Agenda

**Historical Perspective**

Bundled Payment for Care Improvement Updates

Keys to a Successful Application

Organizational Readiness

Metrics

Features of Successful Gainshare Program

Lessons Learned from Model 1 Application Process

Future Models

Questions and Answers
Bundled Payment: Nothing New Conceptually

- Medicare participating Heart Bypass Demonstration
- Medicare participating Centers of Excellence Demonstration
- Medicare participating Cardiovascular and Orthopedic Centers of Excellence Demonstration
- CMS Medicare Healthcare Quality Demonstration Project
- ACE Demonstration “Value-based Care Centers”
- CMS National Voluntary Pilot
- Medicare Cataract Alternative Payment Demonstration
- Geisinger Health System
- Prometheus Payment Method
- United Healthcare Oncology Bundled Payment
- Bundled Payments for Care Improvement Initiative
- IHA CA Commercial Bundled Payment Project
- Blue Cross New Jersey Orthopedics Bundled Payment
Lessons Learned from Acute Care Episode Demonstration

- Acute Care Episode ("ACE"): validation study on bundles with elective procedures and inpatient elective procedures
- Gainsharing Works!
- Infrastructure Necessary for Success
- Analytics
- Physician Engagement
- Claims Adjudication
- Evidence-based Care Redesign
- Process Improvement Critical to Success
- Discount Range from one to six percent with ACE
Agenda

Historical Perspective
Bundled Payment for Care Improvement Updates
Keys to a Successful Application
Organizational Readiness
Metrics
Features of Successful Gainshare Program
Lessons Learned from Model 1 Application Process
Future Models
Questions and Answers
What Makes this Time Around Any Different?
CMS Innovation Center Perspective

**Context: Triple Aim**

- Better Health
- Better Care
- Lower Costs through Improvement

**The Role of Bundled Payments in Achieving the Triple Aim**

- **Improve** the care for beneficiaries who are admitted to the hospital, both during and following the hospitalization
- **Reduce** escalating costs including costs born by beneficiaries
- **Eliminate waste** by improving the coordination and continuity of care across providers and settings
- **Provide a first step toward accountable care** and an effective tool for established ACOs
- **Create flexible payment arrangements that support the redesign of care** and increase alignment across providers and settings
New Deadline for Models 2-4: **June 28, 2012** and Online Portal Release Date

The **online portal for Models 2, 3, 4 was released May 4, 2012.** To ensure clarity and address the potentially large number of applications and the variety of partnerships CMMI will expect to see, CMMI has streamlined the application and incorporated all program clarifications that have been released to date.

CMMI has received a great deal of feedback from potential applicants requesting that they provide more time for the preparation of their applications. Based on those requests and the availability date of the online application portal, **CMMI is extending the Models 2-4 application deadline to Thursday, June 28, 2012 at 5:00 PM EDT.**

Agenda

Historical Perspective
Bundled Payment for Care Improvement Updates
Keys to a Successful Application
Organizational Readiness
Metrics
Features of Successful Gainshare Program
Lessons Learned from Model 1 Application Process
Future Models
Questions and Answers
CMS BPCI Application Scoring

Selection Criteria and Weights

- Financial Model (40 points)
  - Overall savings to Medicare
  - Risk adjustment (if applicable)
  - Anticipated actions that will result in lower spending

- Quality and Patient Centeredness (25 points)
  - Proposed mechanisms to improve quality and patient experience of care
  - Proposed quality metrics
  - Quality assurance and continuous quality improvement
  - Beneficiary protections

- Demonstration Design (20 points)
  - Definition of episode
  - Level of provider engagement and participation
  - Care improvement
  - Design for gainsharing

- Organizational Capabilities, Prior Experience, and Readiness (15 points)
  - Financial arrangements
  - Commitment and credentials of executives and governance bodies
  - Success and readiness to participate
  - Partnerships
### Sample Work Plan

