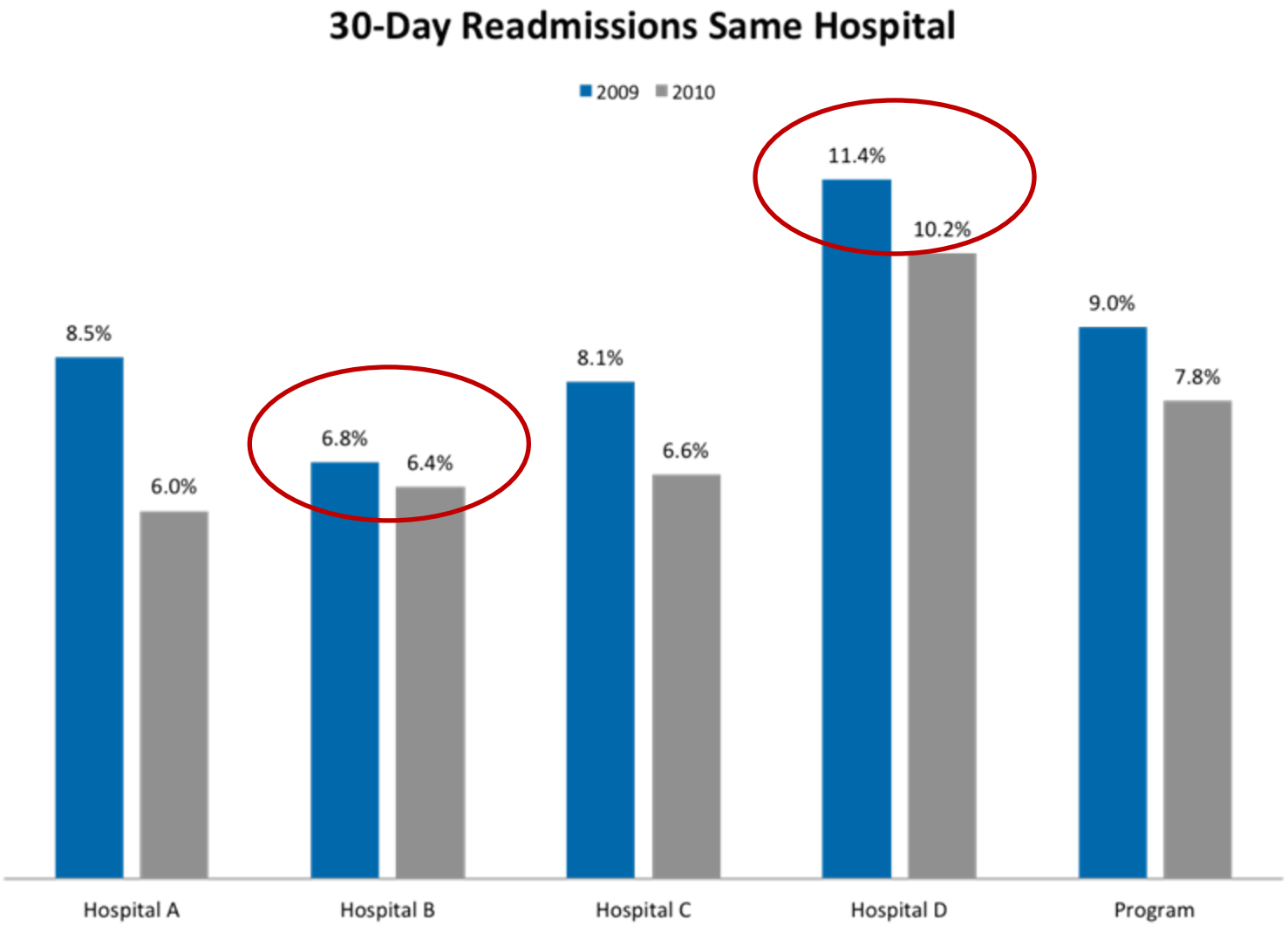
IHA INTEGRATED HEALTHCARE ASSOCIATION

THE CAMDEN GROUP

Early Insights into High-value Measures

- Expanding episode of care to include readmission and post-acute
  - Readmission compared to market
  - PAC cost per case compared to market
- Predictability on cost and quality
- Patient experience
- Cost and Quality profile compared to market

