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Bundled Payment
Compliance

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**“It’s too late
to read the
handwriting on
the wall when
your back is up
against it.”**

Anonymous

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Agenda

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- What is meant by bundled payment and why it is relevant?
- The various forms of bundled payment
- Compliance parameters in the voluntary BPCI program
- Compliance lessons translated by CMS into the mandatory models
- What does this mean for compliance going forward

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**What is
bundled
payment &
why now?**

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Episode bundling

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Traditional Fee-for-Service

Payment for each service regardless of quantity or quality

Bundled Payments

Payment for comprehensive, coordinated intervention

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How does payment work?

CJR Example

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STEP 1: CMS Sets Target Price

- Price is calculated based on 3 years of historical hospital-specific spending and regional spending for DRGs 469 and 470
- CMS then applies a discount of approximately 3 percent which can be reduced with the achievement of a high quality score.

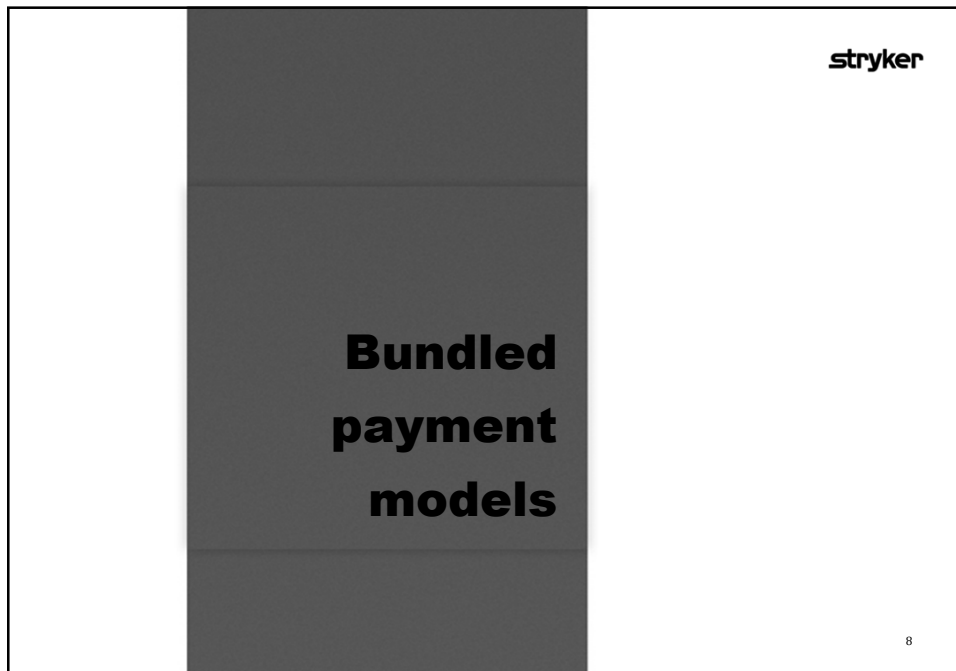
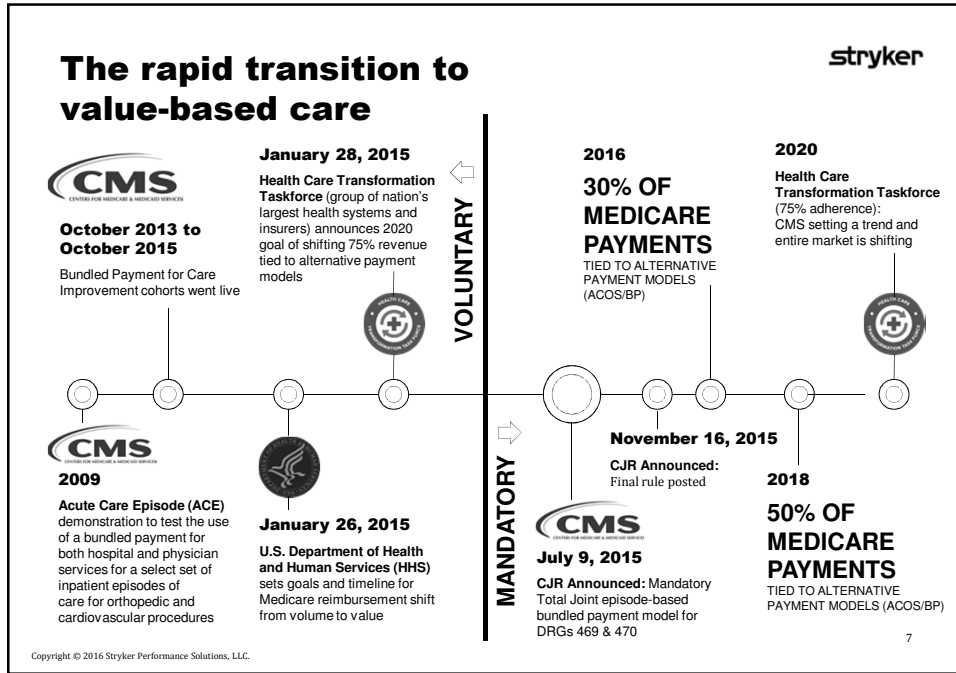
STEP 2: Payment as Usual