**Bundled Payment Awardee**

**January 2012 - April 2012 Bundled Payment Work Plan**

#### Step 1: Assemble Project Team
- Identify Project Lead
- Determine Team Members
- Establish Meeting Schedule

#### Step 2: Assess Operational Readiness
- Identify Strengths and Gaps
- Assign Executive Accountabilities for each area (culture, quality, physician alignment, finance and efficiency)
- Develop Action Plans related to Gaps
- Complete Written Summary of Readiness
- Review Findings with Executive Team

#### Step 3: Determine Preliminary Scope of Project
- Confirm Project Lead
- Review pros and cons of various approaches
- Agree on scope of services that will be included in bundle
- Initial Financial Analysis (cost, profitability)
- Identify Key Partners

#### Step 4: Communication Plan
- Develop Message
- Executive Team ongoing communication
- Education and communication with internal stakeholders
- Communication with key physician and hospital partners

#### Step 5: Application
- Complete Application
- Financial Analysis review and approval
- Finalize project scope
- Obtain letters of support
- Submit Application

<table>
<thead>
<tr>
<th>Step</th>
<th>Completed</th>
<th>CY 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Jan 12</td>
<td>Feb 12</td>
</tr>
<tr>
<td></td>
<td>Mar 12</td>
<td>Apr 12</td>
</tr>
<tr>
<td></td>
<td>9-Jan-12</td>
<td>16-Jan-12</td>
</tr>
<tr>
<td></td>
<td>23-Jan-12</td>
<td>30-Jan-12</td>
</tr>
<tr>
<td></td>
<td>6-Feb-12</td>
<td>13-Feb-12</td>
</tr>
<tr>
<td></td>
<td>20-Feb-12</td>
<td>27-Feb-12</td>
</tr>
<tr>
<td></td>
<td>5-Mar-12</td>
<td>12-Mar-12</td>
</tr>
<tr>
<td></td>
<td>19-Mar-12</td>
<td>26-Mar-12</td>
</tr>
<tr>
<td></td>
<td>2-Apr-12</td>
<td>9-Apr-12</td>
</tr>
<tr>
<td></td>
<td>16-Apr-12</td>
<td>23-Apr-12</td>
</tr>
<tr>
<td></td>
<td>30-Apr-12</td>
<td></td>
</tr>
</tbody>
</table>
Agenda

Historical Perspective
Bundled Payment for Care Improvement Updates
Keys to a Successful Application
Organizational Readiness
Metrics
Features of Successful Gainshare Program
Lessons Learned from Model 1 Application Process
Future Models
Questions and Answers
Drivers of Greater Integration

- Economic Climate
- Need for Efficiency
- Aging of Population
- Changes in Reimbursement
- Value-based Payment
- Patient/Customer Expectations
- Regulatory and Payment Complexity
- Workforce Expectations
- Demand for HIT/Capital

Hospitals

Other Providers
(Post-acute, Ambulatory)

IDS
Protocols

Physicians

Care Management
Co-management
Protocols
Hospital Employment of Physicians

We Have All Seen the Trends…

- Factors driving physicians to seek employment include:
  - Desire for economic stability/security
  - Changes in government payments to doctors
  - Rising operating expenses
  - The growing emphasis on patient safety and quality
  - Lifestyle (e.g., predictable hours, less calls)
  - Inability to recruit new physicians

According to a 2010 survey of 193 hospitals by Modern Healthcare, 94 percent employ physicians.
Agenda

Historical Perspective
Bundled Payment for Care Improvement Updates
Keys to a Successful Application
Organizational Readiness
Metrics
Features of Successful Gainshare Program
Lessons Learned from Model 1 Application Process
Future Models
Questions and Answers
Common Metrics Used in Bundled Payment

Example Metrics

- **Cost**
  - Implant cost compared to like size programs
  - Variable cost per case compared to best practice
  - Supply cost per case compared to best practice
  - Average cost per case compared to best practice

- **Efficiency**
  - Pre-procedure length-of-stay compared to best practice
  - Average inpatient length-of-stay compared to best practice
  - Case length compared to best practice
  - On time starts compared to best practice
  - OR/Cath lab turnaround time compared to best practice

- **Quality**
  - Alignment with other organizational initiatives
  - Alignment with clinical integration metrics
  - HCAPHS
  - Value-based purchasing
  - Society benchmarks (ACC, STS)
# Performance Dashboards: Best With Hard-Hitting Data

