# Laying the Groundwork for Bundled Payment Success

**November 5, 2013 - HFMA Forum Networking Webinar**

**10:00 – 11:00 a.m. Central (8:00 – 9:00 am Pacific/9:00 – 10:00 am Mountain/ 11:00 – 12:00 pm Eastern)**


**Margaret Kornuszko-Story**, MHA, FACHE
Health Systems Scientist, Lehigh Valley Health Network

**Peggy L. Naas**, MD, MBA,
Vice President Physician Strategies, VHA Inc.

**Dave Jackson**
Senior Consulting Manager, Payment Reform Services
Truven Health Analytics

**Todd Nelson**
Technical Director, Senior Financial Executive and Accounting, HFMA


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# Course Agenda and Learning Objectives

- Identify market forces driving bundled payments as an appropriate financial tool
- Determine what procedures lend themselves to bundling of services and payments
- Recognize the benchmarks and competitive analyses necessary to develop successful bundled-payment arrangements
- Define the key considerations in evaluating risk
- Identify elements impacting success
- Questions & Discussion

# Setting the Stage for Bundled Payment

**Peggy L. Naas, MD, MBA,**

Vice President Physician Strategies
VHA, Inc.

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# Polling Question #1

**At what point are you in considering participation in a bundled payment model?**

- Not yet considered
- Considered and participation rejected
- Pursuing bundled payment with federal BPCI
- Pursuing bundled payment with commercial payers or employers
- Pursuing bundled payment with both governmental and commercial payers

# Market Forces

- Volume to value
- First do no harm
- Penalties for harm
- Care co-ordination across the continuum
- “No outcome, no income”
- Eliminate waste including rework
- Do more with less
- Not new
- Legislation, federal, state, and commercial interest

# Bundled Payment – A Definition

An episode-based package price reimbursement for multiple providers “bundled” into a single, comprehensive payment that covers a defined set of healthcare services involved in a patient’s care over a specific period of time.

- The bundle design should encourage the provider and payer to agree on the specific types/causes of complications/readmissions to target for better control, rather than set a price based on a general reduction target.
- The bundle design should not create a financial disincentive to direct a patient into the best/appropriate treatment pathway.
- The bundle design should create an incentive to improve the quality and efficiency of patient care delivery.

# Lehigh Valley Health Network: A Bundled Payment Initiative

**Margaret Kornuszko-Story**, MHA, FACHE,
Health Systems Scientist, Lehigh Valley Health Network

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# Lehigh Valley Health Network

- Integrated delivery network
  - 3 hospital campuses (981 acute beds)
  - Multispecialty physician group (550 employed/50%)
  - Home, hospice, & palliative care services
  - Lab and Pharmacy
  - TPA, PPO, PHO
  - CareWorks – retail health clinics
- ALLSPIRE Health Partners
- Largest academic community hospital in Pennsylvania:
  - 12,000 employees
  - 173,678 ED visits
  - 54,056 admissions
  - Revenues more than $2 Billion
- Self-insured health plan
- Funding for data analytics

# Current and Future State: CMMI Models

| Bundle Payment Method | Acute Care Stay Only | Acute Care Stay Plus Post-acute Care | Post-acute Care Only | Chronic Care |
|---|---|---|---|---|
| **"Retrospective"** (Traditional FFS payment with reconciliation against a predetermined target price after episode completion) | Model #1 | Model #2 | Model #3 | Model #7 |
| **"Prospective"** (Single prospective payment for an episode in lieu of traditional FFS payment) | Model #4 | Model #5 | Model #6 | Model #8 |

Current  Future

**Model 1:** Retrospective payment models for the acute inpatient only

**Model 2:** Retrospective bundled payment models for hospitals, physicians, and post-acute providers

**Model 3:** Retrospective bundled payment models for post-acute care where the bundle does not include the acute inpatient hospital stay

**Model 4:** Prospectively administered bundled payment models for hospitals and physicians for the acute inpatient hospital stay only

