Early Results of a Bundled Payment Demonstration

Michael C. Zucker, FACHE Senior Vice President March 10, 2010



Acute Care Episode (ACE) Demonstration Project

To determine whether improvements in quality of care can result from the alignment of financial incentives between hospitals and physicians in such a way that they must coordinate care on a case-by-case basis.



ACE Components

28 Cardiac & 9 Ortho DRGs

Competitive Bidding

Bundled Payment

Gainsharing

Beneficiary Incentive



Example Gainshare Opportunity

DRG 470 – Major Joint Replacement or Reattachment of Lower Extremity w/o MCC

710 Medicare Admissions

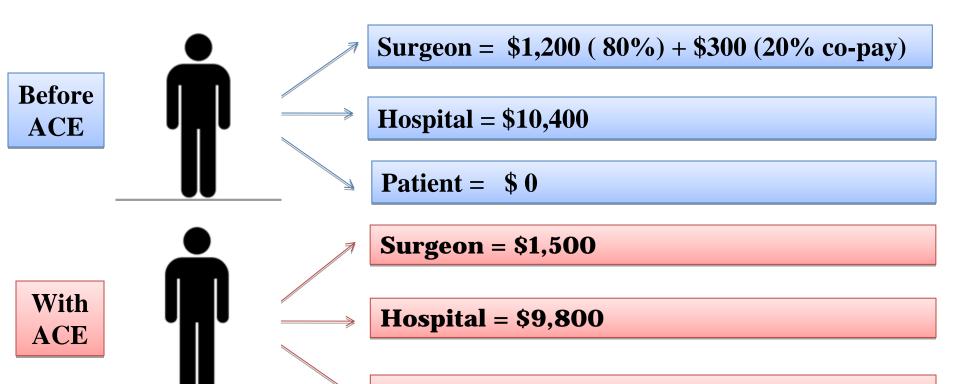
Medicare Part B Physician Payment = \$1,065,000





Example Gainshare Opportunity

DRG 470 – Major Joint Replacement or Reattachment of Lower Extremity w/o MCC



Patient = \$300 (up to 50% of CMS savings)



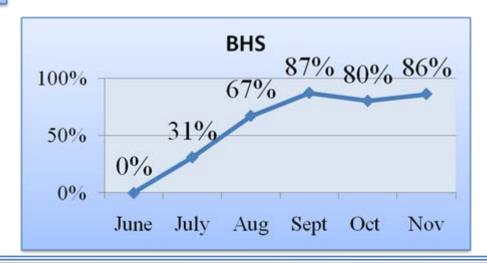
ACE Gainshare Process Gainshare Flow Metric Detail Hospital Quality Quality Metrics Are hospital quality metrics No Gainshare AAA for specialty achieved? BBB CCC Physician Quality Hospital Financial Metrics Metrics Are hospital financial metrics for specialty Financial Metrics No Gainshare achieved? Direct Variable Cost = \$ Are physician quality Quality Metrics metrics for specialty No Gainshare AAA achieved? BBB CCC Financial Metrics Physician Are physician financial No Gainshare Financial Metrics metrics achieved? Direct Variable Cost Baseline Yes Gainshare Payment Gainshare payment made to physician.

Quality Improvements

	SCIP 1	SCIP 2	SCIP 3	VTE ordered	Smoking Cessation Ordered
Jun	100%	93%	92%	99%	33%
Jul	100%	100%	98%	93%	50%
Aug	100%	100%	100%	97%	0%
Sept	100%	100%	96%	100%	83%
Oct	100%	98%	96%	99%	100%
Nov	98%	100%	100%	100%	60%

Improvement in orthopedics from 91% overall score in Spring of 2009 to an overall score of 99% in November.

Order set utilization has continued to increase the first six months of the demonstration.





Our Experience To Date...

- Immediate Improvements in Quality Measures
- Shift Towards Evidence-Based Practice
- Sooner Than Expected Gainshare Distributions
- Information System "Opportunities"
- Labor Intensive to Administer Program



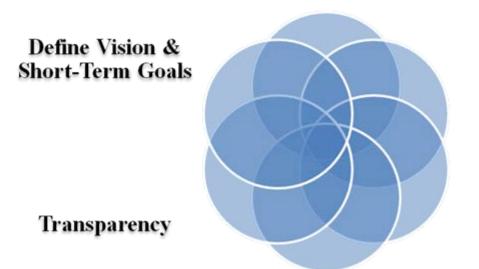
Operational Challenges

- Development of Gainshare Criteria
- Data Collection / Analysis (Information Systems)
- Implant and Device Standardization
- Identification and Consensus of Quality Metrics
- Design / Build Infrastructure



Lessons Learned

Understand Your Costs



Data Driven

Identify Physician Champions

Quality as "Change Agent"



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