

A Real-World Look at Bundled Payments: A Tale of Two Bundles

Michael McMillan, Senior Vice President, Strategic Solutions
Valence Health



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Agenda for Today

1. Bundle Payment Overview

2. How to Develop and Execute a Bundled Payment Program

3. Case Studies — A Tale of Two Bundles



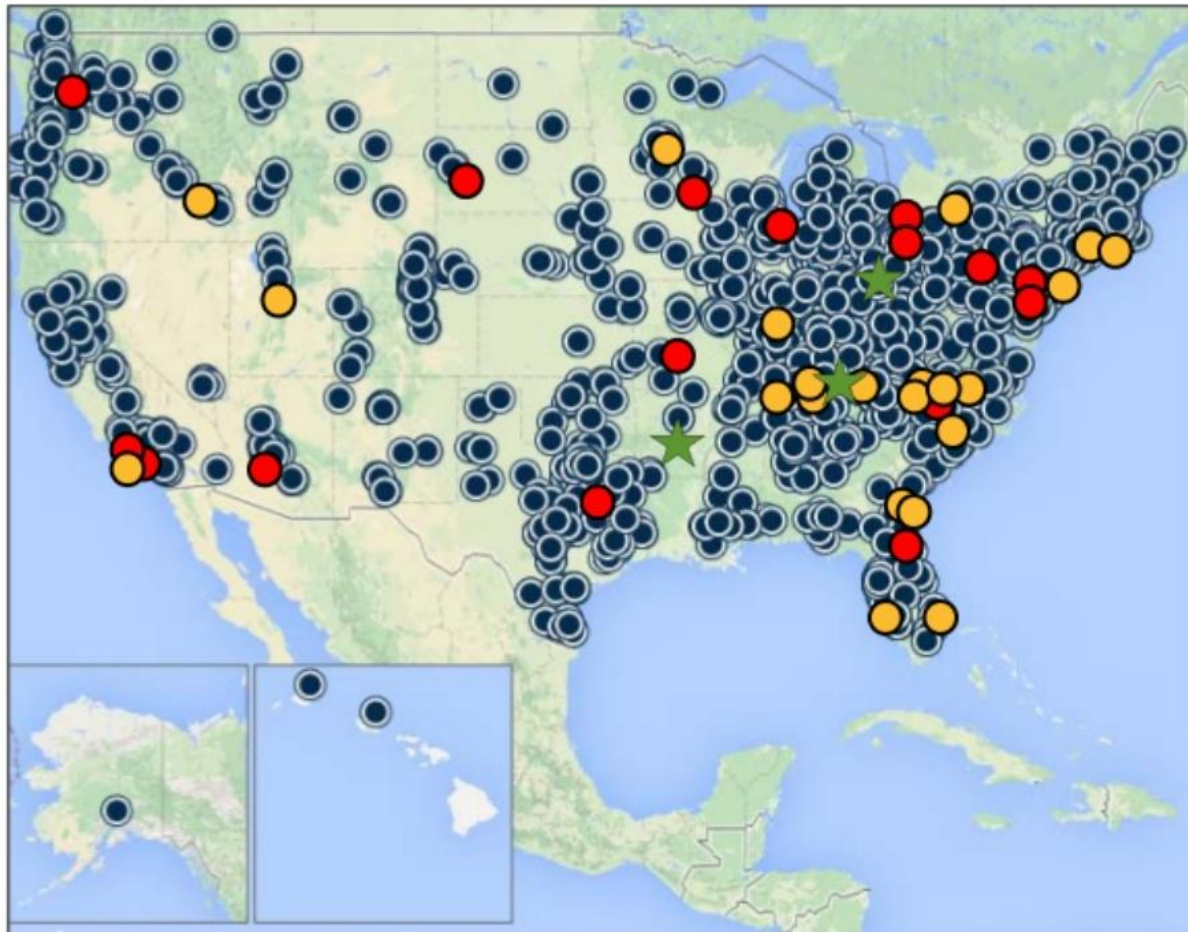
Defining Bundles/Episodes of Care/Case Rates

“In a bundled payment methodology, a single, "bundled" payment covers services delivered by two or more providers during a single episode of care or over a specific period of time.”