30-Day Readmission Rate is the Burning Platform



Top Readmissions for MS-DRG 227 – Defibrillator

Hospital A
Sample Distribution of Top 25 DRGs for Readmission within 30 Days of Discharge for Anchor DRG 227
MS-DRG Description: Cardiac defibrillator implant w/o cardiac cath w/o MCC

DRG of Readmission	Readmissions per 100 Anchor Cases within 30 Days of Anchor Discharge	% of Total Readmissions within 30 Days of Anchor Discharge
292 - Heart failure & shock w CC	1.7	11.1%
293 - Heart failure & shock w/o CC/MCC	1.3	8.3%
291 - Heart failure & shock w MCC	0.9	5.6%
261 - Cardiac pacemaker revision except device replacement w CC	0.7	4.6%
315 - Other circulatory system diagnoses w CC	0.7	4.6%
262 - Cardiac pacemaker revision except device replacement w/o CC/MCC	0.4	2.8%
310 - Cardiac arrhythmia & conduction disorders w/o CC/MCC	0.4	2.8%
314 - Other circulatory system diagnoses w MCC	0.4	2.8%
682 - Renal failure w MCC	0.4	2.8%
208 - Respiratory system diagnosis w ventilator support <96 hours	0.3	1.9%
251 - Perc cardiovasc proc w/o coronary artery stent w/o MCC	0.3	1.9%
280 - Acute myocardial infarction, discharged alive w MCC	0.3	1.9%
286 - Circulatory disorders except AMI, w card cath w MCC	0.3	1.9%
300 - Peripheral vascular disorders w CC	0.3	1.9%
308 - Cardiac arrhythmia & conduction disorders w MCC	0.3	1.9%
312 - Syncope & collapse	0.3	1.9%
392 - Esophagitis, gastroent & misc digest disorders w/o MCC	0.3	1.9%
603 - Cellulitis w/o MCC	0.3	1.9%
638 - Diabetes w CC	0.3	1.9%
908 - Other O.R. procedures for injuries w CC	0.3	1.9%
026 - Craniotomy & endovascular intracranial procedures w CC	0.1	0.9%
039 - Extracranial procedures w/o CC/MCC	0.1	0.9%
069 - Transient ischemia	0.1	0.9%
133 - Other ear, nose, mouth & throat O.R. procedures w CC/MCC	0.1	0.9%
151 - Epistaxis w/o MCC	0.1	0.9%

Source: Milliman

Top Readmissions for MS-DRG 244 – Pacemaker

Hospital A
Sample Distribution of Top 25 DRGs for Readmission within 30 Days of Discharge for Anchor DRG 244
MS-DRG Description: Permanent cardiac pacemaker implant w/o CC/MCC

DRG of Readmission	Readmissions per 100 Anchor Cases within 30 Days of Anchor Discharge	% of Total Readmissions within 30 Days of Anchor Discharge
310 - Cardiac arrhythmia & conduction disorders w/o CC/MCC	1.0	6.3%
293 - Heart failure & shock w/o CC/MCC	0.9	5.8%
312 - Syncope & collapse	0.9	5.8%
309 - Cardiac arrhythmia & conduction disorders w CC	0.7	4.7%
313 - Chest pain	0.7	4.7%
261 - Cardiac pacemaker revision except device replacement w CC	0.7	4.2%
291 - Heart failure & shock w MCC	0.5	3.2%
641 - Misc Disorders of Nutrition, Metabolism, Fluids/Electrolytes w/o MCC	0.5	3.2%
300 - Peripheral vascular disorders w CC	0.4	2.6%
303 - Atherosclerosis w/o MCC	0.4	2.6%
247 - Perc cardiovasc proc w drug-eluting stent w/o MCC	0.3	2.1%
262 - Cardiac pacemaker revision except device replacement w/o CC/MCC	0.3	2.1%
292 - Heart failure & shock w CC	0.3	2.1%
301 - Peripheral vascular disorders w/o CC/MCC	0.3	2.1%
316 - Other circulatory system diagnoses w/o CC/MCC	0.3	2.1%
069 - Transient ischemia	0.2	1.6%
101 - Seizures w/o MCC	0.2	1.6%
237 - Major cardiovasc procedures w MCC	0.2	1.6%
253 - Other vascular procedures w CC	0.2	1.6%
287 - Circulatory disorders except AMI, w card cath w/o MCC	0.2	1.6%
315 - Other circulatory system diagnoses w CC	0.2	1.6%
392 - Esophagitis, gastroent & misc digest disorders w/o MCC	0.2	1.6%
690 - Kidney & urinary tract infections w/o MCC	0.2	1.6%
092 - Other disorders of nervous system w CC	0.2	1.1%
189 - Pulmonary edema & respiratory failure	0.2	1.1%

