Lessons Learned Preparing for Medicare Bundled Payment

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3rd National Bundled Payment Summit
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CMMI Bundled Payment Initiative

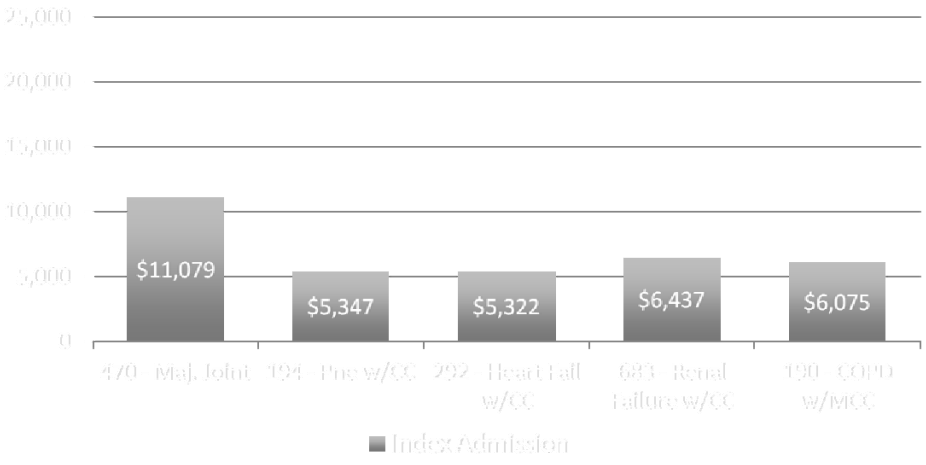
- November 2011 hospitals submitted LOI
  - Received 100% of claims for all Medicare patients
  - Brandeis analysis focused on 90-day episodes
- June 2012 hospitals submitted applications
- October/November 2012 Awardees notified
  - Choose up to 48 bundles
- BP "no-risk" period began January 1, 2013
- Regular BP program begins October 1, 2013

What Did We Learn?

Lesson #1

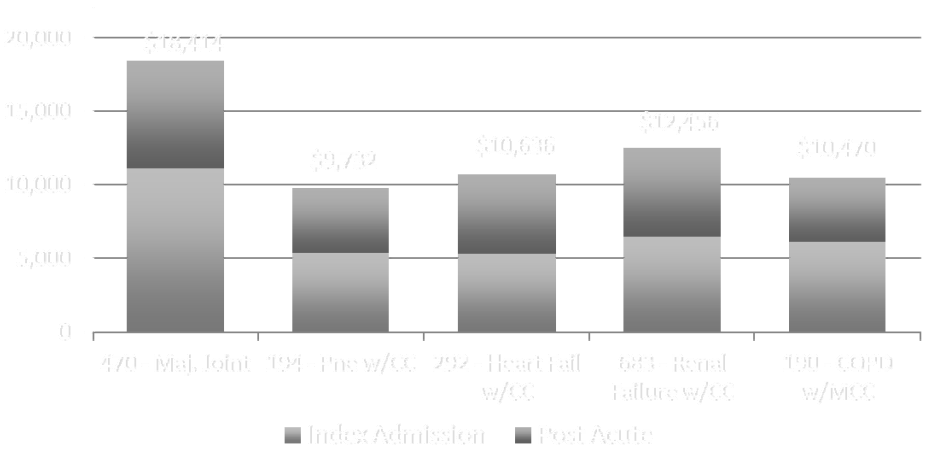
Medicare Spends a Tremendous Amount in the 30 – 90 Days After Patients Are Discharged from the Hospital

Avg. 2008 Medicare Payment for Select DRGs



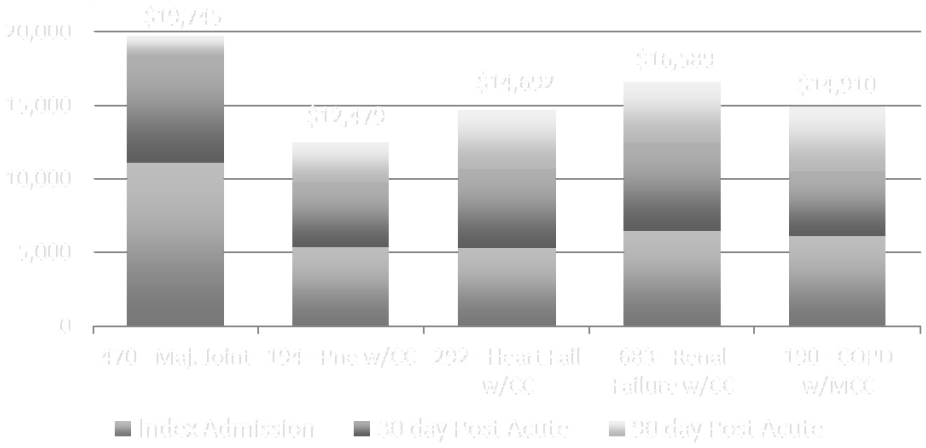
Source: RTI Inc, Post-Acute Care Episodes: Expanded Analytic File, June 2011