-American Medical Association



Bundled Payments are Gaining Momentum



- **Medicare** Bundled Payments for Care Improvement
- ★ **Medicaid** Bundled Payment Programs
 - Arkansas
 - Ohio
 - Tennessee
- **Employer** Bundled Payment Programs
- **Commercial** Bundled Payment Programs

Source: <http://innovation.cms.gov/initiatives/map/index.html#model=>; CMS Bundled Payments Update June 18, 2014
Note: As of June 2014

Source: Center for Medicare & Medicaid Services - June 2014; KEY PAYER AND PROVIDER OPERATIONAL STEPS to Successfully Implement Bundled Payments - May 28, 2014; Advisory Board, The Camden Group

Primary Commercial and Government Differences

Government Bundled Payment Programs

Retrospective in nature

Includes post-acute stay

Requires heavy care management

Could be mandatory

BPCI, CCJR

Commercial Bundled Payment Programs

Brokers

- Locally and strategically focused

Direct to Employer

- Start with existing relationships

Payors

- Not all payors support the bundled payment idea

Bundled Should Leverage Existing Strengths

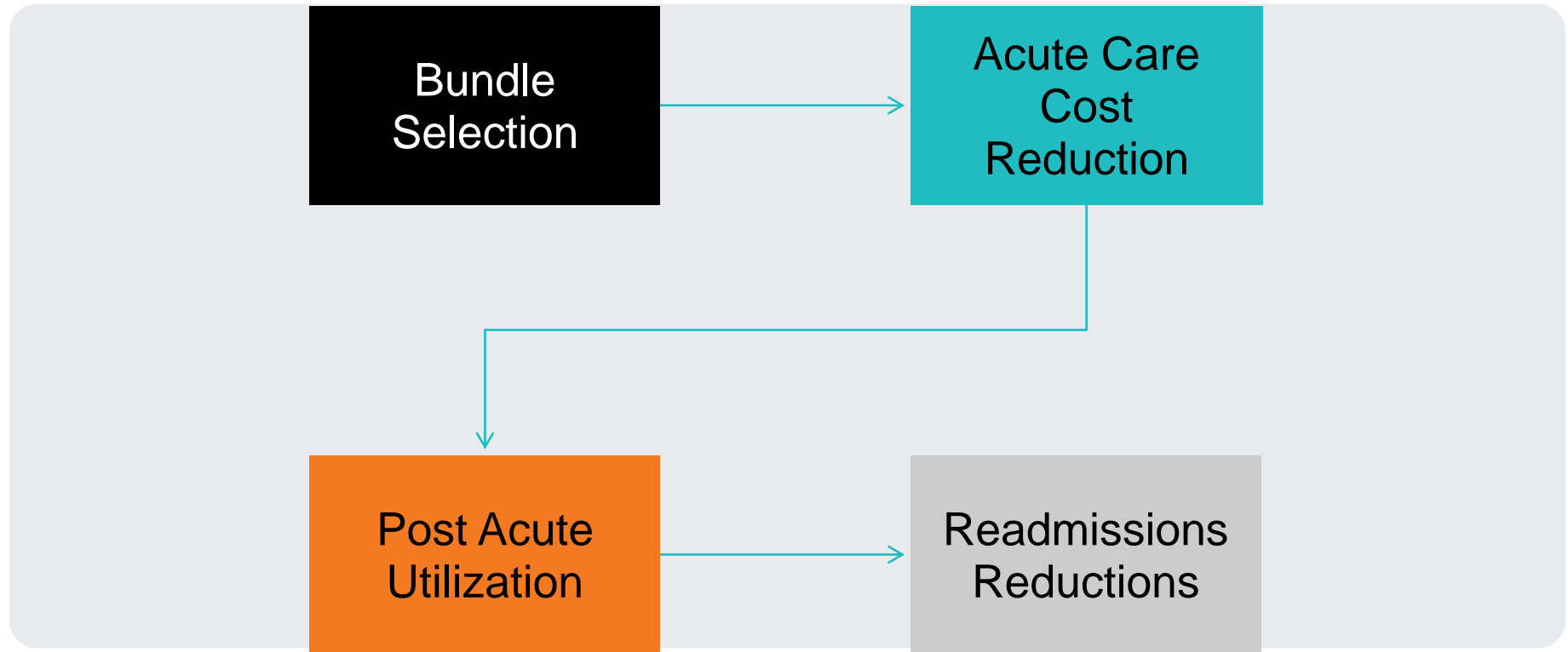
In what service lines do you have significant market share?