Source: Milliman

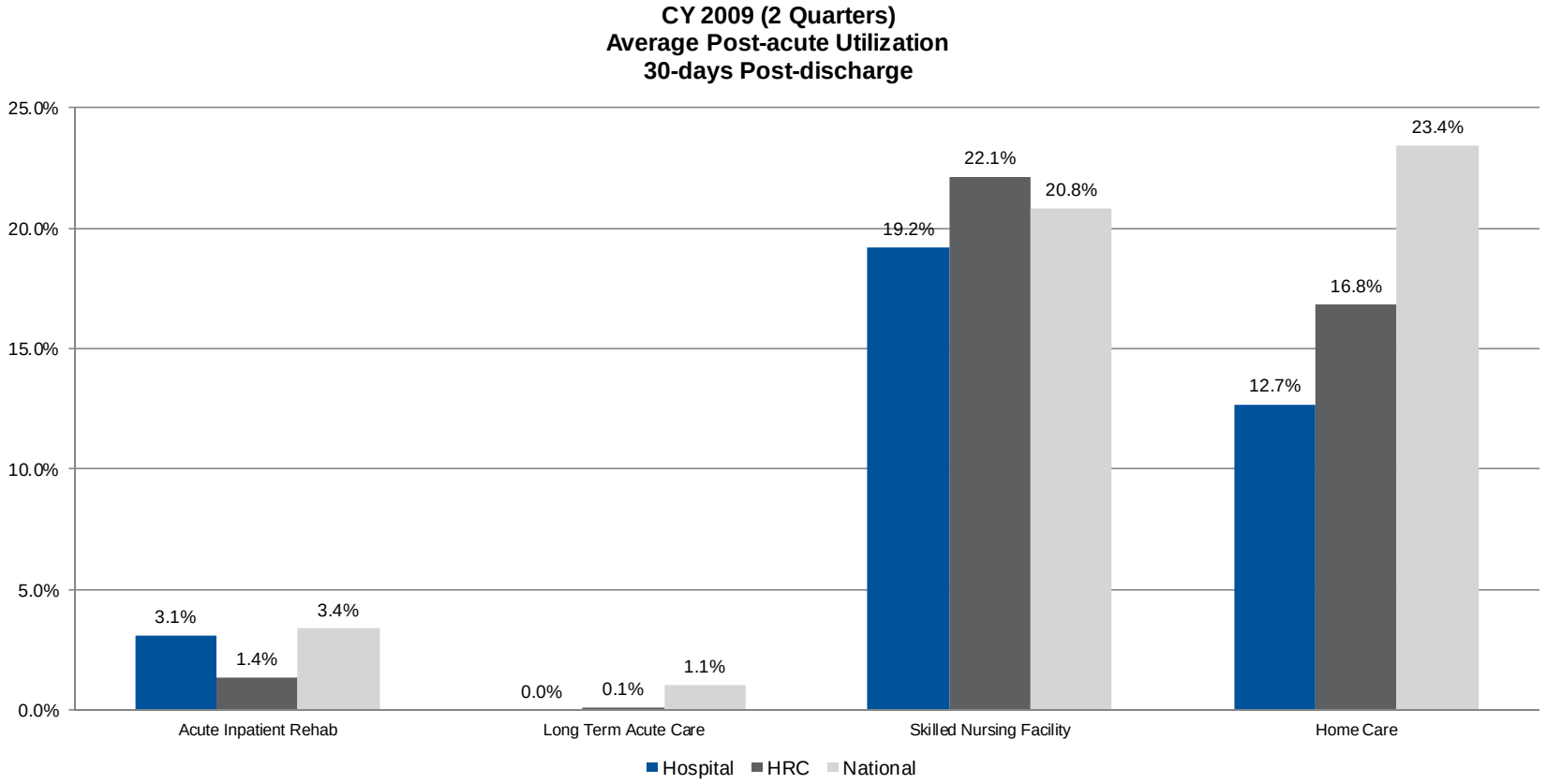
Top Readmissions for MS-DRG 470 – Hip-Knee

