



Lessons Learned in Implementing Bundled Payment

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IHA's Bundled Payment Projects

Agency for Healthcare Research and Quality (AHRQ)* Bundled Payment Demonstration

- Grant awarded to IHA in September 2010
- Period of performance: 2010 – 2013

Center for Medicare and Medicaid Innovation's (CMMI's) Bundled Payments for Care Improvement Initiative (BPCI)

- IHA “facilitator convener” application has progressed to phase 1 (beginning January 2013)
- Period of performance: 2013 – 2016

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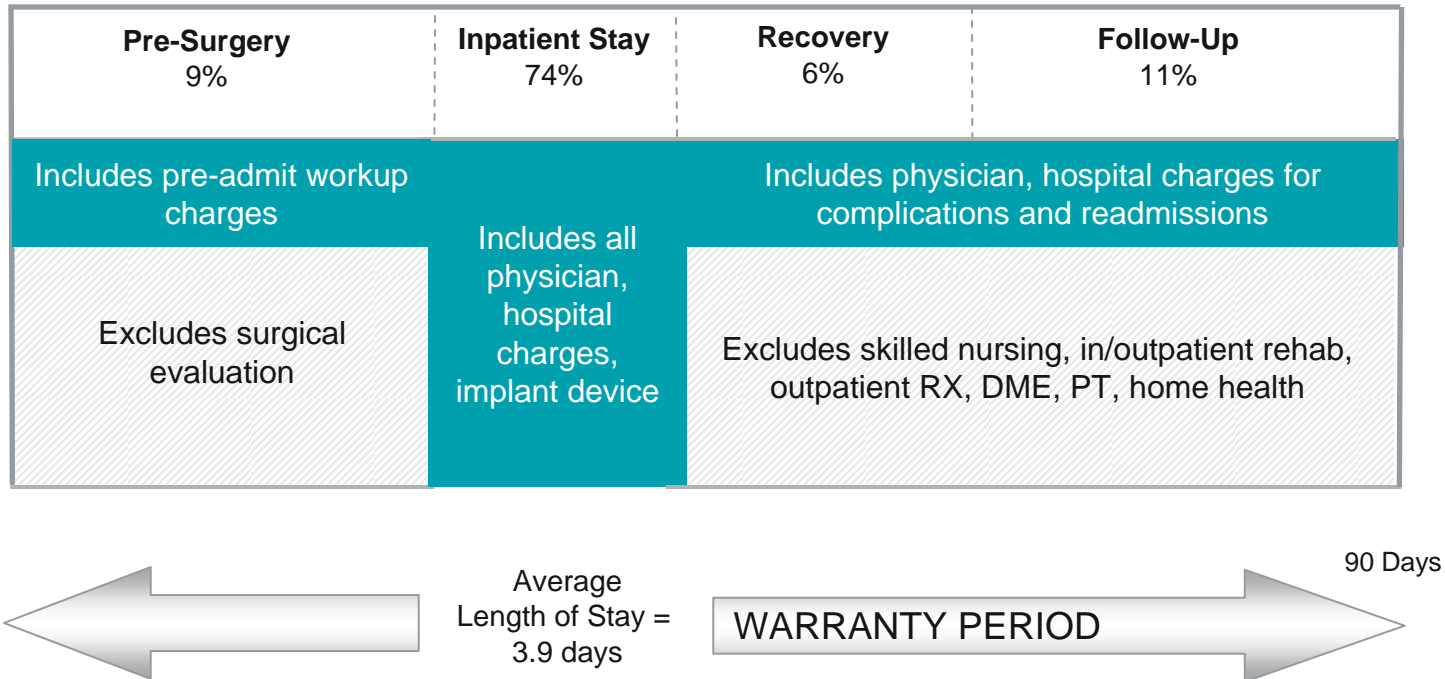
IHA's AHRQ Bundled Payment Demonstration (2010 -13)

Grant Deliverables:

- Test feasibility/scalability of bundled payment episodes in multi-payer environment
- Develop ten episode definitions
- Recruit 20 physician/facilities teams for health plan contracting
- PPO, Medi-Cal, Medicare Advantage, HMO populations
- Research evaluation study (RAND, UC Berkeley)
- Disseminate key lessons and best practices

Total Knee Replacement Episode

Distribution of contractual allowed amounts - PPO Population¹



¹Source: Ingenix -, national claims data using 7,632 complete episodes

Total Knee Replacement Definition

Patient Qualification

For inclusion in the pilot, patient must be:

- Covered (as primary plan) by a participating employer and health plan on date of surgery
- Undergoing surgery provided by an orthopedic surgeon contracting to provide services under the pilot for the specific health plan
- Being admitted to a hospital contracting to provide services under the pilot for the specific health plan
- Over age 18 and under age 65
- Presenting for index procedure with an ASA rating of <3 (APR-DRG SOI level of 1 or 2)

Patients are excluded from the pilot when:

- Transferred at any time during initial hospital stay
- Primary coverage with participating employer and health plan ends at any time during the episode
- Clinical history demonstrates clinical condition of:
 - Active Cancer
 - HIV/AIDS
 - ESRD
- BMI is 40 or greater

Index Procedure

Index Procedure Code:

This procedure must exist to trigger the episode.

CPT:

▪ 27447—Arthroplasty, knee condyle and plateau, medial and lateral compartments

ICD-9 Px:

▪ 81.54—Total Knee replacement

DRG:

Episode must map to one of these DRGs.

MS DRG 470

Major Joint Replacement or Reattachment of Lower Extremity without MCC

AND

APR DRG SOI of 1 or 2

Diagnosis Exclusions:

Diagnosis (any position) must NOT equal one of the following:

- 714.0x—Rheumatoid Arthritis
- 736.89—Other acquired deformities, lower limb
- 170.7—Malignant neoplasm of long bones of lower limb
- 171.3—Malignant neoplasm of soft tissue, lower limb, hip
- 198.5—Secondary malignant neoplasm of bone, marrow
- 822, 823, 827, 828. 836, 891—Fractures, dislocations and open wounds
- 928—Crushing injury

AHRQ Bundled Payment Demonstration Status

Episodes defined:

- Total knee replacement
- Partial knee replacement
- Total hip replacement
- Knee arthroscopy, with meniscectomy
- Diagnostic cardiac catheterization
- Angioplasty with stents
- Maternity (two)
- Hysterectomy
- Cervical spinal fusion



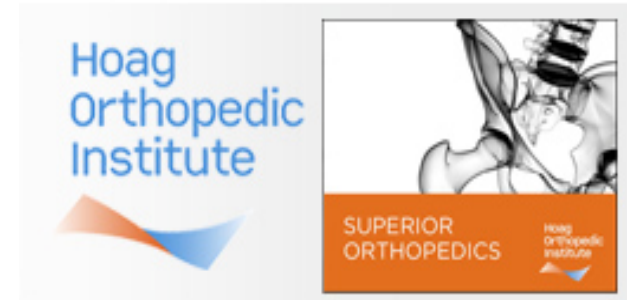
Care Redesign

- Care protocol development
- Collaboration across the care continuum
- Fresh dialogs
- Developing trust
- The heart of successful bundled payment implementation

AHRQ Bundled Payment Demonstration Participation

Hoag Hospital

- Signed PPO contracts with Aetna, Blue Shield for total knee replacement
- Cigna contract for total knee and hip replacement effective April, 2013



Alta Bates Summit Med Center

- Signed PPO contracts with Aetna and Blue Shield for total knee and hip replacement



Outpatient Surgery Centers

Bundled Payment Demonstration: Tough Lessons Learned

- Manual claims adjudication
- Volume is small – need Medicare volume
- Lack of physician leadership
- If the hospital drives the model – physicians are wary
- Capitation is not compatible
- Lack of alignment with commercial insurance benefits
- Regulatory oversight

Regulatory Concerns - Department of Managed Health Care (DMHC)

Provider Risk

- Health plan pays the bundle to hospital; hospital pays all providers - What if the hospitals do not pay?
- Plan oversight of hospitals with delegated risk, claims payment, grievances

