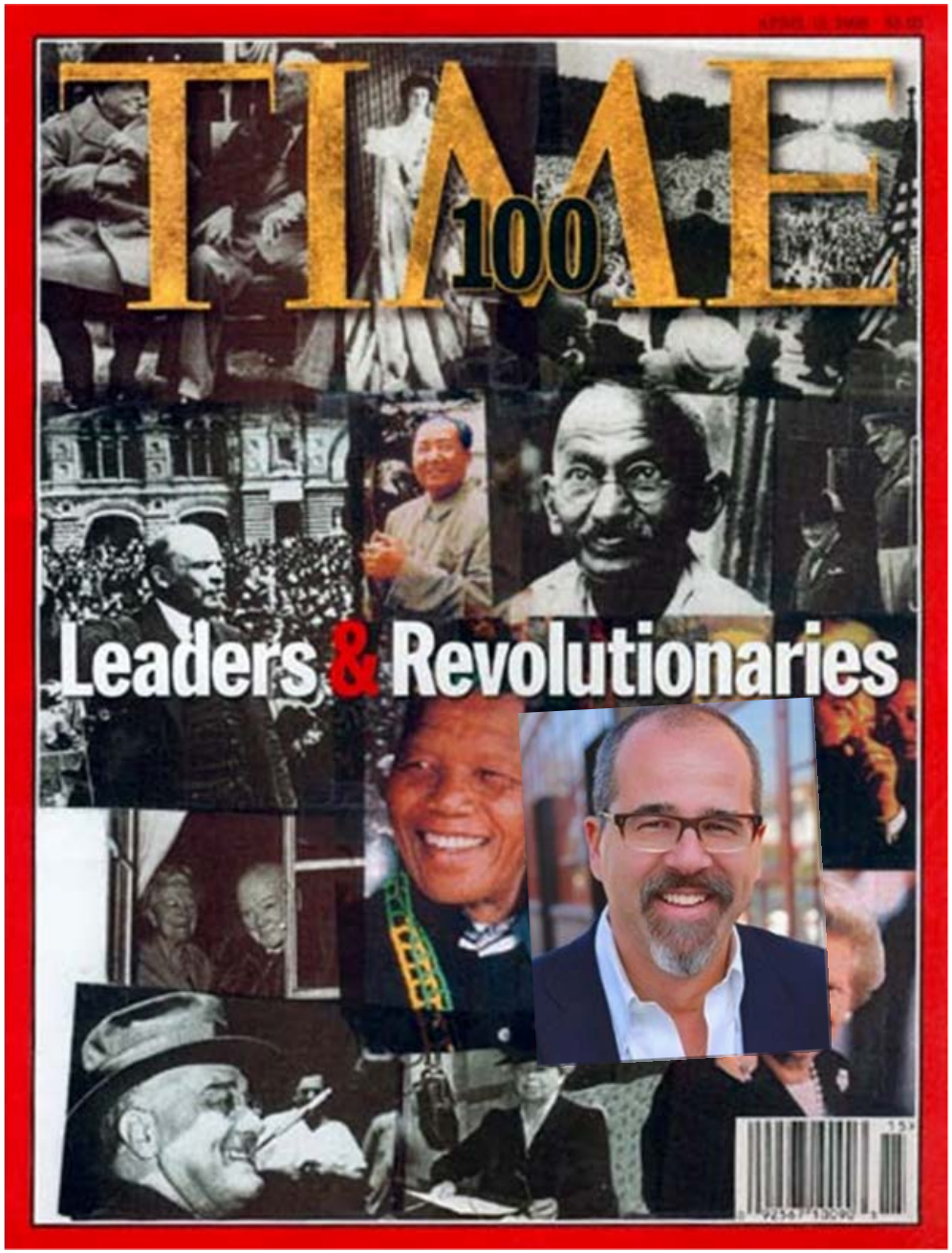
remedy partners

BUNDLED PAYMENTS: PAST, PRESENT + FUTURE

THE NATIONAL BUNDLED PAYMENT SUMMIT: JUNE 17, 2014

Presenter: Steve Wiggins, Managing Director, Essex Woodlands

“WHEN THE RULES CHANGE, THE GAME CHANGES”