Hospital A
Sample Distribution of Top 25 DRGs for Readmission within 30 Days of Discharge for Anchor DRG 470
MS-DRG Description: Major joint replacement or reattachment of lower extremity w/o MCC

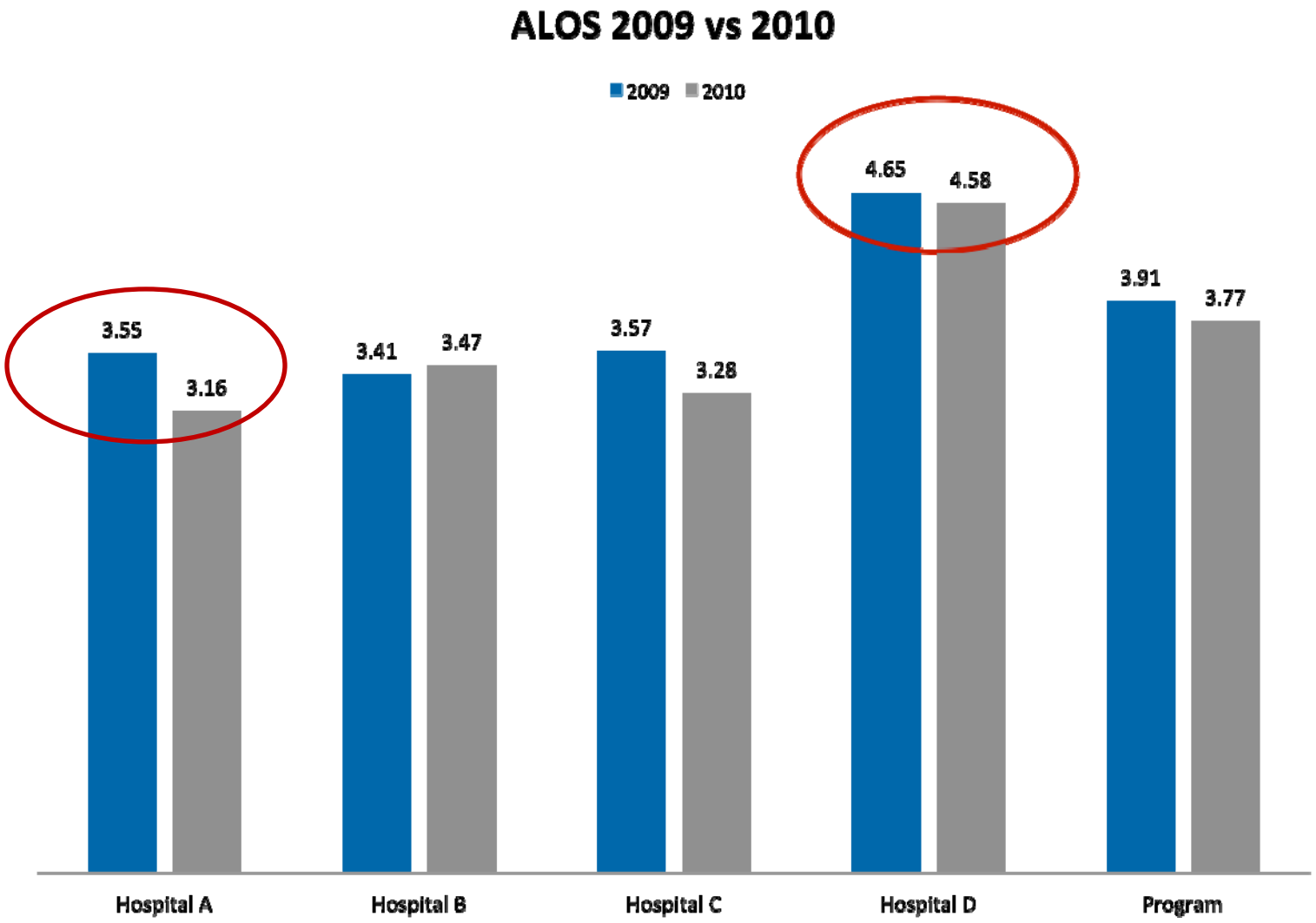
DRG of Readmission	Readmissions per 100 Anchor Cases within 30 Days of Anchor Discharge	% of Total Readmissions within 30 Days of Anchor Discharge
863 - Postoperative & post-traumatic infections w/o MCC	0.4	3.6%
176 - Pulmonary embolism w/o MCC	0.3	3.0%
378 - G.I. hemorrhage w CC	0.3	2.7%
470 - Major joint replacement or reattachment of lower extremity w/o MCC	0.3	2.7%
392 - Esophagitis, gastroent & misc digest disorders w/o MCC	0.3	2.6%
467 - Revision of hip or knee replacement w CC	0.3	2.5%
560 - Aftercare, musculoskeletal system & connective tissue w CC	0.2	2.0%
603 - Cellulitis w/o MCC	0.2	2.0%
641 - Misc Disorders of Nutrition, Metabolism, Fluids/Electrolytes w/o MCC	0.2	2.0%
561 - Aftercare, musculoskeletal system & connective tissue w/o CC/MCC	0.2	1.9%
871 - Septicemia or severe sepsis w/o MV 96+ hours w MCC	0.2	1.8%
468 - Revision of hip or knee replacement w/o CC/MCC	0.2	1.7%
812 - Red blood cell disorders w/o MCC	0.2	1.7%
920 - Complications of treatment w CC	0.2	1.7%
310 - Cardiac arrhythmia & conduction disorders w/o CC/MCC	0.2	1.5%
312 - Syncope & collapse	0.2	1.5%
885 - Psychoses	0.2	1.5%
194 - Simple pneumonia & pleurisy w CC	0.1	1.3%
299 - Peripheral vascular disorders w MCC	0.1	1.3%
481 - Hip & femur procedures except major joint w CC	0.1	1.3%
690 - Kidney & urinary tract infections w/o MCC	0.1	1.3%
292 - Heart failure & shock w CC	0.1	1.2%
466 - Revision of hip or knee replacement w MCC	0.1	1.2%
394 - Other digestive system diagnoses w CC	0.1	1.1%
486 - Knee procedures w pdx of infection w CC	0.1	1.1%