- CMS will continue to pay all Part A and Part B providers under the existing Medicare payment system for episode services provided throughout the year

STEP 3: Annual Reconciliation of Episodes

- CMS will compare the total cost of each episode that was initiated during the performance period to the target price and calculate a reconciliation amount.
- If the reconciliation amount is positive and the minimum quality score is achieved then Medicare will pay the difference to the hospital.
- If the reconciliation amount is negative then the hospital must repay the difference to Medicare.

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Bundled payment models

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- Bundled Payment for Care Improvement (voluntary)
 - January 1, 2014
 - Models 2-4
 - 48 episode families to choose from
 - July 1, 2017 (proposed)
 - Surgical Hip and Femur Fracture (SHFFT)
 - Acute Myocardial Infarction (AMI)
 - Coronary Artery Bypass Graft (CABG)
- Episode Payment Models (mandatory)
 - April 1 2016
 - Comprehensive Care for Joint Replacement (CJR)
 - Commercial bundles
 - Commercial payor
 - Direct to employer

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Mandatory bundles – What are the implications?

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Hospitals are REQUIRED to bear financial risk.

- CJR is CMS's first proposed **mandatory** bundled payment program extending across multiple providers and settings.
- Unlike other payment models (i.e. Pioneer ACO & MSSP), CJR firmly establishes the **hospital** as the sole stakeholder accountable for costs over the entire care continuum.

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CJR participating MSAS

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The rising bar of CJR

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	INCREASING RELIANCE ON REGIONAL PERFORMANCE →				
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Risk Model	Limited upside potential only	Limited upside and downside	More upside and downside risk	Maximum allowable upside and downside risk	Maximum allowable upside and downside risk
Historical HOSPITAL Performance Weighting	66.6%	66.6%	33.3%	0%	0%
Historical REGIONAL Performance Weighting	33.3%	33.3%	66.6%	100%	100%
Range for Discount used for Reconciliation Amount; Determined by Composite Quality Score	N/A	1.5%–3%*	1.5%–3%*	1.5%–3%	1.5%–3%
Loss/Gain Cap	No loss 5% gain cap	5% loss cap 5% gain cap	10% loss cap 10% gain cap	20% loss cap 20% gain cap	20% loss cap 20% gain cap

* The discount for repayment amount purposes is 1% lower in years 2 and 3, effectively 0.5% - 2%.

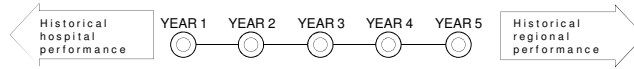
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The rising bar of CJR



Hospitals will be pressured to improve their baseline episode performance to outpace the rest of their region



Regional markets will become increasingly competitive as bundled payment programs, including BPCI, continue to evolve and drive target prices down

For those who can't compete, we expect to see:

- Joint programs marginalized
- Consolidation
- Unprofitability



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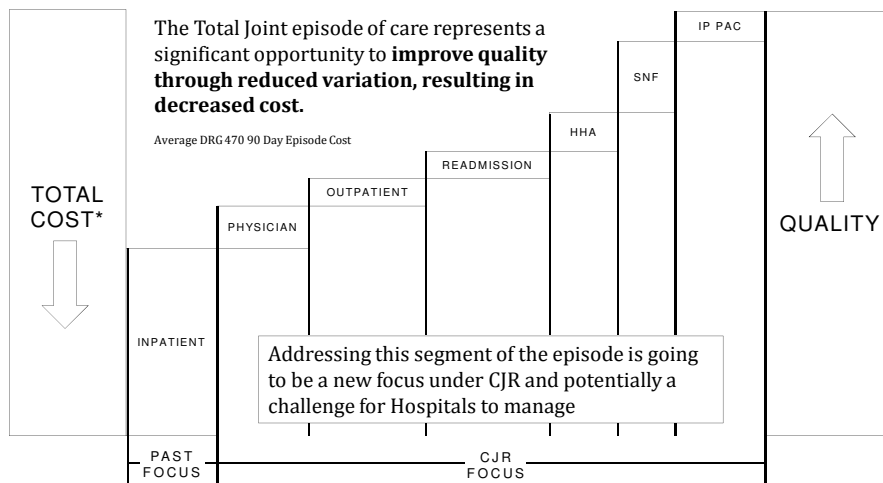
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Optimizing the orthopedic value chain



The Total Joint episode of care represents a significant opportunity to **improve quality through reduced variation, resulting in decreased cost.**

Average DRG 470 90 Day Episode Cost



* Cost to Medicare

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**Compliance
in bundled
payment**

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BPCI compliance requirements

General Program Compliance

- Convener and EI compliance plans that include BPCI
- Governance structure for BPCI
- Quarterly document submitted to CMS outlining the BPCI program in laborious detail
- Established quality metrics for gainsharing that are approved by CMS
- Quarterly submission to CMS for gainsharing screening
- Quarterly submission of quality elements to a CMS subcontractor (The Lewin Group)
- Convener oversight of gainsharer compliance
- Annual compliance training
- Annual compliance attestation to CMS

Hospital Beneficiary Notification

- Patient notification upon index admission
 - Does not require patient signature and you do not have to produce a list of patients that have received it
 - Have to prove process in place

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Lessons learned

From BPCI

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CJR compliance requirements

CMS may add 25% to a repayment amount on a participant hospital's reconciliation report if the participant hospital fails to timely comply with a corrective action plan or is noncompliant with the model's requirements.

General Program Compliance

- Hospital compliance plan that includes CJR
- Board level oversight of CJR
- Written policies for selection of collaborators with established quality criteria
- Hospital oversight of compliance with collaborators

Hospital Beneficiary Notification Compliance

- Patient CJR education upon admission
- Patient notification of PAC provider options

Collaborator Beneficiary Notification Requirements

1. **CJR Physician**
Required to provide written notice of the structure of the CJR model and the existence of the sharing arrangement with the hospital at the time the decision for surgery is made
2. **CJR PAC Provider/Supplier**
Required to provide written notice of the existence of the CJR sharing arrangement with the hospital at the time the beneficiary first receives services during the episode

Collaborator Compliance Plan

- Collaborators must have their own compliance plan in place related to CJR

Hospital Website Requirement

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- Document submission
- Audit trails (anticipate an audit)
- Quality measurement on a population subset
- Gainsharing regulations
- Use of waivers in bundled payment
 - 3 day SNF waiver
 - Telehealth
 - Home visit
- Beneficiary protections
- Compliance training

What is the role of Compliance in your organization?

Does the scope need to expand?

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Are you prepared for 2017? stryker

**Will you be running simultaneous models?
Do you understand the compliance implications?**


In BPCI for Lower Extremity Joint Replacement


- In a CJR MSA but exempt from CJR to date
- Now subject to SHFFT
- Also may be in a cardiac MSA

In BPCI for Lower Extremity Joint Replacement

- Not in a CJR MSA so exempt from CJR and SHFFT
- In a cardiac MSA

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<h1>Thank You!</h1>	<p>Questions: Contact Robyn McGann, BSN, MBA</p> <p>Robyn.mcgann@stryker.com (602) 717-5355</p>
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