What services have strong physician leadership?

What services are profitable?

What services have growth potential?

Key Drivers of Bundled Payment Savings



Alignment through Clinical, Operational and Financial Incentives

Benefits of Bundled Payment Programs By Stakeholder

	Savings	Efficiency	Accountability
Patient	<ul style="list-style-type: none"> • Lower or no out of pocket expenses 	<ul style="list-style-type: none"> • Fewer bills • Better care experience 	<ul style="list-style-type: none"> • Warranty for 60-90 days post procedure
Public and Private Payors	<ul style="list-style-type: none"> • Reduced price for common services 	<ul style="list-style-type: none"> • One bill 	<ul style="list-style-type: none"> • Access to the highest quality providers • Reporting on outcomes • Warranty provides protection for unnecessary services
Provider	<ul style="list-style-type: none"> • Increased volume and market share • Reduced expensed through panel selection 	<ul style="list-style-type: none"> • Pre-qualified patients • Increased volumes • Expand geographic coverage 	<ul style="list-style-type: none"> • Controlled provider panel reduces variation of costs and margin • Greater consistency in care delivery

Bundles Support New and Existing Risk-Based Payment Strategies

Hospitals and Health Systems with No Risk Arrangements

- Offers a more contained model for taking risk –especially with government payors
- Starts the process for tracking and sharing quality and cost metrics with physicians
- Engages specialists in value-based care
- Establishes relationship with other post-acute partners

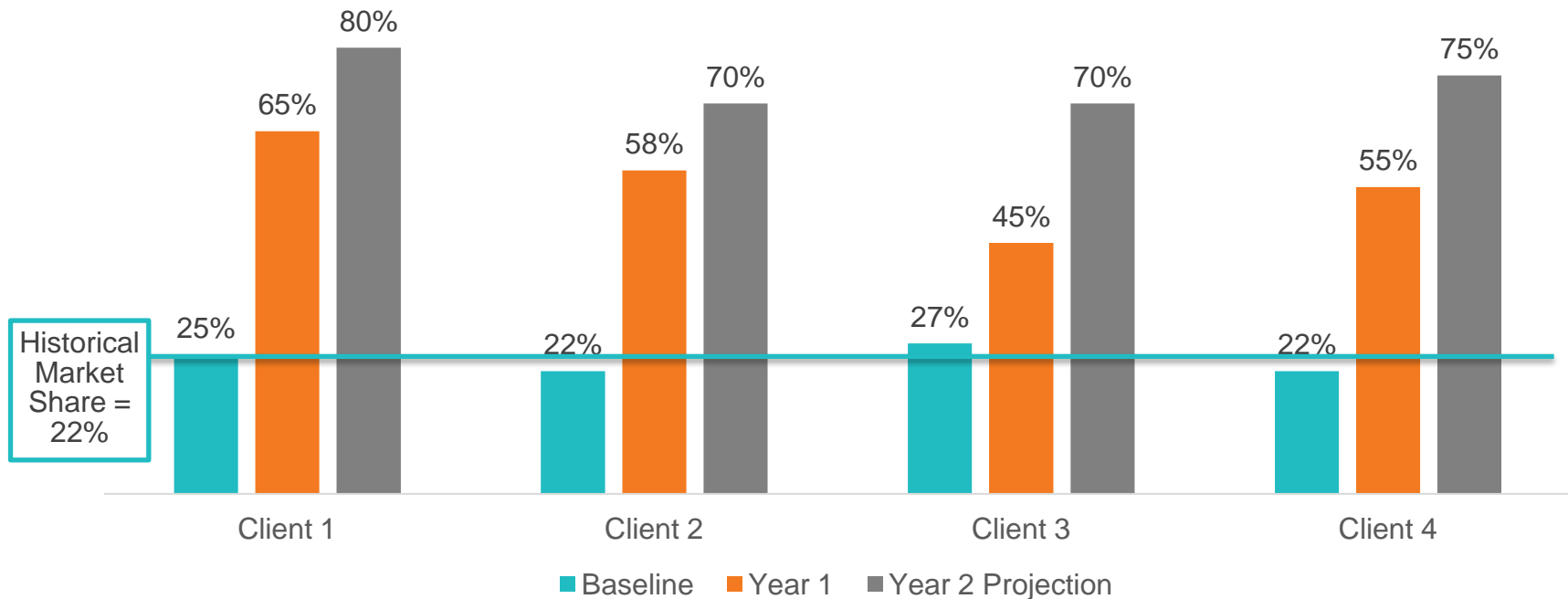
Existing ACOs and Clinically Integrated Networks