Source: Milliman

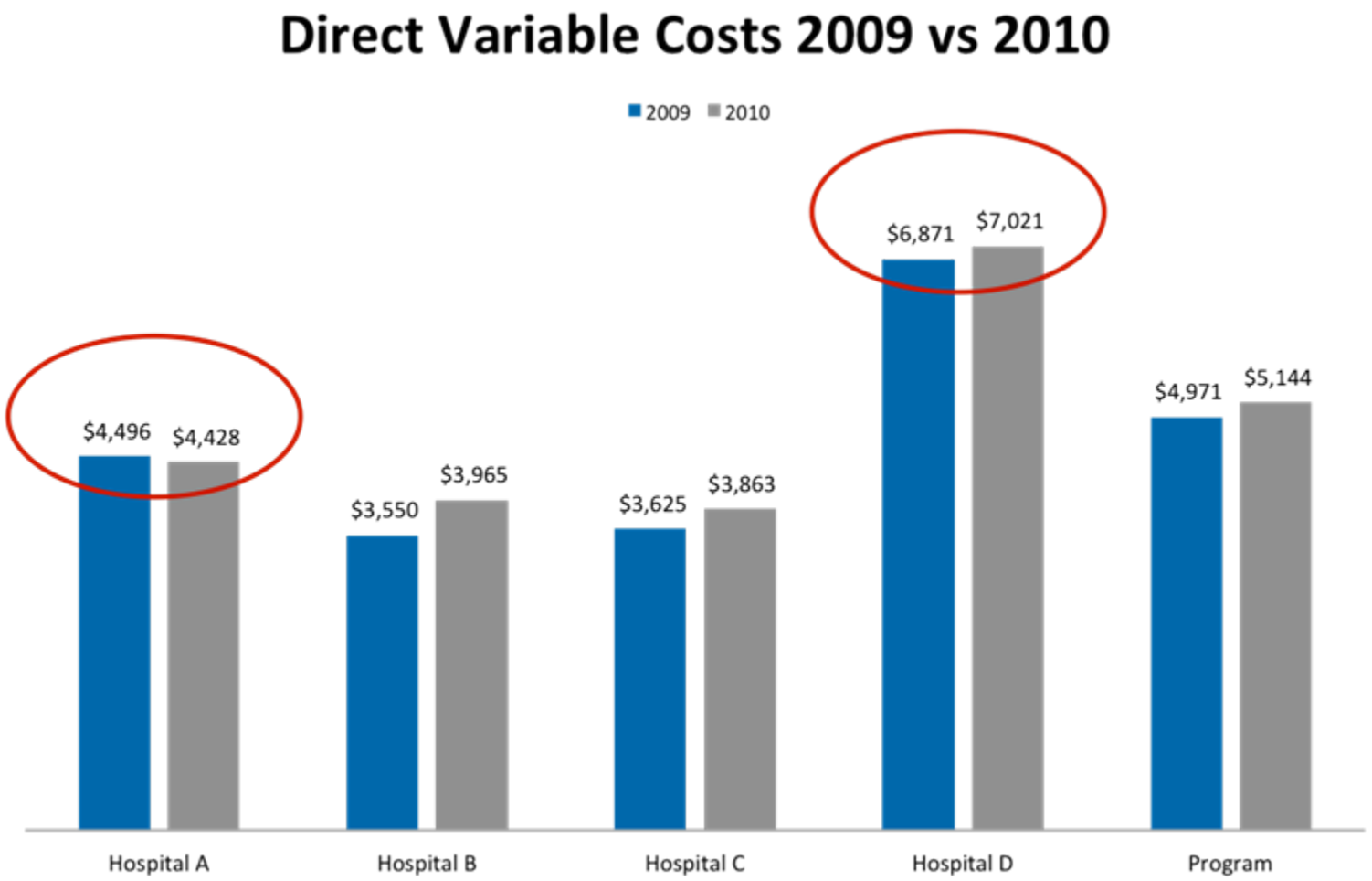
CY 2009 (2 Quarters) Post-acute Utilization All MS-DRGs