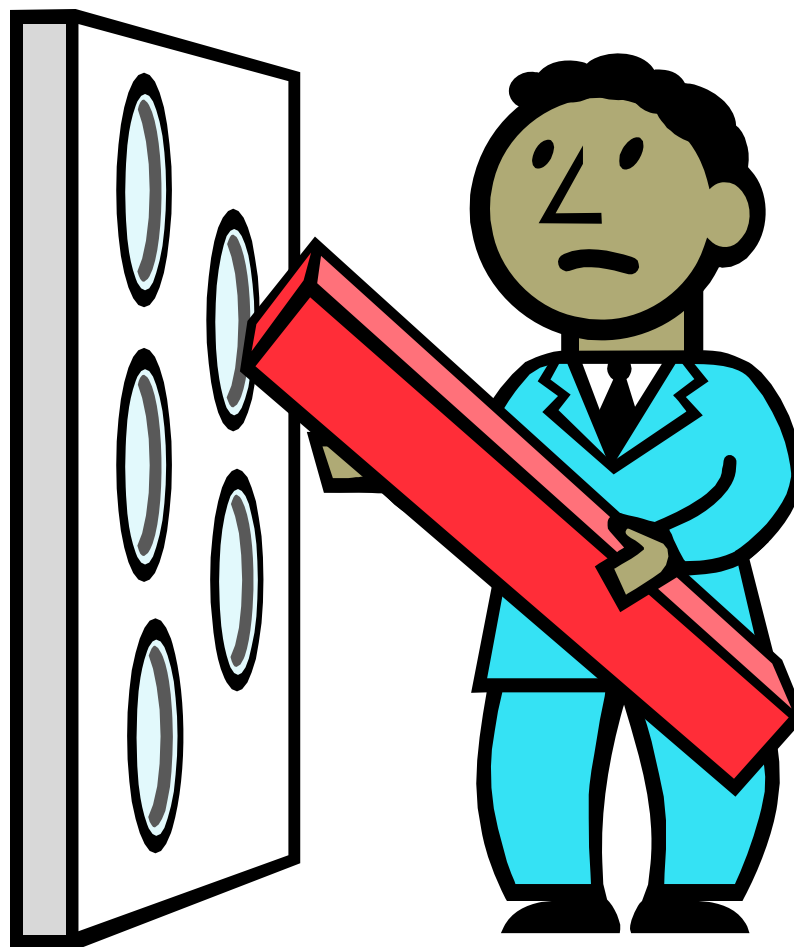
Enrollee Communication

- How will the enrollee be notified of program participation?

Benefit Administration

- Will enrollee's benefits, deductibles/copays remain unchanged?
- Will the Evidence of Coverage change?

Bundled Episode Payment: Square Peg in a Round Hole?

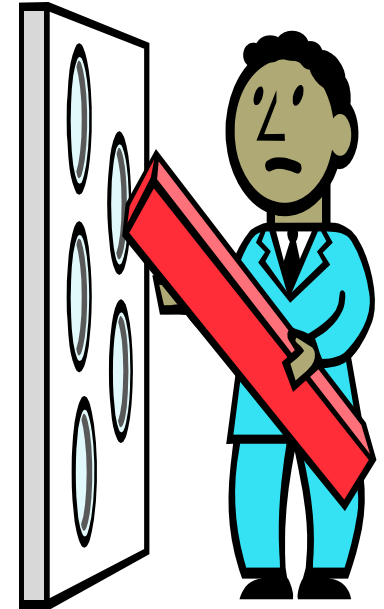


Bundled Payment - Square Round Issues

Capitation: Must unwind it

Benefits: Co-pays/deductibles

Claims Adjudication: Manual



Overcoming the Square-Round Issues

- Proactive benefit design
- Aligned provider/consumer incentives
- Strategic vision
- Leadership



IHA Bundled Payment Resources

Available on IHA Website

- Issue Briefs
- Episode Definitions
- Contract Templates
- Technical Implementation White Paper
- Conference Presentations

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