TIME
100
Leaders & Revolutionaries

WE ARE ON THE RIGHT TRACK

A LOOK AT THREE MODELS: FROM PAST TO PRESENT

- Commercial Episode Program in the Mid 1990's
- Episode Based Insurance Program in Early 2000's
- Medicare's Bundled Payment Program

OXFORD SPECIALTY MANAGEMENT: COMMERCIAL EPISODE PROGRAM (1995-1998)

- Launched by commercial payer with over 2m members
- Patients entered episodes AT DIAGNOSIS
- 10 Specialties. 86 High Level Episodes
- Home Grown Episode Definitions
- Concept of a Parts List – Building Blocks of each Episode
- One or two measures of Outcomes for each episode

Providers loved it!
Cost per-episode declined 17%

WHAT WE LEARNED

- Providers needed a plug and play model. Episode based payments are complicated!
- Lack of Open Source episode definitions created a never ending debate
- Physicians were better General Contractors than Hospitals
- Exposed wide variations in Cost Levels –even in the same community!
- Benefit differentials would be needed to steer patients to episode teams
- Patient Identification improved Overall Care Management:
  - Provider calls for eligibility and pre-certification
  - Claims Codes
  - Customer Services

Bundled payments clearly worked.

HealthMarket
SELF DIRECTED HEALTHCARE

- Online Exchange for FFS and Episode Bundles
- Episode Based Health Insurance Plans
- Member Risk!
- Home Grown Episode Definitions: 204 Medical and 178 Procedural Episodes
- Episode was triggered at Diagnosis: Claims, Customer Service Call or Request for Auth.
    - Communication Events Drove Member Success
- Grew to 50,000 members

HealthMarket: Episode Based Insurance Product Features

- Benefit Levels of a Standard PPO, with Spending Limits on 100 Episodes of Care.
- Savings Account for Routine and Preventive Services
- SMARTFUND™ Spending Accounts for Individual Episodes of Care
- A portion of unused SmartFunds deposited in Member Health Reimbursement Account
- Price and Quality "Transparency" –disclosure of PPO fee schedule and quality scores
- Elimination of managed care requirements

The HealthMarket Experiment

Develop a new model of health insurance that:

- Encourages a greater role by consumers – borrowing from examples from other industries
- Achieves 10% - 30% lower premium levels
- Stimulates price and quality competition among providers
- Gives consumers a "fighting chance" to avoid cost shifting

HealthMarket
Together We're Making Health Plans... Healthier SM

Smartfunds

Spending Accounts for Episodes of Care

- **Offered as optional rider**
- **Reduces Premium by ADDITIONAL 10% to 15%**
- **A Smartfund allowance is a single, lump-sum dollar amount for a package of services, to treat a condition from beginning to end.**
- **Allowance are customized for age, sex, geography, complications and co-morbidities.**
- **HMI used 112 episodes of care – out of 382 – in the initial product launch**

HealthMarket
Together We're Making Health Plans... Healthier SM

CDHP - SmartFund

382 Total SmartFunds

Percent of healthcare dollars

41 Episodes: • Catastrophic care • Cancers • Respiratory complications	**112 Episodes:** • Shoulder/Knee repair • Pregnancy • Hernia repair
50 Episodes: • Spinal cord injury • Shock • Tracheostomy	**173 Episodes:** • Transplants • Speech rehabilitation • Chemotherapy

Consumers ability to influence costs

HealthMarket
Together We're Making Health Plans... Healthier SM

HEALTHMARKET LESSONS LEARNED

- Patients Are Remarkably Thrifty
- Episode Allowances Are A Powerful Way to Lower Health Spending
- Rewarding Patients Improved Retention
- The Killer App: Member Allowances and Provider Bundles