<table>
<thead>
<tr>
<th>Ref</th>
<th>CLINICAL OUTCOMES</th>
<th>FY 2010 Avg</th>
<th>FY Q1</th>
<th>FY Q2</th>
<th>FY Q3</th>
<th>FY Q4</th>
<th>FY 2011 Avg</th>
<th>Target Goal</th>
<th>Stretch Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Acute Care Admission Mortality - %</td>
<td>3.5</td>
<td>2.6</td>
<td>2.8</td>
<td>2.7</td>
<td>1.8</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2</td>
<td>Overall Mortality Rate - %</td>
<td>3.5</td>
<td>1.7</td>
<td>1.9</td>
<td>2.4</td>
<td>1.8</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>3</td>
<td>Overall Mortality Expected (APR DRG Adjusted) - Rate</td>
<td>4.4</td>
<td>2.2</td>
<td>2.5</td>
<td>2.4</td>
<td>1.8</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>4</td>
<td>Mortality Ratio Observed/Expected (APR-DRG adjusted)</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>1.0</td>
<td>1.0</td>
<td>1.00</td>
<td>0.62</td>
</tr>
<tr>
<td>5</td>
<td>APR-DRG Mortality Ratio - #140 - COPD</td>
<td>0.0</td>
<td>0.0</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td>0.0</td>
<td>0.96</td>
<td>0.77</td>
</tr>
<tr>
<td>6</td>
<td>APR-DRG Mortality Ratio - #720 - Septicemia &amp; Disseminated Infections</td>
<td>1.10</td>
<td>1.0</td>
<td>TBD</td>
<td>1.0</td>
<td>1.0</td>
<td>0.98</td>
<td>0.79</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>APR-DRG Mortality Ratio - #139 - Other Pneumonia</td>
<td>1.00</td>
<td>1.10</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td>1.1</td>
<td>0.82</td>
<td>0.66</td>
</tr>
<tr>
<td>8</td>
<td>APR-DRG Mortality Ratio - #194 - Heart Failure</td>
<td>0.74</td>
<td>0.0</td>
<td>TBD</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.82</td>
<td>0.66</td>
</tr>
<tr>
<td>9</td>
<td>Acute Care (all cases) Readmit &lt; 31 days - %</td>
<td>13.8</td>
<td>9.1</td>
<td>10.0</td>
<td>9.6</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td>10</td>
<td>HF % Readmits &lt; 31 days - %</td>
<td>15.1</td>
<td>16.9</td>
<td>15.4</td>
<td>16.1</td>
<td>21.0</td>
<td>21.0</td>
<td>21.0</td>
<td>18.0</td>
</tr>
<tr>
<td>11</td>
<td>Heart Failure All-or-None Bundle - %</td>
<td>94.6</td>
<td>84.1</td>
<td>90.9</td>
<td>87.5</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>100</td>
</tr>
<tr>
<td>12</td>
<td>Heart Failure (HF1) - All Discharge Instructions</td>
<td>94.9</td>
<td>81.1</td>
<td>88.9</td>
<td>85.0</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>100</td>
</tr>
<tr>
<td>13</td>
<td>Heart Failure (HF2) - Evaluation of LVS Function</td>
<td>99</td>
<td>99</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>14</td>
<td>Heart Failure (HF3) - ACEI or ARB for LVSD</td>
<td>99.0</td>
<td>98</td>
<td>100</td>
<td>99</td>
<td>90</td>
<td>90</td>
<td>90</td>
<td>100</td>
</tr>
<tr>
<td>15</td>
<td>Heart Failure (HF4) - Adult Smoking Cessation Advice/Counseling</td>
<td>98</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>90</td>
<td>100</td>
</tr>
</tbody>
</table>
### Peer Satisfaction Report