- Provides additional programs for increasing market share within the organization
- Spreads existing care coordination experience/resources to other disease or condition
- Engages specialists in value-based care
- Further expands network relationships – especially with other post-acute partners



Bundled Payment Strategy can Yield Significant Results

Market Share Per Client (% of total available procedures)



- This example yielded an additional 200+ net new annual procedures by year two of the program for these payors/employers
- Total number of partnerships was >30 by the end of year 1

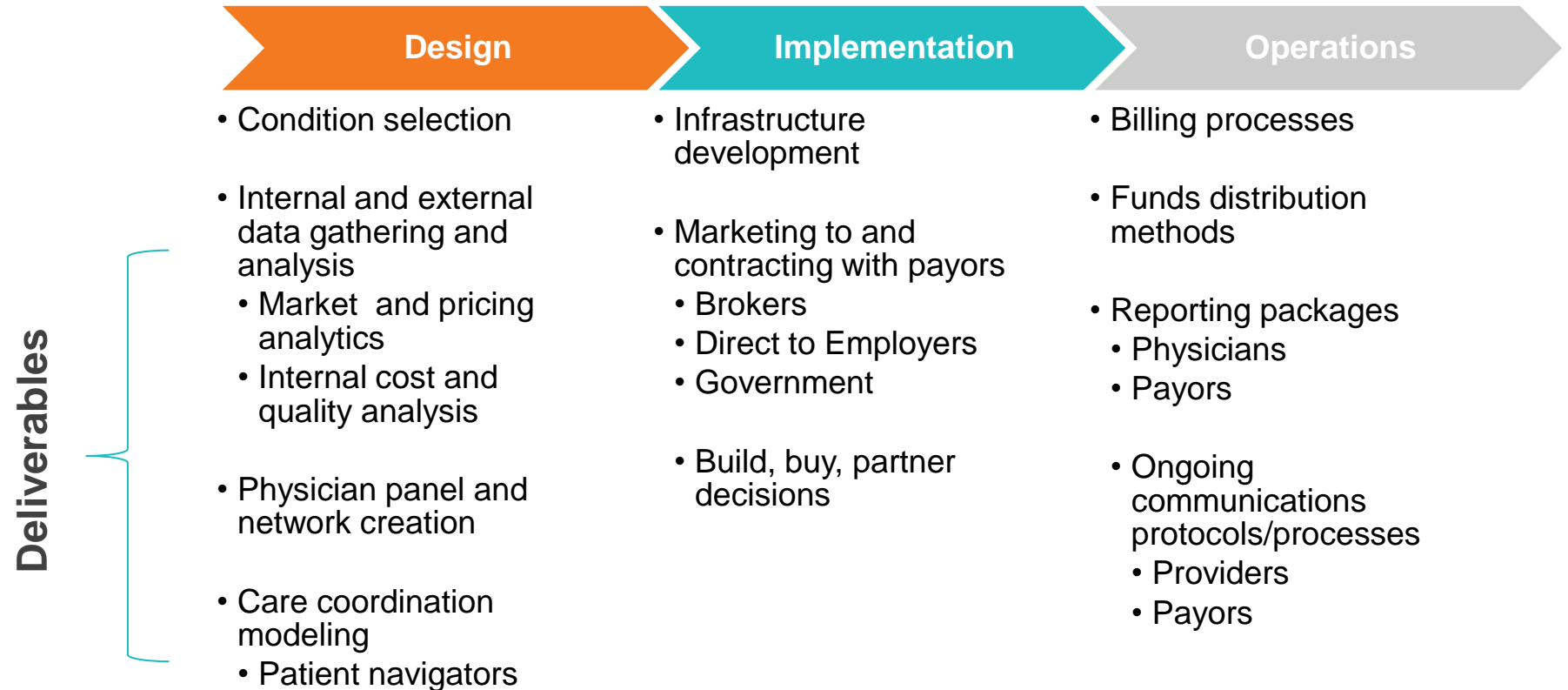
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Key Phases For Building a Bundled Payment Program



