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
Agenda

• 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

What is bundled payment & why now?
Episode bundling

<table>
<thead>
<tr>
<th>Traditional Fee-for-Service</th>
<th>Bundled Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment for each service regardless of quantity or quality</td>
<td>Payment for comprehensive, coordinated intervention</td>
</tr>
</tbody>
</table>

**CJR Example**

**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.
The rapid transition to value-based care

October 2013 to October 2015
Bundled Payment for Care Improvement cohorts went live

2009
Acute Care Episode (ACE) demonstration to test the use of a bundled payment for both hospital and physician services for a select set of inpatient episodes of care for orthopedic and cardiovascular procedures

January 28, 2015
Health Care Transformation Taskforce (group of nation’s largest health systems and insurers) announces 2020 goal of shifting 75% revenue tied to alternative payment models

2016
30% OF MEDICARE PAYMENTS TIED TO ALTERNATIVE PAYMENT MODELS (ACOS/BP)

2020
Health Care Transformation Taskforce (75% adherence): CMS setting a trend and entire market is shifting

November 16, 2015
CJR Announced: Final rule posted

July 9, 2015
CJR Announced: Mandatory Total Joint episode-based bundled payment model for DRGs 469 & 470

2018
50% OF MEDICARE PAYMENTS TIED TO ALTERNATIVE PAYMENT MODELS (ACOS/BP)

2020 Health Care Transformation Taskforce (75% adherence): CMS setting a trend and entire market is shifting

Acute Care Episode (ACE) demonstration to test the use of a bundled payment for both hospital and physician services for a select set of inpatient episodes of care for orthopedic and cardiovascular procedures

November 16, 2015
CJR Announced: Final rule posted

January 26, 2015
U.S. Department of Health and Human Services (HHS) sets goals and timeline for Medicare reimbursement shift from volume to value

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Bundled payment models

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

Mandatory bundles – What are the implications?

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.
**CJR participating MSAS**

The rising bar of CJR

<table>
<thead>
<tr>
<th>Risk Model</th>
<th>YEAR 1</th>
<th>YEAR 2</th>
<th>YEAR 3</th>
<th>YEAR 4</th>
<th>YEAR 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Historical HOSPITAL Performance Weighting</td>
<td>66.6%</td>
<td>66.6%</td>
<td>33.3%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Historical REGIONAL Performance Weighting</td>
<td>33.3%</td>
<td>33.3%</td>
<td>66.6%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Range for Discount used for Reconciliation Amount; Determined by Composite Quality Score</td>
<td>N/A</td>
<td>1.5%–3%*</td>
<td>1.5%–3%*</td>
<td>1.5%–3%</td>
<td>1.5%–3%</td>
</tr>
<tr>
<td>Loss/Gain Cap</td>
<td>No loss</td>
<td>5% gain cap</td>
<td>10% loss cap</td>
<td>20% loss cap</td>
<td>20% loss cap</td>
</tr>
<tr>
<td></td>
<td>5% gain cap</td>
<td>10% gain cap</td>
<td>20% gain cap</td>
<td>20% gain cap</td>
<td></td>
</tr>
</tbody>
</table>

* 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

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.

Addressing this segment of the episode is going to be a new focus under CJR and potentially a challenge for Hospitals to manage.
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
Lessons learned

From BPCI

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**
Other compliance considerations

- 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?

Are you prepared for 2017?

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
Thank You!
Questions:
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Disclaimer

- As used in this presentation: (1) "BPCI" refers to Medicare’s Bundled Payments for Care Improvement (BPCI) initiative; and (2) the “Proposed Rule” or “CJR” refers to Medicare’s Comprehensive Care for Joint Replacement Model, 42 CFR Part 510. All terms used in this presentation and not defined herein shall have the same meaning as those terms as used or defined by Medicare’s Bundled Payments for Care Improvement initiative and Medicare’s Comprehensive Care for Joint Replacement Model, 42 CFR Part 510.

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