MEDICARE BPCI PROGRAM

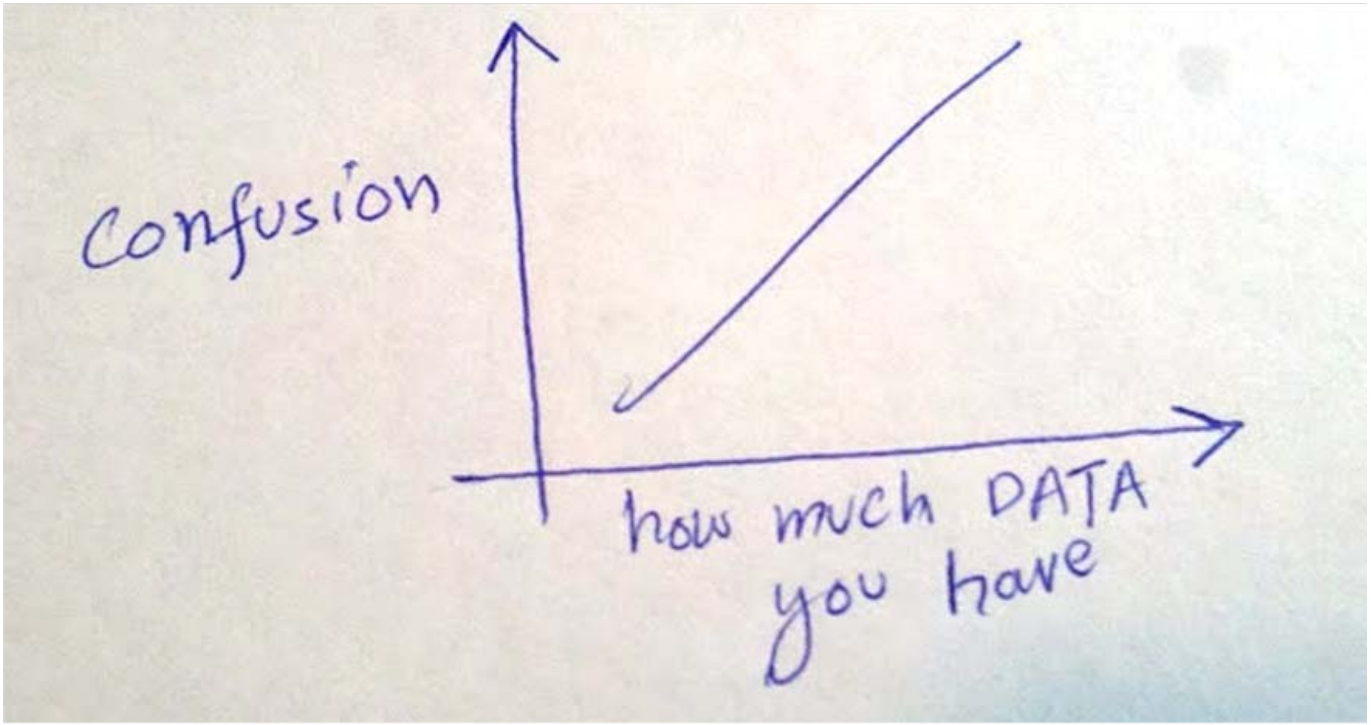
- Episode triggered by admission to Hospital
- Broadly defined episodes with performance and period risk
- Mostly a Retrospective Program
- Concept of Awardees and Awardee Conveners
- Limited Beneficiary Benefit Incentives