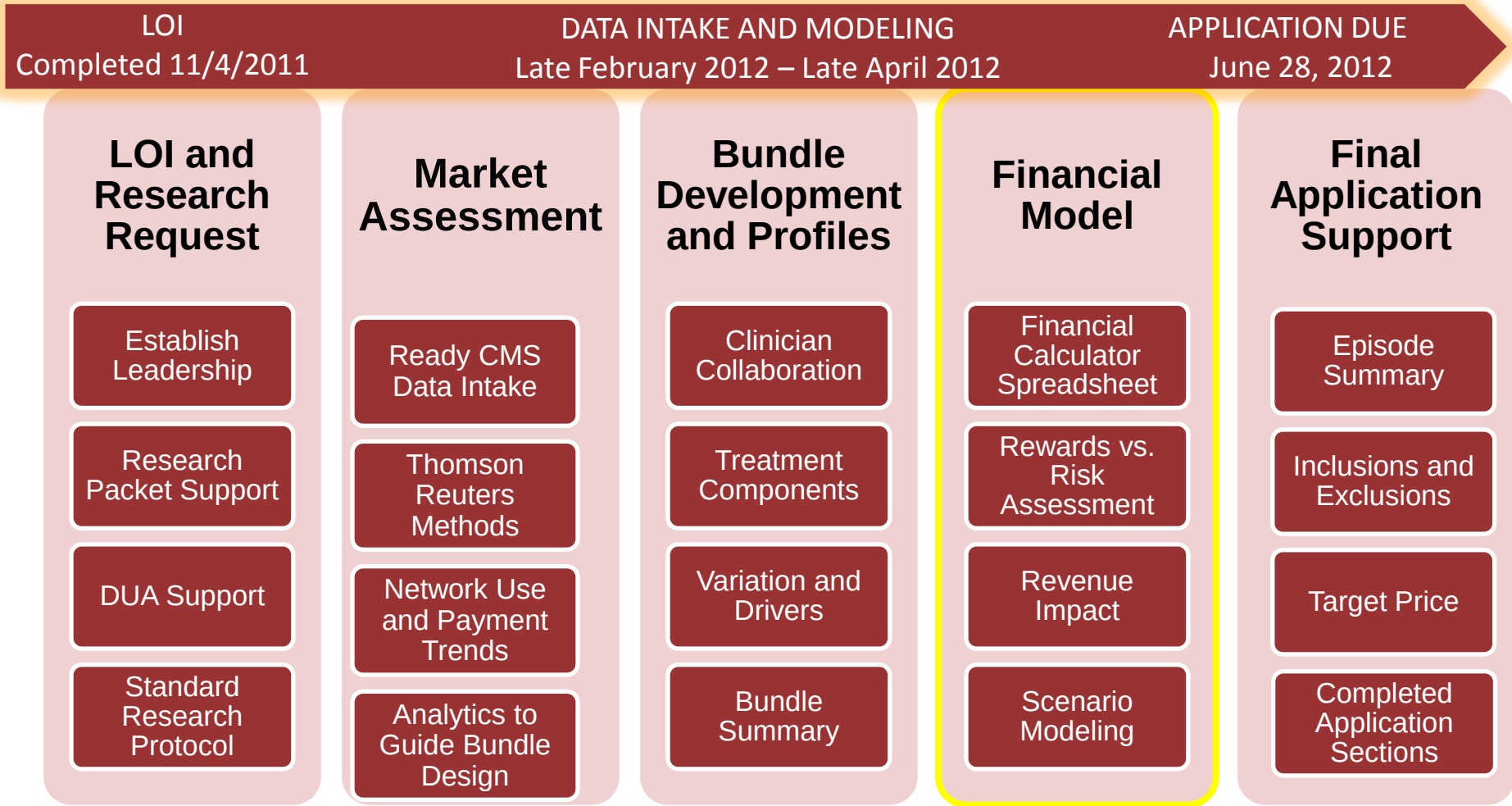
*Source*: Bundled Payments for Care Improvement Initiative Request for Application, CMS

# Polling Question #2

If you were to participate in a bundled payment, you would have a bundle in:

- Cardio-vascular care
- Total joint replacement
- Spine surgery
- Diabetic care
- Other medical condition
- More than one of the above

# CMMI Timeline and Phases



# Financial Modeling Objectives

- Quantify the baseline bundle reimbursement, utilization, and costs by bundle type of service
- Calculate the minimum discount required for participation and evaluate cost savings opportunities:
  - Decrease readmissions
  - Decrease post acute care utilization/cost
  - Decrease acute stay hospital costs
- Model the financial impact of anticipated care redesign efforts
  - Leverage local cost benchmarks from hospital referral clusters (HRCs) and national utilization benchmarks from standard analytic file (SAF) data
- Evaluate the potential financial risks and opportunities

# Polling Question #3

What is your greatest risk related to participation in bundled payments?