Extensive Data Analysis Ensures Preservation of Margins and Creates the Optimal Physician Panel

1 2 3

Example of Needed Data

- Volume
- Cost per case
- Variation analysis of cost and quality
- Revenue per case
- Margin per case
- Readmissions
- Complication rates
- Other quality metrics (blood utilization, antibiotic administration, etc.)

Select physicians based on cost and quality data

Likely a mix of employed and independent doctors

Panel is presented as the highest quality in the market

Should create competition and drive more cases outside the bundle

Go to Market Strategies Include the Creation of New Marketing Materials and Campaigns



Direct to Employer

- In person meetings
- Sales collateral (one-pagers, videos, etc.)
- Ongoing management and reporting
- Health fairs / employer events

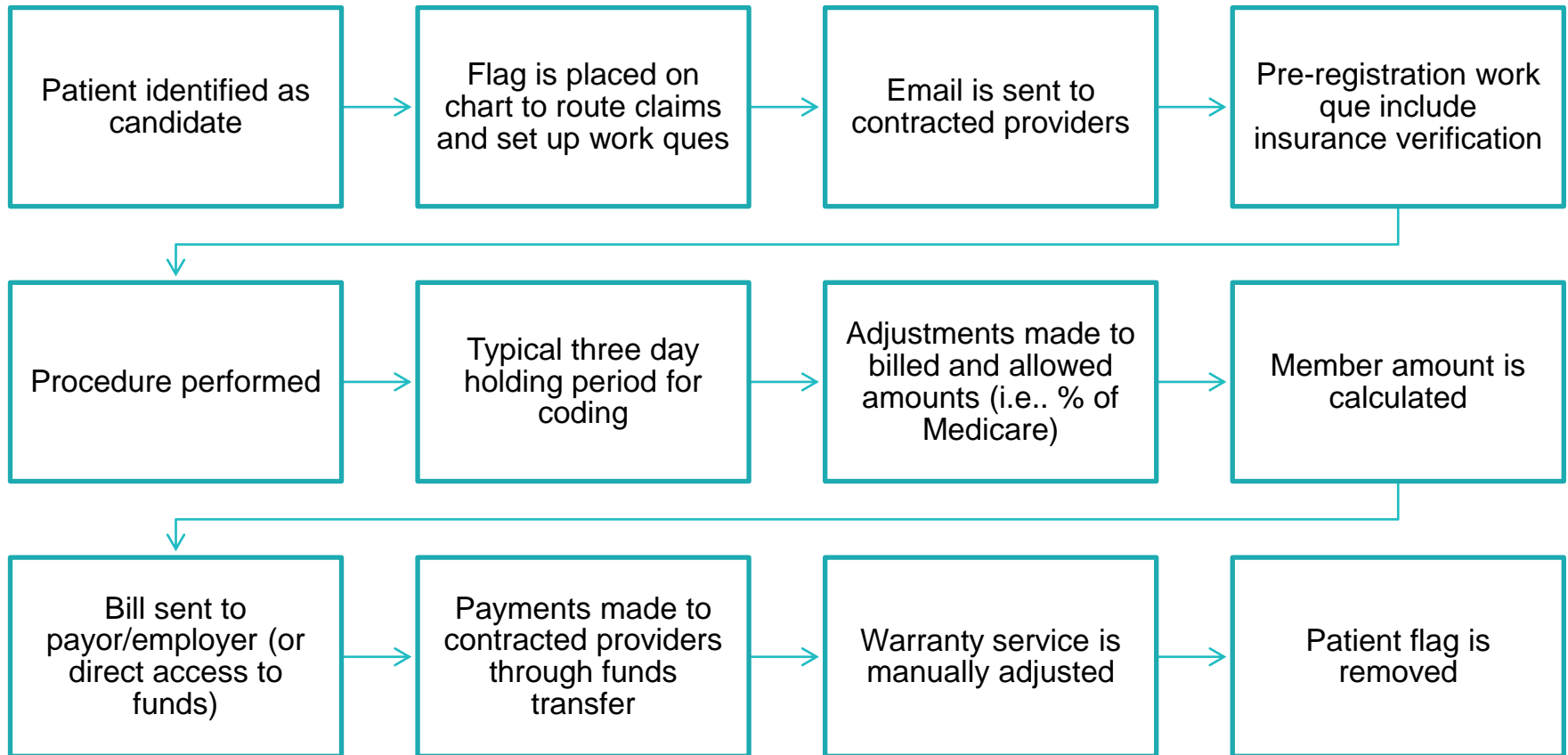
Broker

- In person meetings with potential clients
- Provides competitive advantage for brokers

Payors

- Ability to get in front of clients during sales process and per policies and guidelines when government run
- Provide ongoing reporting

Bundle Operations Often Require a Payor Agnostic Third-Party Administrator (TPA)



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A Real Government Sponsored Bundle Story



Design

- Single hospital participation in BPCI
- MS-DRG 469 & 470 – Total hips and knees
- Duration: Index Admission, 30 days post-acute
- Episode defined by CMS, priced on historic spend
- Waivers and gainsharing
- Three year agreement

A Real Government Sponsored Bundle Story



Implementation

- Analysis of Medicare data set
- Understanding internal costs and patient flow across the episode of care
- Built care path and pinpoint opportunities
- Identified quality and financial performance measures
- Oriented, trained and engaged the care team
- Key elements: care path, care coordination and coordinated care

A Real Government Sponsored Bundle Story



Administration