FEW PATIENTS ARE EQUIPPED TO NAVIGATE THE MODERN HEALTH CARE SYSTEM

ESPECIALLY SENIORS

WE KNOW HEALTH CARE IS A TEAM SPORT

UNPRECEDENTED RELEASE OF HISTORIC CLAIMS DATA



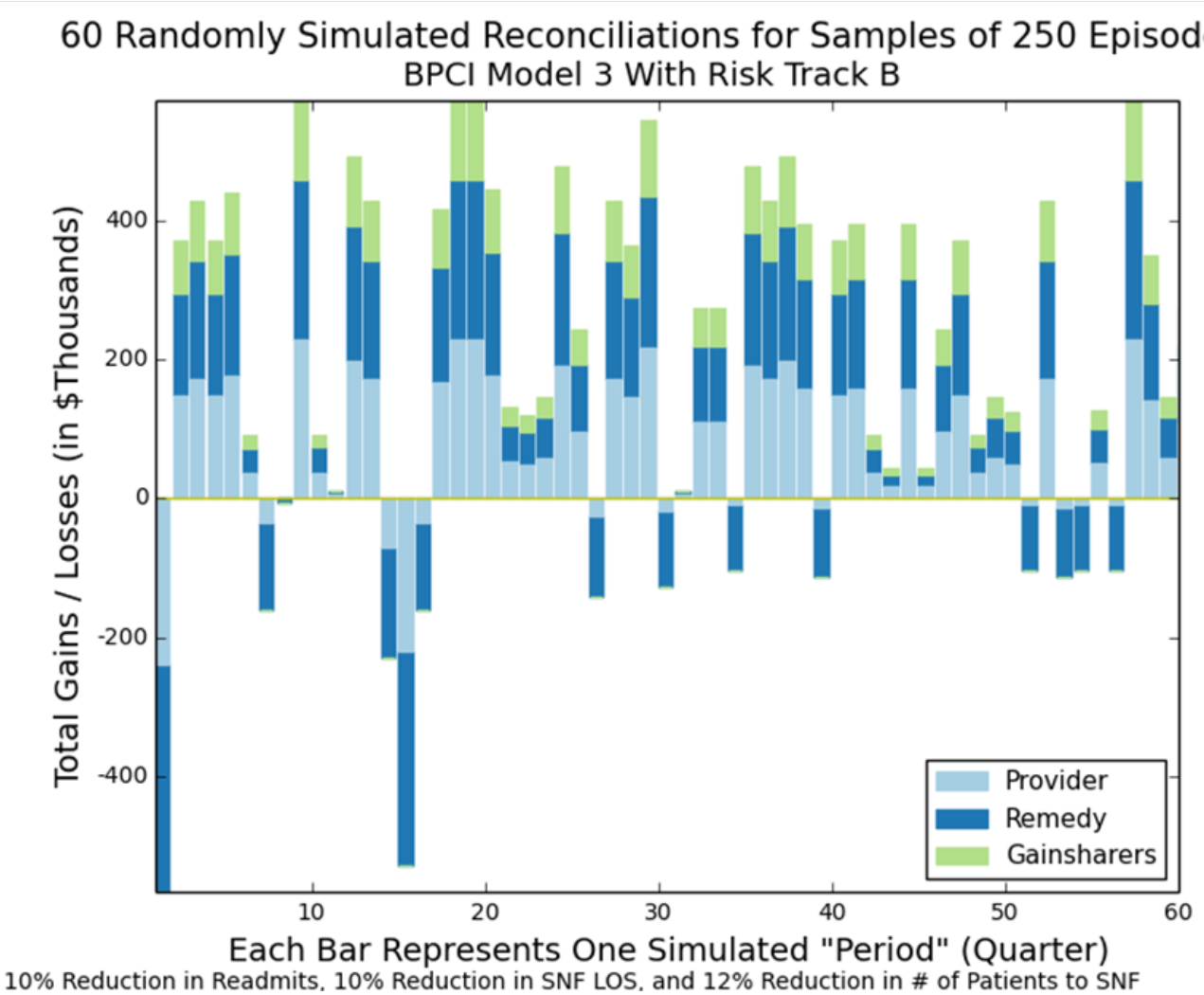
BPCI TO-DO LIST

- Patient Identification
- Patient Assessment, risk stratification and On-boarding
- Discharge Process Re-engineering
- Care Plans
- Contracting and Gain Sharing
- Technology Tools
- SNF monitoring and control
- In-Home patient/caregiver engagement
- Risk Mitigation
- Quality Metrics and Collection
- Staffing