Benchmarks To Use In System Improvement



Healthcare Costs Are Part of the National Mandate



Agenda

National Trends
Critical Success Factors
Partnership Strategies
Metrics
Contract Considerations
Structural Considerations
Common Mistakes
Questions and Discussion

IHA INTEGRATED HEALTHCARE ASSOCIATION

THE CAMDEN GROUP

Key Contracting issues

- Exclusivity…volume for value……?
- Term.....Multiple years???
- Annual Opener to reset rates if EOC rates are chronically off or revert to a stop loss?
- Annual Inflator to Healthcare CPI?
- Shared data for transparency and to promote your better outcomes to beneficiaries
- Exclusions such as ED admits?
- Your employee health plan?

Agenda

National Trends
Critical Success Factors
Partnership Strategies
Metrics
Contract Considerations
Structural Considerations
Common Mistakes
Questions and Discussion

Considerations around Structure

- Hospital can hold contract directly, however…….cannot do gainsharing directly due to OIG, Stark, et al.
- In this case, health plan would have to administer any gainsharing arrangements with Physicians.
- Alternatively, if a hospital based IPA (Independent Practice Association) is available, it can hold the payer contract and administer gainsharing.
- A mature service line structure is key to managing an EOC.
- Di-Ad leadership structures work well with a Medical Director and Service line Administrator are resources that have shown consistent success.
- A Service Line Counsel comprised of key clinicians empowered to make all key decisions around care redesign, resources through the EOC, clinical protocol design and use are minimally required to achieve success.

Agenda

National Trends
Critical Success Factors
Partnership Strategies
Metrics
Contract Considerations
Structural Considerations
Common Mistakes
Questions and Discussion

IHA INTEGRATED HEALTHCARE ASSOCIATION

THE CAMDEN GROUP

Common Errors

- Little to no organizational preparation that this is your direction….major work must be done to align those needed for an EOC arrangement
- Math is incomplete, poorly understood, or just wrong
- “We can do this with what we have”……incremental investment is needed to successfully manage an EOC.
- Un-empowered Medical Leaders…they MUST have the authority to decide who’s in, who stays in, and who’s out.
- No prior investment in a Lean process or technology……good enough is not. You must be ready to commit to a process of continually finding waste and cost to pull out of an EOC.

Agenda

National Trends
Critical Success Factors
Partnership Strategies
Metrics
Contract Considerations
Inclusions and Exclusions
Structural Considerations
Common Mistakes
Questions and Discussion

IHA INTEGRATED HEALTHCARE ASSOCIATION

THE CAMDEN GROUP

Questions and Discussion

Robert Minkin, MBA
Senior Vice President
The Camden Group
rminkin@TheCamdenGroup.com

Deirdre Baggot, Ph.D.(c), MBA, RN
Vice President
The Camden Group
DBaggot@TheCamdenGroup.com

IHA
INTEGRATED HEALTHCARE ASSOCIATION

THE CAMDEN GROUP