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Q2 FY 11</th>
<th>Target</th>
<th>Explanation of Variance</th>
<th>Action for Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication with Specialist</td>
<td>79.8</td>
<td>80.0</td>
<td>1 SD below goal; new communication tool just started last quarter</td>
<td>Follow trend over three quarters</td>
</tr>
<tr>
<td>Coordination with Specialist</td>
<td>74.2</td>
<td>85.3</td>
<td>2 SD below goal; several new hospitalists joined the group</td>
<td>On-boarding program started this month</td>
</tr>
<tr>
<td>Communication with Primary Care Physician</td>
<td>85.1</td>
<td>85.0</td>
<td>At goal; PCP communication process implemented last FY</td>
<td>Continue to monitor to exceed 90</td>
</tr>
</tbody>
</table>

**Note:**
- Red indicates below target.
- Green indicates on or above target.
- Yellow indicates near target.

**Sample Size:**
- Communication with Specialist: n=204
- Coordination with Specialist: n=278
- Communication with Primary Care Physician: n=552

**FY 2011 Avg:**
- Communication with Specialist: 84.75
- Coordination with Specialist: 86.2
- Communication with Primary Care Physician: 89.1
Agenda

Historical Perspective
Bundled Payment for Care Improvement Updates
Keys to a Successful Application
Organizational Readiness
Metrics
Features of Successful Gainshare Program
Lessons Learned from Model 1 Application Process
Future Models
Questions and Answers
Vendor Price Increases Outpacing Physician and Hospital Reimbursement


- **In List Price for Coated Hip 1991-2012**: +297%
- **In Hospital Payment 1991-2012**: +38%
- **In Average Selling Price for Total Hip 1996-2010**: +125%
- **In Physician Payment 1991-2012**: -34%

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>2011 Net Profit Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zimmer</td>
<td>22%</td>
</tr>
<tr>
<td>J &amp; J (DePuy)</td>
<td>19%</td>
</tr>
<tr>
<td>Smith and Nephew</td>
<td>20%</td>
</tr>
<tr>
<td>Medtronic</td>
<td>21%</td>
</tr>
<tr>
<td>Edwards</td>
<td>15%</td>
</tr>
<tr>
<td>St. Jude</td>
<td>9%</td>
</tr>
<tr>
<td>Average Hospital Margin</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

Sources:
- Implant List Prices: Coated hip system price as reported in ONN, January 1992-2012.
- Physician Payment for total hip (CPT 27130) from Medicare as reported in ONN, January 1992-2012.

Source: SEC Filings 2011-2012, 10K reports
Gainsharing Arrangements

**Gainsharing Arrangements – Request for Applications (“RFA”)**

Gainsharing arrangements will consist of the hospital and providers distributing gainsharing payments to physician(s) and/or other practitioners.

- These payments will represent a share of the gains resulting from collaborative efforts to improve quality and efficiency.

**Waiver of Statutory Requirements**

- Under Section 115A(d)(1) of Title XI of the Social Security Act, as added by Section 3021 of the Patient Protection and Affordable Care Act, the **Security of Health and Human Services may waive such requirements** of Titles XI and XVII, as well as Sections 1902 (a)(13), and 1903 (m)(2)(A)(iii), as may be necessary for purposes of carrying out Section 115A with respect to testing of models described in section 1115A(b). The Secretary will consider exercising this waiver authority with respect to the fraud and abuse laws in Titles XI and XVIII as may be necessary to develop and implement the BPCI initiative. The Secretary may also consider waving additional provisions under Title XVIII for this purpose.

**Gainsharing Program Requirements**

- Ensure that care is not inappropriately reduced.
- Quality of care remains constant or is improved.
- No inappropriate changes in utilization or referral patterns.
- Guard against fraud, waste, and abuse.
Gainsharing Program Requirements - RFA

Gainsharing Design

- How gainsharing will support care redesign to achieve improved quality and patient experience, and anticipated cost savings
- Methodology for the sharing of gains between or among the hospital or other care settings (e.g., post-acute facility) and physicians and other non-physician practitioners. This must include a discussion of with whom gains will be shared (e.g., physicians only), with what frequency gains will be shared, and under what criteria gains will be shared (e.g., quality standards)
- Assurance of medically necessary care
- Gainsharing arrangements must be transparent, auditable, and strictly voluntary
- Not to have adverse consequences for physicians who choose not to participate
- Design must include specific criteria that would deem a provider ineligible based on quality thresholds
Gainsharing Program Requirements - RFA (cont’d)