- Difficulty getting necessary data
- Difficulty engaging physicians in bundled payments
- Difficulty engaging post acute providers – SNFs, LTACs
- Minimal margin opportunities

# Risks and Opportunities

- **Risks:**
  - Span of control, unknowns: Readmissions being treated at outside facilities (30-40% of valve volumes from outside of the core market)
  - Acuity mix will continue to increase–more challenging to reduce costs/LOS/readmission rates
  - Reductions in utilization (reimbursement) from care redesign will not be limited to Medicare
  - Lack experience with cross-continuum care reengineering
  - Underestimating resources required to effectively execute

- **Opportunities:**
  - Experience and positioning for future
  - More significant physician alignment
  - More focused reduction of expenses (variable costs)
  - Heart valves may be attractive to CMS
  - Alignment with post acute providers

# Bundled Payment: Phases and Timeline

**Dave Jackson**

Senior Consulting Manager, Payment Reform Services
Truven Health Analytics

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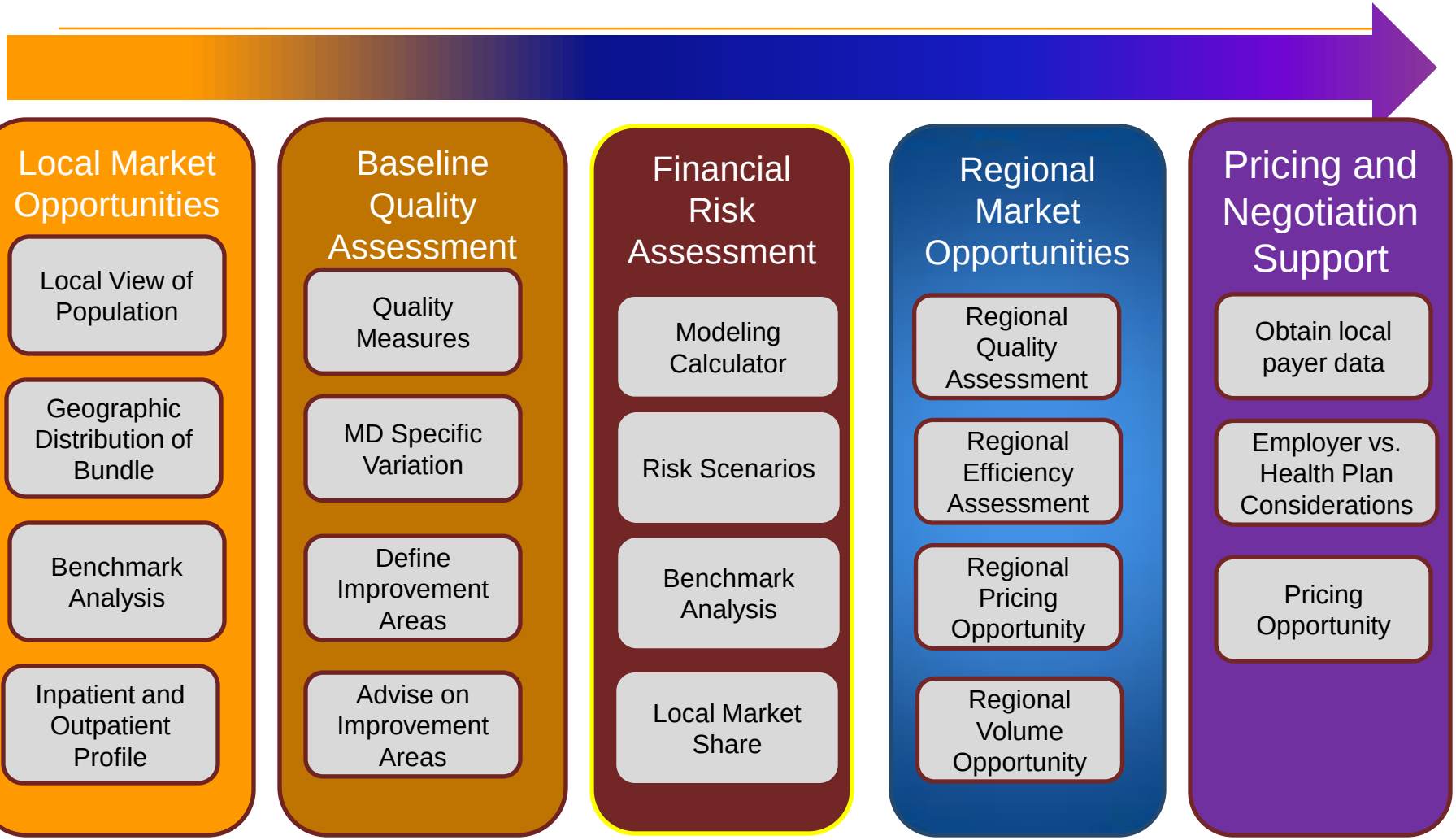
# Commercial Bundle Phases

