PAYMENT REFORM

HFS USER MEETING 2017
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X. Lucy Zhang, RN-BSN MBA
xzhang@bkd.com

Road Map

1 Current landscape
2 Bundled payment strategies
3 Future landscape
Current Landscape

- Obama’s ACA focused on two key items:
  - **Access** to care
  - **Delivery** of care
- Despite congressional uncertainty, CMS presses forward with transitioning from volume to **value** (code word for **RISK**)
  - ACOs, NextGen ACO (VT APM), CJR and cardiac bundles, CPC+, chronic care management, MACRA
- Impacting all payer sectors
  - Medicare
  - Medicaid
  - Commercial/MA plans
"For the hospital CEO or CFO out there who says, ‘I’m doing really well in fee-for-service so I’m just going to stick with it and it’s going to be OK,’ eventually it will not be OK, and I actually predict it will not be OK in a much shorter time frame than they might imagine."

Patrick Conway, MD, Deputy Admin. and Leader of CMMI- CMS

**HHS goal of 30% of traditional FFS Medicare payments through Advanced Payment Models (APMs) by the end of 2016 and 50% by the end of 2018**
## The Current Landscape is Always Changing

<table>
<thead>
<tr>
<th>Episode Payment Models (EPM)</th>
<th>Accountable Care</th>
<th>BPCI</th>
<th>Primary Care Transition</th>
<th>Medicaid and CHIP</th>
<th>Acceleration Models</th>
<th>Speed Adoption of Best Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CJR</strong></td>
<td>ACOs</td>
<td>Model 1</td>
<td>Advanced Primary Care Initiative</td>
<td>Reduce Avoidable Hospitalizations</td>
<td>State Innovation Models</td>
<td>Beneficiary Engagement Model</td>
</tr>
<tr>
<td><strong>Cardiac Models</strong> (AMI and CABG, Cardiac Rehab Incentive Model)</td>
<td>Advanced Payment ACOs</td>
<td>Model 2</td>
<td>Comprehensive Primary Care Initiative</td>
<td>Financial Alignment Incentive for Medicare and Medicaid</td>
<td>Frontier Community Health Integration</td>
<td>Community Based Care Transitions</td>
</tr>
<tr>
<td><strong>ACO Investment Model</strong></td>
<td>Model 3</td>
<td>FQHC Advanced Primary Care Practice</td>
<td>Strong Start for Mothers and Newborns</td>
<td>Health Care Innovation Rounds</td>
<td>Health Plan Innovation Initiative</td>
<td>Innovative Advisors Program</td>
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<tr>
<td><strong>Next Generation ACO</strong></td>
<td>Model 4</td>
<td>Graduate Nurse Education</td>
<td>Medicaid Prevention of Chronic Diseases</td>
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<tr>
<td><strong>Pioneer ACO</strong></td>
<td>Transforming Clinical Practice</td>
<td>Medicaid Emergency Psychiatric Demonstration</td>
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<tr>
<td><strong>CPC+</strong></td>
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</table>

<table>
<thead>
<tr>
<th><strong>Current Landscape</strong></th>
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<tbody>
<tr>
<td>- AMI and CABG are implemented together</td>
</tr>
<tr>
<td>- SHFFT is implemented in the same MSAs as CJR, mostly to the same providers</td>
</tr>
<tr>
<td>- AMI/CABG:</td>
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<tr>
<td></td>
</tr>
<tr>
<td>- 98 MSAs</td>
</tr>
<tr>
<td>- 1,127 hospitals</td>
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<tr>
<td>- CJR/SHFFT:</td>
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<tr>
<td></td>
</tr>
<tr>
<td>- 67 MSAs (same as CJR)</td>
</tr>
<tr>
<td>- CJR = 792 hospitals*</td>
</tr>
<tr>
<td>- SHFFT = 866 hospitals</td>
</tr>
<tr>
<td>- AMI/CABG/CJR/SHFFT:</td>
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<tr>
<td></td>
</tr>
<tr>
<td>- 17 MSAs</td>
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<tr>
<td>- 195 hospitals</td>
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</table>

*Note: CJR providers list updated 1/1/2017
The “Currentest” Landscape

- **CJR:**
  - 34 MSAs with mandatory participation
  - Higher historical episode costs
  - 33 MSAs with voluntary participation

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**Estimated Savings from Mandatory Programs**

<table>
<thead>
<tr>
<th>ESTIMATES OF IMPACT ON THE MEDICARE PROGRAM BY THE FINAL EPM (in $M)</th>
<th>Year(s)</th>
<th>Across all 5 Years of the Model</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PY1</td>
<td>PY2</td>
</tr>
<tr>
<td>CJR net financial impact</td>
<td>11</td>
<td>(36)</td>
</tr>
<tr>
<td>AMI net financial impact</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>CABG net financial impact</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>SHFFT net financial impact</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>Total: Net financial impact of all EPM proposals</td>
<td>10</td>
<td>25</td>
</tr>
</tbody>
</table>

CJR | AMI/CABG | SHFFT

$343 + $50M + $109M = $502M total CMS savings in 5 years
Current Landscape

**Question:** How will CMS reduce the growth of health care costs while promoting high-value, effective care?

**Answer:** Continue risk transfer from payer to provider via successful CMMI models (ACOs, Bundles, MACRA, star ratings for MA, etc.)

**Evidence:**
- “We note that, if the proposal to cancel the EPMs and CR incentive payment model is finalized, providers interested in participating in bundled payment models may still have an opportunity to do so during calendar year (CY) 2018 via new voluntary bundled payment models. Building on the BPCI initiative, the Innovation Center expects to develop new voluntary bundled payment model(s) during CY 2018 that would be designed to meet the criteria to be an Advanced APM.”