Quality

- Must meet minimum quality requirements and then remain constant or improve for the duration of the arrangement
- The applicant must propose the following, which will be reviewed and approved by CMS:
  - Minimum quality thresholds
  - A process for monitoring quality and quality improvement during the project period
  - A set of metrics for improving quality of care during the project period
- The applicant must discuss how physicians and non-physician practitioners may become eligible or ineligible to participate in gainsharing

Payment Methodology

- Payments may not be based on the volume or value of referrals
- Payments to physicians may not exceed 50 percent of the amount that is normally paid to physicians and non-physician practitioners for the cases included in the gainsharing initiative
- The applicant must include a comprehensive plan regarding how they will distribute financial rewards in their application
Gainsharing Methodology

Sample Methodology

Sample Definitions

- Baseline: 2011 calendar year
- Measurement quarters: four calendar quarters in given year of project
- Patient populations
  - Medicare inpatients in fee-for-service program with Part A and Part B

Sample Quality Validation

- Baseline
  - Calculate quality indicators compared to benchmark targets for all physicians combined for all patients/payers within demonstration project DRGs
- Measurement quarter
  - Calculate quality indicators compared to benchmark targets for all participating physicians for the measurement quarter

Compare baseline to measurement quarter practice to assure no significant changes from historical performance. There is an expectation that quality targets will be achieved and sustained relative to the baseline for physicians to qualify for payment.

If significant changes occur, the appropriate committee will review individual physician data to determine if they were the result of change in practice due to the initiative. The committee may choose to conduct an audit of individual cases or implement individual action plans if there are specific physicians with quality outcomes that are significantly different from baseline.
Gainsharing Methodology

Sample Savings Calculation

- Baseline cost for savings initiatives
  - Calculate cost, utilization, and productivity baselines according to average practice for all physicians to determine “Average Baseline Costs” for each Clinical Category during the Program Period.

- Measure quarter cost for savings initiatives
  - Calculate cost, utilization, and productivity according to average practice for each individual participating physician to determine “Average Actual Costs” for each Clinical Category during the Program Period.

- Savings
  - Calculate savings for each initiative by comparing baseline to measurement practice period to determine “Average Savings” for each Clinical Category for Physician’s or Group’s patients.

- Sample Geometric Mean Length-of-Stay Reduction
  - All Physician Baseline Average = 2.1 days
  - Physician A Q1 Average = 1.5 days
  - Physician A Q1 Patient Volume = 40
  - Physician A Q1 Savings = (2.1 – 1.5 days) x 40 patients x $ XX dollars/day = savings
Gainsharing Methodology

Sample Eligibility and Ineligibility Criteria

Eligibility Criteria for Gainshare Participation

- In order to be eligible to participate in gainsharing, a physician must voluntarily consent to participation in the Gainshare Plan.

- Participating physicians must ensure that all medically necessary care is provided to beneficiaries throughout the three-year term of the project.

- Physicians must consent to tracking and analysis of individual performance and agree to be assessed via benchmark comparisons.

- Participating physicians must achieve and maintain minimum quality targets in order to be eligible for gainsharing.

Ineligibility

- The BPCI Physician-Hospital Steering Committee will be responsible for determining ongoing performance metrics as well as the analysis and achievement of performance relative to these measures. In addition, all CMS Innovation Center required metrics and BPCI measures, regardless of their impact on gainsharing, will be reported to the BPCI Physician-Hospital Steering Committee on a monthly basis. Deviations from acceptable performance will be acted upon in accordance with standard hospital procedures up to removal from the BPCI Gainshare Program.