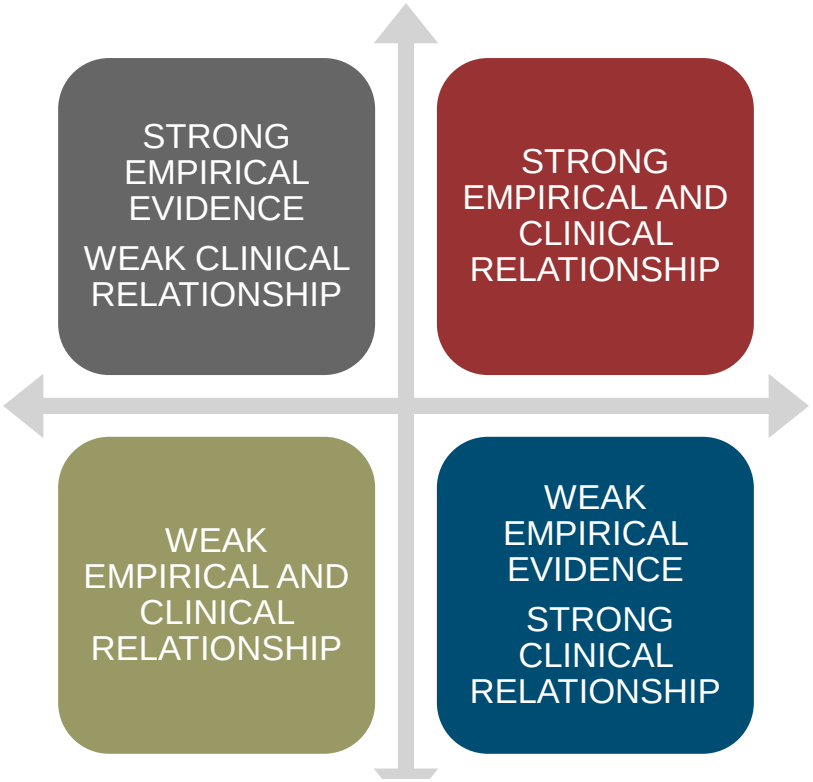


# Bundle Profile: 3 Sets of Diagnoses/DRGs

**Conservative** –Include care that almost certainly results from the anchor event

**Moderate** –Include care that is likely to result from the anchor event

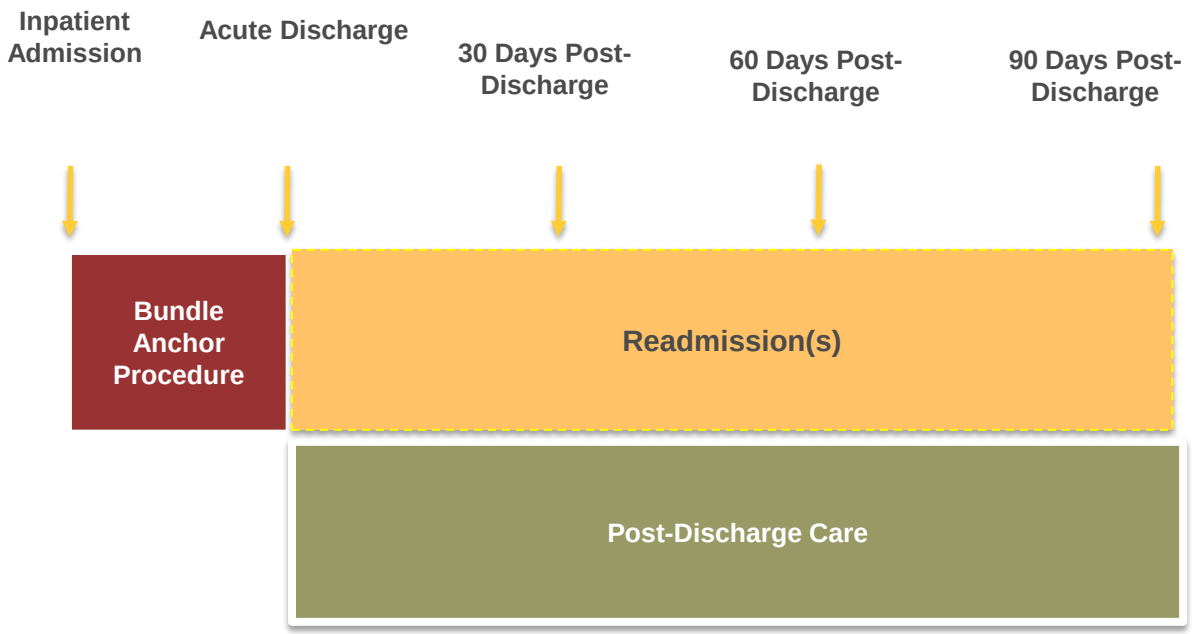
**Broad** –Include care that could possibly result from the anchor event