2008 Medicare Acute and Post-Acute Payments for Inpatient-Initiated 30-Day Episodes



Source: RTI Inc, Post-Acute Care Episodes: Expanded Analytic File, June 2011. Thirty day fixed episodes include the full cost of all claims incurred within 30 days of discharge.

2008 Medicare Acute and Post-Acute Payments for Inpatient-Initiated 90-Day Episodes



Source: RTI Inc, Post-Acute Care Episodes: Expanded Analytic File, June 2011. 30-90 day amounts are estimated based on RTI, Analysis of Acute Care Episode Definitions Chart Book, November 2009.

2008 Post-Acute Care Spending For 30-Day Episode: DRG 292 – Heart Fail. With CC

Episode includes all claims incurred within 30 days of hospital discharge

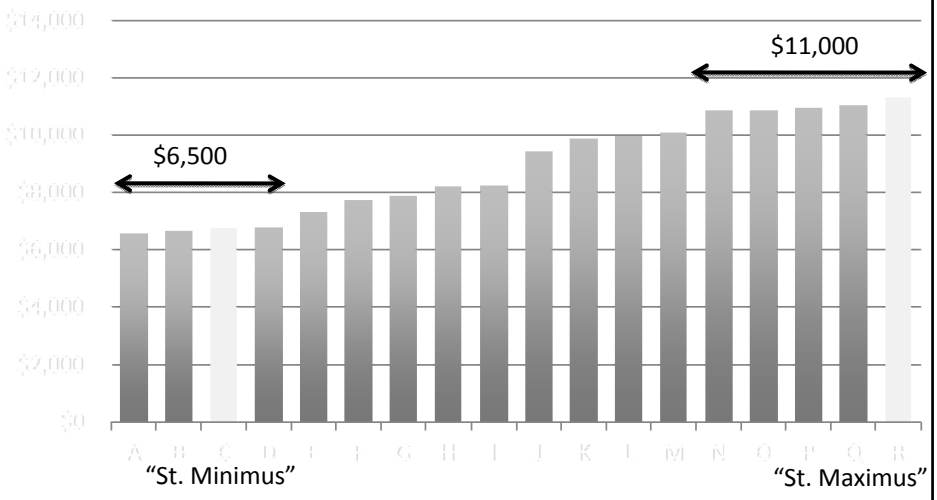
	Percent With Claim	Mean Cost Per Service User
Index Admission	100.0%	$5,322
Rehab	2.0%	$14,999
SNF	43.0%	$10,674
LTAC	0.9%	$22,971
Home Health	60.3%	$2,545
Readmission	21.7%	$10,765

Source: RTI Inc, Post-Acute Care Episodes: Expanded Analytic File, June 2011.

Lesson #2

There is Significant Variation in Post-Acute Care Spending Across Hospitals

Average 2009 Post-Acute Care Spending per Episode for CHF Admission (90 day)



Source: Brandeis University analysis of Medicare Claims data. Figures adjusted for hospital wage index.