- If significant changes occur, the appropriate committee will review individual physician data to determine if they were the result of change in practice due to the initiative. The committee may choose to conduct an audit of individual cases or implement individual action plans if there are specific physicians with quality outcomes that are significantly different from baseline.
Gainsharing – Orthopedic Services

**Hospital A**

CMMI Bundled Payments for Care Improvement Initiative

**Model 4 - Inpatient Stay Only**

Projected Gainsharing Potential for Orthopedic Services

**CY 2013-2015**

<table>
<thead>
<tr>
<th>Orthopedic Services</th>
<th>Projection Period</th>
<th>CY 2013</th>
<th>CY 2014</th>
<th>CY 2015</th>
<th>3-Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Medicare FFS</td>
<td></td>
<td>1,864</td>
<td>1,864</td>
<td>1,864</td>
<td>5,591</td>
</tr>
</tbody>
</table>

**Calculated Gainsharing Bonus**

- **Gainsharing Bonus (Not to Exceed Maximum Allowable)**: $736,654, $724,291, $712,473, $2,173,418
  - **Average per Case**: $395, $389, $382, $389

  **Distribution Sample Per Case**
  - **Surgeon**: 68%, $269, $264, $260, $264
  - **Hospitalist**: 16%, 63, 62, 61, 62
  - **Anesthesiologist**: 11%, 43, 43, 42, 43
  - **Radiologist**: 5%, 20, 19, 19, 19

  **Total per Case**: 100%, $395, $389, $382, $389

**Maximum Gainsharing Bonus**

- **Maximum Gainsharing Bonus (50% of Part B)**: $1,934,603, $1,934,603, $1,934,603, $5,803,810
  - **Average per Case**: $1,038, $1,038, $1,038, $1,038

  **Distribution Sample Per Case**
  - **Surgeon**: 68%, $706, $706, $706, $706
  - **Hospitalist**: 16%, 166, 166, 166, 166
  - **Anesthesiologist**: 11%, 114, 114, 114, 114
  - **Radiologist**: 5%, 52, 52, 52, 52

  **Total per Case**: 100%, $1,038, $1,038, $1,038, $1,038

Note 1: The agreement will include a performance period of 3 years with the possibility of extending an additional 2 years.

Note 2: Projections are based on CY 2010 volume and financial performance. No inflators/deflators were applied to service area volume, revenue, or expenses.

---

**Potential Annual Distribution**

- **Gainsharing Bonus (NTE Allowable Amount)**
  - **Year 1**
    - **Surgeon**: $1,315,530, 68%
    - **Hospitalist**: $309,537, 16%
    - **Anesthesiologist**: $212,806, 11%
    - **Radiologist**: $96,730, 5%

- **Maximum Gainsharing**
  - **Year 1**
    - **Surgeon**: $1,934,603, 68%
    - **Hospitalist**: $1,934,603, 16%
    - **Anesthesiologist**: $1,934,603, 11%
    - **Radiologist**: $1,934,603, 5%
### Gainsharing – Cardiac Services

**Hospital A**  
**CMMI Bundled Payments for Care Improvement Initiative**  
**Sample Model 4 - Inpatient Stay Only**  
**Projected Gainsharing Potential for Cardiac Services**  
**CY 2013-2015**

#### Projection Period

<table>
<thead>
<tr>
<th>Cardiac Services</th>
<th>Projection Period</th>
<th>3-Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CY 2013</td>
<td>CY 2014</td>
</tr>
<tr>
<td>Projected Medicare FFS Cases</td>
<td>1,292</td>
<td>1,362</td>
</tr>
</tbody>
</table>

#### Calculated Gainsharing Bonus

Gainsharing Bonus (Not to Exceed Maximum Allowable)  
$733,249 $771,715 $810,060 $2,315,023

Average per Case  
$568 $567 $566 $567

**Distribution Sample Per Case**

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Surgeon</td>
<td>43%</td>
<td>$386</td>
<td>$385</td>
<td>$385</td>
</tr>
<tr>
<td>Hospitalist</td>
<td>16%</td>
<td>91</td>
<td>91</td>
<td>90</td>
</tr>
<tr>
<td>Anesthesiologist</td>
<td>11%</td>
<td>62</td>
<td>62</td>
<td>62</td>
</tr>
<tr>
<td>Radiologist</td>
<td>5%</td>
<td>28</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Total per Case</td>
<td>100%</td>
<td>$568</td>
<td>$567</td>
<td>$566</td>
</tr>
</tbody>
</table>

#### Maximum Gainsharing Bonus

Maximum Gainsharing Bonus (50% of Part B)  
$1,377,602 $1,452,465 $1,527,328 $4,357,394