# Bundle Profile: Timeframe

Flexibility to include 30, 60, 90 days post discharge.

Limit post acute to readmissions vs. including other post acute care.



# Baseline Profile – 60-Day Moderate Definition

| Episode Service | Total Payments Market Scan Region | |
|---|---|---|
| **Anchor Events** | **CABG** | **VALVE** |
| Facility | $ 53,922 | $ 82,546 |
| Surgeon | $ 4,134 | $ 7,193 |
| Critical Care | $ 220 | $ 1,103 |
| Anesthesia | $ 3,368 | $ 3,562 |
| Other Professional | $ 1,769 | $ 2,126 |
| **Mean Anchor Event Services** | $ 63,413 | $ 96,529 |
| | | |
| **Readmissions** | | |
| **Mean Readmission Payment** | $ 1,835 | $ 2,016 |
| | | |
| **Major Post Acute Services** | | |
| Cardiac Rehab | $ 640 | $ 363 |
| Home care | $ 279 | $ 211 |
| Physicial Therapy | $ 19 | $ 53 |
| SNF | $ 113 | $ 96 |
| All other post acute (IP Rehab and Other OP) | $ 3,138 | $ 3,635 |
| **Mean Post Acute Payments** | $ 4,188 | $ 4,359 |

*Source*: MarketScan Commercial Claims East North Central Census Division, 2011

- Majority of payments tied to anchor facility
- Readmission risk ranges from $1,500 - $4,500 depending on definition
- Post acute risk varies from $2,000 - $6,000 depending on definition

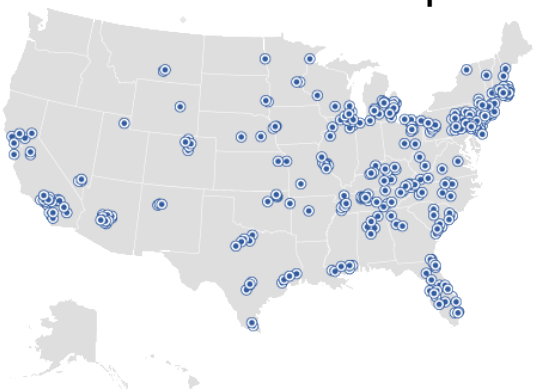
# Lehigh Valley Health Network
# Next Steps

- Test the bundle concept with our employee self-insured population
- In discussions with a commercial payer
- Seeking opportunities with other self-insured employers and commercial payers
- Looking at other service lines for potential bundles

# National Landscape

- Government sponsored
  - 200-300 CMMI participants may “go live” on Jan. 1
  - Medicaid Innovation in several states
- Commercial 50+ in the works
  - Large employer driven
  - Commercial health-plan sponsored
  - Health-system driven

CMMI BPCI Participants



Source: Centers for Medicare & Medicaid Services

# Polling Question #4

What is the greatest opportunity related to participating in bundled payments?

- Learn skill set for new payment model
- Increase margins on the episode
- Coordination of care in the acute setting
- Coordination of care in the post-acute setting

# Questions & Discussion

**Ask the speakers a question or share your bundled-payment challenges and solutions. Just type your question or comment into the Q&A box on your computer screen.**

# Presenter Contact Information

**Margaret Kornuszko-Story**, MHA, FACHE
Health Systems Scientist, Lehigh Valley Health Network
marg.kornuszko-story@lvhn.org

**Peggy L. Naas**, MD, MBA
Vice President Physician Strategies, VHA Inc.
pnaas@vha.com

**Dave Jackson**
Senior Consulting Manager, Payment Reform Services, Truven Health Analytics
d.jackson@truvenhealth.com

**Chad Mulvany**
Director, Healthcare Finance Policy, Strategy and Development, HFMA
cmulvany@hfma.org

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