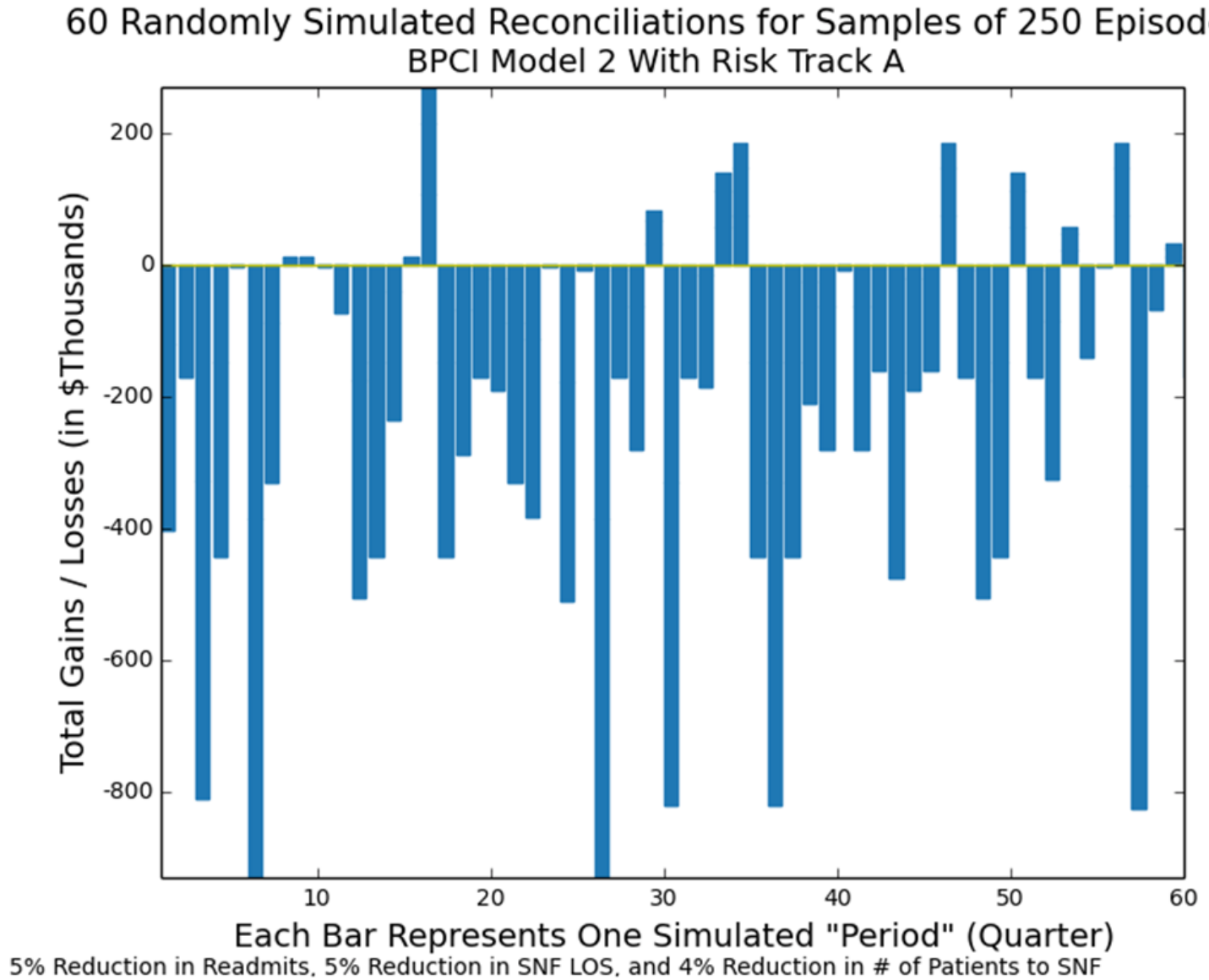
THOUGHTS ON RISK

- Randomness
- Small N
- Size Matters
- Pooling and Cross Collateralization
- Reserve Building
- Quarterly Reconciliations - Annual True-up