Average per Case  
$1,066 $1,066 $1,066 $1,066

**Distribution Sample Per Case**

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Surgeon</td>
<td>68%</td>
<td>$725</td>
<td>$725</td>
<td>$725</td>
</tr>
<tr>
<td>Hospitalist</td>
<td>16%</td>
<td>171</td>
<td>171</td>
<td>171</td>
</tr>
<tr>
<td>Anesthesiologist</td>
<td>11%</td>
<td>117</td>
<td>117</td>
<td>117</td>
</tr>
<tr>
<td>Radiologist</td>
<td>5%</td>
<td>53</td>
<td>53</td>
<td>53</td>
</tr>
<tr>
<td>Total per Case</td>
<td>100%</td>
<td>$1,066</td>
<td>$1,066</td>
<td>$1,066</td>
</tr>
</tbody>
</table>

**Note 1:** The agreement will include a performance period of 3 years with the possibility of extending an additional 2 years.  
**Note 2:** Projections are based on CY 2010 volume and financial performance. No inflators/deflators were applied to service area volume, revenue, or expenses.
Model 4 Sample Gainshare Model, Prospective Payment

Gainsharing Methodology
Gainsharing Methodology

Sample Gainsharing Distribution Timeline

- Project Kickoff – January 2013
- Day 30 – Cost Data Complete
- Day 61 – Cost Data Reviewed
- Day 70 – Physician Steering Committee Approve
- Day 90 – Checks Delivered to President
- Day 90 – Checks Delivered to Physicians
- Day 30 – Quality Data Available
- Day 60 – Quality Data Reviewed
- Days 60 to 70 Gainshare Amounts Calculated
- Day 71 – List of Checks sent to TPA
Gainsharing Methodology

Sample Gainsharing Validation Process

1. All required data is entered into IT System
2. Updated IT system with pricing: Materials Management
3. Rebate Information Validated: Materials Management
4. Quality Data Pulled: Quality Decision Support Team
5. Patient Bills pulled: Finance
6. Quality data analyzed and compared to baseline
7. VP Quality signs off
8. Finance data analyzed and compared to baseline
9. Finance presents to work groups and BP Physician Steering Committee: Finance
10. Gainsharing Team and work groups sign off
11. BP Physician Steering Committee signs off
12. Calculate physician payments with quality adjustments if necessary: Finance/TPA
13. Approval of payments: CFO
14. Payment remittance to physicians: TPA
15. Identify new opportunities quarterly: Clinical Team
Agenda

Historical Perspective
Bundled Payment for Care Improvement Updates
Keys to a Successful Application
Organizational Readiness
Metrics
Features of Successful Gainshare Program
Lessons Learned from Model 1 Application Process
Future Models
Questions and Answers
Lessons Learned from Acute Care Episode Demonstration

- CMMI Budget Target for Model 1
- 74 applications received
- 70 applications reviewed
- Expert Panel Review
- Gainshare Structure
- Model 1 Approach to Care Redesign
- Beneficiary Choice
- Metrics
- Managing to Medicare margins
- Making it work
Agenda

Historical Perspective
Bundled Payment for Care Improvement Updates
Keys to a Successful Application
Organizational Readiness
Metrics
Features of Successful Gainshare Program
Lessons Learned from Model 1 Application Process
Future Models
Questions and Answers
# The Beginning of the End of Fee-for-Service

<table>
<thead>
<tr>
<th>Payment of Bundle</th>
<th>Acute Care Hospital Stay Only</th>
<th>Acute Care Hospital Stay plus Post-acute Care</th>
<th>Post-acute Care Only</th>
<th>Chronic Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Retrospective”</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 the episode is complete)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Prospective”</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>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Model #1**
- **Model #2**
- **Model #3**
- **Model #4**
- **Model #5**
- **Model #6**
- **Model #7**
- **Model #8**

- **Current**
- **Future**
Agenda

- Historical Perspective
- Bundled Payment for Care Improvement Updates Keys to a Successful Application
- Organizational Readiness Metrics
- Features of Successful Gainshare Program
- Lessons Learned from Model 1 Application Process
- Future Models

Questions and Answers
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