- Selection: appropriate intervention
- Optimization: manage risk factors, home support
- Intervention: engaged patient, short acting blocks
- Post Op: minimize time in the hospital
- Post Hospital: discharge home
- Long Term Maintenance: follow up, patient owns rehabilitation and recovery, continued management
- Manage Value Scorecard: clinical outcomes, safety, patient experience, efficiency

A Real Government Sponsored Bundle Story



- Program rolled out to additional hospitals
- Every quality and efficiency measure improved
- Hospital, Physicians and Medicare achieved significant savings
- Created the foundation for expanded bundled payments in additional service lines

A Real Commercial Bundle Story



Design

- Required board support to move into value based reimbursement
- Decided on services to bundle based on market data
- Limited physician panel through analytics
- Conducted detailed cost and variation analysis
- Set price targets based on current market reimbursement and projection of volume

A Real Commercial Bundle Story



Implementation

- Direct to employer beginning with existing relationships
- Broker strategy
- Invited payors in and openly talked about strategy

A Real Commercial Bundle Story



Operations

- Led by a patient navigator
- Charts were flagged
- Bills were suppressed and sent to payor as one bill
- Payments were made to contracted providers
- Ongoing reporting and tracking was created with regular executive updates

A Real Commercial Bundle Story



- Created a triple win
 1. A major boost in quality
 2. Greater cost management/predictability
 3. No out-of-pocket expense for employees
- Delivered significant market share increases within specific clients
- Attracted net new cases inside and outside the bundle
- Increased patient satisfaction
- Helped moved the system down the path of value-based contracting
- Built stronger relationships with payors, brokers and employers

Questions?