SIMULATION RESULTS



SIMULATION RESULTS



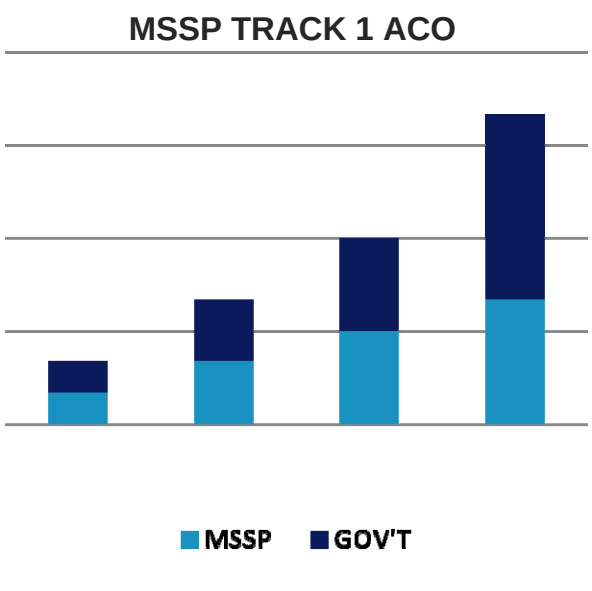
BPCI DESIGN CHALLENGES

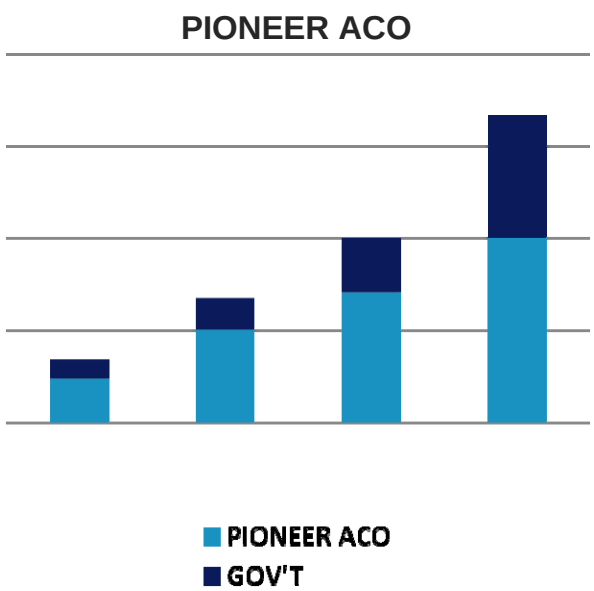
- No Control Over Payments – Need to Move to Prospective Payment
- Medicare Payment Policies Increase Costs
- No Medical Necessity Controls
- Beneficiary Assignment Rules

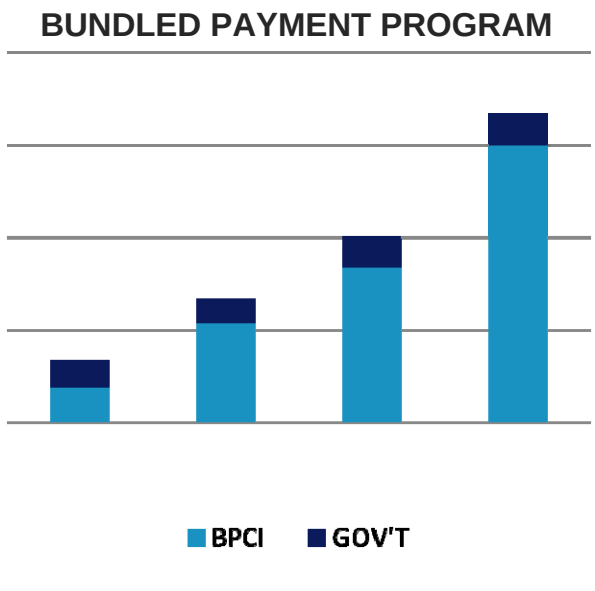

Trending
Re-Pricing
HHRGs
ACO Overlap
Randomness

COMPARISONS: ACOs + BUNDLED PAYMENT PROGRAMS

Bundled Payment Programs keep larger share of savings.
The Awardee is responsible for Cost Over-runs