A Tale of Two Hospitals: CHF Episode

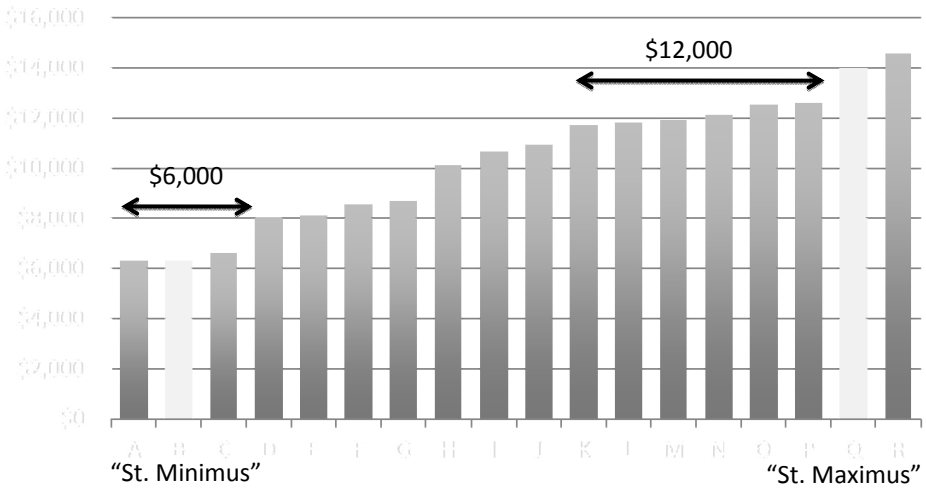
	St. Maximus	St. Minimus	Difference
Total	$16,524	$11,822	$4,702
Index Stay (facility)	$5,142	$4,554	$588
Index Stay (prof.)	$1,272	$1,284	($12)
Acute Readmission	$5,947	$2,333	$3,614
Rehab Hospital	$859		$859
Skilled Nursing	$1,153	$1,886	($733)
Home Health	$1,234	$525	$709
Other Professional	$917	$1,240	($323)

Source: Brandeis University analysis of Medicare Claims data. Unadjusted data.

Opportunities for St. Maximus

- Put a program in place to monitor patients following discharge
  - Medication reconciliation
  - Home assessment
  - Primary care visit within 7 days
  - Emergency plan for likely events
- Develop programs/partnerships with SNF & HHA to improve coordination

Average 2009 Post-Acute Care Spending per Episode for Total Joint Replacement (90 day)



Source: Brandeis University analysis of Medicare Claims data. Figures adjusted for hospital wage index.

A Tale of Two Hospitals: Joint Replacement Episode

	St. Maximus	St. Minumus	Difference
Total	$26,231	$18,509	$7,722
Index Stay (facility)	$10,459	$10,805	($346)
Index Stay (prof.)	$2,756	$2,038	$718
Acute Readmission	$1,729	$389	$1,340
Rehab Hospital	$283	$0	$283
Long-Term Hospital	$503	$0	$503
Skilled Nursing	$8,475	$2,816	$5,659
Home Health	$1,054	$1,978	($924)
Other Professional	$972	$483	$489

Source: Brandeis University analysis of Medicare Claims data. Unadjusted data.

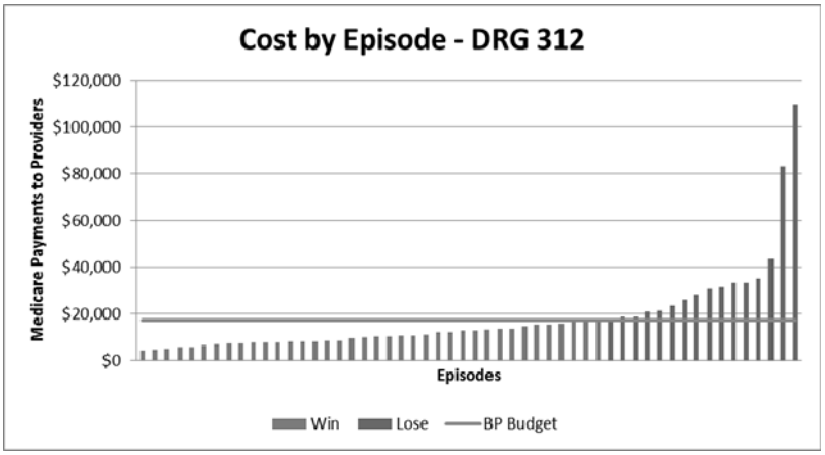
Opportunities for St. Maximus

- Expand home health and reduce SNF services where appropriate
- Review surgical quality – establish pathways and protocols to reduce defects
- Evaluate SNF costs and consider preferred relationships with efficient facilities.
- Put a program in place to monitor patients following discharge