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ACOs are being used widely by commercial payers

- Commercial ACOs cover some 17.2 million beneficiaries, more than twice as many as Medicare ACOs.¹
- The total number of ACOs in the US is estimated at 200-300
- Seven of the ten largest ACOs in the US are commercial ACOs.²

¹ Muhlstein D and McClellan M; “Accountable Care Organizations in 2016. Health Affairs Blog April 21, 2016
**Current Landscape**

- Commercial health plans and private payers are accelerating the path toward value-based reimbursement and have developed **hundreds** of accountable care organizations.

- In 2014, two dozen insurers and health care providers announced their commitment to move 75% of their business to value-based contracts by 2020.
- Private payers are actively implementing the medical home model

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**Current Landscape**

Today’s double standard for health care providers:

- **Operating a FFS business model and financing it under an increasingly value-based reimbursement model**
- The delivery of care does **not match** the payment
- To bend the cost curve, payment must be tied to the WAY care is delivered in order to produce true value
  - PCPs
  - Specialists
  - Acute Care
  - Post-Acute Care (IRF, SNF, HHA, Hospice)
Road Map

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3 Future landscape

Strategies

• Establish governance and oversight
• Engage physicians
• Develop a post-acute network
• Invest in data analytics
Establish Governance and Oversight

- Steering Committee
  - C-suite, physician champion, finance, IT, service line leader, project manager
  - Avoiding “Death by meeting”
- Work groups
  - Acute, transitions, post-acute, data/IT/finance
- Research local market trends
  - Meet with payers and employers
- Developing organizational competencies around value-based reimbursement has been challenging
  - No single repository for applicable regulations
  - Final regulations can only be found by reviewing thousands of pages of complex CMS rules and policy statements in the Federal Register. Rules sometimes change without explanation.
  - Workloads continue to increase with little time to research the new regulations
  - There are over 1,100 quality metrics that may determine reimbursement levels

Engage Physicians

- Clinical decision making becomes key financial driver- new business model
- Standardize care, lower unwarranted variations, focus on complications and readmissions, drive down cost (Medicare and internal)
- Must have management systems in place to gather, analyze and share data with physicians
- Physician salary constitutes 20% of health care spending but the decisions they make influence an additional 60% of spending¹
- What about small, rural hospitals with only one specialist? Incenting n=1

¹Kaiser 2012
Developing a physician collaborator strategy

- Analyzing data for variation and impact
- Identify high-level systemic care redesign needs
- Identify collaborator quality guidelines
- Integrate leadership physicians in strategy process
- Gauge current level of interest
- Consider how their practice will be affected
- Evaluate potential internal cost savings
- Compliance (FMV, Stark, IRS excess benefit)

Challenges you may face

- Development challenges (Multi-group, employed and independent)
- Consensus on protocols and standardization
- Skepticism in data and measurement
- Concern with clinical decision making
- Perception of profit-sharing
- Lack of trust

Establishing trust with physicians

"Above all, success in business requires two things: a winning competitive strategy, and superb organizational execution. Distrust is the enemy of both. I submit that while high trust won't necessarily rescue a poor strategy, low trust will almost always derail a good one."

Stephen R. Covey, The Speed of Trust
Develop a post-acute strategy

Skilled Nursing Facilities

Invest in Data Analytics
Case Review: Elective Knee Replacement for a 79 yr-old Female

- May 3rd – surgery and admission to hospital
- May 5th – discharge to home with home health
- May 6th – readmission to a different hospital for heart failure exacerbation
- May 10th – discharge to skilled nursing facility
- June 24th – discharge to home

Part B Anesthesia: $314
Part B Physical: $2,349
Skilled Nursing: $21,433
Home Health: $3,179
Readmission: $5,615
Another hospitalization: $12,674
Other: $1,399

Total episode cost: $50,565*

$28,923 above target

Patient’s chronic conditions:
- Type 2 diabetes
- Heart failure
- Stroke with right-sided deficit
- Major depression and anxiety

*All related Medicare claims through episode date of August 2nd

Managing risk with data: Patients

Patient Demographics

Age vs Average Episode Total

Ethnicity

Type of Admission

Source of Admission

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Managing risk with data: Patients

Managing risk with data: Processes
Managing risk with data: Patients

**Filters**

- Year/Quarter
- Readmitted
- Discharge Location
  - Home
  - Skilled Nursing Facility
  - Other

**470 Non-Fracture: 202**

First discharge: HHA

Managing risk with data: Processes

**Impact of Anchor Start on Episode Total**

<table>
<thead>
<tr>
<th>Anchor Start</th>
<th>Episode Total</th>
</tr>
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<tbody>
<tr>
<td>Monday</td>
<td>$68,219</td>
</tr>
<tr>
<td>Tuesday</td>
<td>$55,291</td>
</tr>
<tr>
<td>Wednesday</td>
<td>$71,333</td>
</tr>
<tr>
<td>Thursday</td>
<td>$15,710</td>
</tr>
<tr>
<td>Friday</td>
<td>$35,967</td>
</tr>
</tbody>
</table>

**Filters**

- Year/Quarter
- Readmitted
- Discharge Location
  - Home
  - Skilled Nursing Facility
  - Other

First discharge: SNF and IRF
Managing risk with data: Physicians

Physician Dashboard

Road Map

1. Current landscape
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3. Future landscape
Commercial payers will be the movers and shakers

Patrick Conway is leaving CMS to head Blue Cross Blue Shield North Carolina

As director of CMS’ Innovation Center, Conway has helped lead the transition to value-based care.

Susan Morse, Associate Editor