PRIMARY SOURCES OF SAVINGS IN ACOS:

- Admission and re-admission avoidance
- Shifting surgeries from hospitals to outpatient sites
- Reduced utilization of SNFs, LTACHs and IRFs
- Reduced diagnostic testing

PRIMARY SOURCES OF SAVINGS IN BPCI:

- Re-admission avoidance
- Reduced utilization of SNFs, LTACHs and IRFs
- Reduced diagnostic testing

BCPI PROGRAMS DELIVER SUBSTANTIALLY GREATER UPSIDE

The table below compares the net retained savings of an MSSP Track 1 ACO, a Pioneer ACO and a BPCI Program, each with $153M of costs under management. At any savings rate, the BPCI program retains a greater share of savings.

ESTIMATED SAVINGS	5.0%	10.0%	15.0%	25.0%
MSSP TRACK 1 ACO NET GAIN SHARE WITH LOW OVERHEAD	($0.6)	$3.4	$3.4	$3.4
PIONEER ACO NET GAIN SHARE WITH LOW OVERHEAD	($1.4)	$6.1	$11.5	$11.5
BCPI NET GAIN SHARE WITH LOW OVERHEAD	$2.3	$9.9	$17.6	$32.8

No cap on upside and lower overhead costs drive outsize advantage for BPCI

REMEDY OVERVIEW

Bundled Payments Company

- ***Four Part Strategy***:
  - BPCI Awardee Convener
  - National PAC Network
  - National Bundled Payment Network
  - Episode Based Insurance Plans
- ***Status***: Live in BPCI with 22 Programs. 528 in Development
- Development Relationships with Over 2,000 SNFs, 3,000 Physician Organizations and 198 Acute Care Hospitals

Services Provided to Partners

- Analytics
- Technology Tools
- Risk Mitigation Services
- Contracting Support
- Call Center
- Administration and Compliance

LESSONS LEARNED

- **LEADERSHIP:** Engaged and committed leadership drives superior performance
- **SIZE:** Larger programs that include a majority of Medicare FFS cases achieve systematic care redesign and have less financial risk
- **PROVIDER ENGAGEMENT** Hospitalists and Case Managers are key. Target Physician Engagement.
- **PATIENT ONBOARDING:** Engaging patient and their family/caregivers early: Set Expectations
- **SNF RELATIONSHIPS:** Selecting a preferred network, reaching consensus with SNF leadership and creating incentives to drive outcomes
- **CMS OBSTACLES:** Existing payment rules for home health, SNF and DME require change. Also, new programs must go live “all at once”
- **CROWD SOURCING:** Creating care plans is a developing art. Contributions from thousands of clinicians is a growing benefit to collaboration
- **FAILURE COMES FIRST, THEN SUCCESS:** Modifying Care Processes Won’t happen overnight
- **NAYSAYERS ARE EVERYWHERE**

BUNDLED PAYMENTS – A FUTURE VISION

- **STANDARD EPISODE DEFINITIONS:** Open Source
- **EPISODE TRIGGERS AT DIAGNOSIS OR ACUTE INTERVENTION**
- **SHIFT FROM COST BASED TO REGIONAL AVERAGE PRICE TARGETS**
- **COMPETITIVE BIDDING**
- **RETROSPECTIVE AND PROSPECTIVE PROGRAMS**
- **EXCHANGE OFFERINGS: EPISODE ALLOWANCES BEAT NARROW NETWORKS**
- **SELF FUNDED EMPLOYERS DRIVE COMMERCIAL BUNDLED PAYMENT ADOPTION**
- **CLINICAL PROCESS OUTSOURCING BUSNESSES PROLIFERATE**
- **INNOVATION DRIVEN BY PHYSICIAN GROUPS – IDS'S EXPOSED FOR INEFFICIENCY**