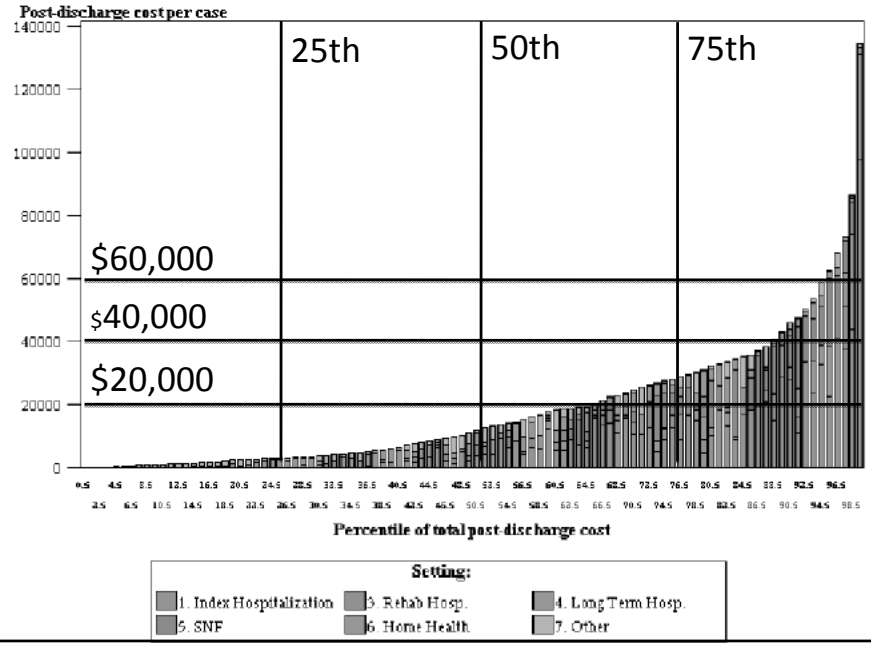
Lesson #3

Hospitals face significant risk of random variation in year-to-year spending per episode (due to low volumes) – and require program features that mitigate risk

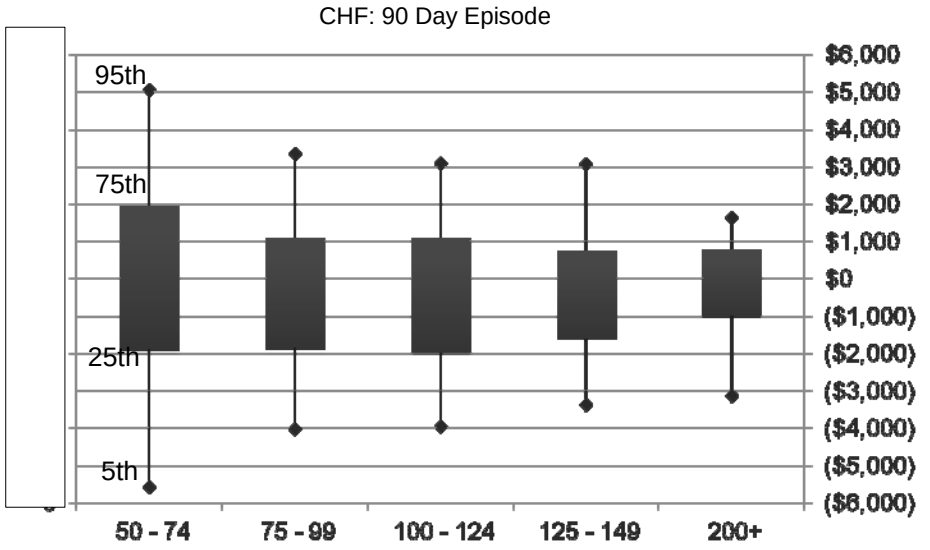
Defining Risk within a Bundle (or DRG)



Post-Discharge Cost Distribution: CHF (90 Days)



Random Variation in Avg. Episode Cost by Volume*



Mitigating Risk in Bundled Payment

Strategies	BPCI Rules
Episode Selection	Choose from 48 Episodes
Exclusions	Limited. Must include all patients with DRG.
Risk Adjustment	MS-DRG only Regional Blend for low vol.
Stop-loss	$99^{th}/1^{st}$ - $95^{th}/5^{th}$ - 75^{th}/5th
Clinical reengineering and care coordination	

Issues and Challenges

- Program issues
  - Transparency and complexity
  - Risk uncertainty
  - Reporting requirements (B-care)
- Operational issues
  - Getting infrastructure and IT in place
  - Identifying & tracking BPCI patients
  - Engaging providers
  - Aligning post-acute care

Questions

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