Early Learnings from the Bundled Payment Acute Care Episode Demonstration Project

July 2010

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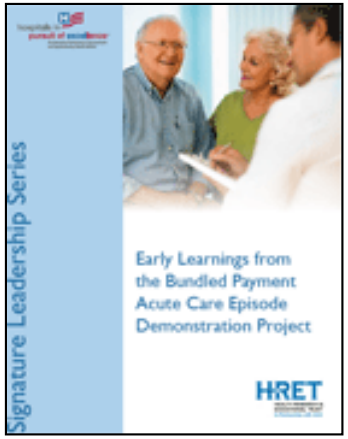

Hund C, Joshi M, *Early Learnings from the Bundled Payment Acute Care Episode Demonstration Project*. Health Research & Educational Trust, Chicago, IL. July 2010 (Updated April 2011). Access at http://www.hret.org/reform/projects/acute-care-episode-demonstration-project.shtml.

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ACE Demo Project Assumptions

- Project by the Centers for Medicare and Medicaid Services (CMS)
  - Beneficiaries have to be both Part A and Part B Medicare fee for service.
  - Program utilizes a bundled payment system from admit to discharge, to include all related inpatient services.
  - The program focuses on either orthopedic MS-DRGs or cardiac MS-DRGs (or both).

Project Goals

- Improve coordination and quality of care
- Align incentives between hospitals and physicians using bundled payment and other incentives
- Designate *Value-Based Care Centers*
- Provide financial incentive for Medicare beneficiaries

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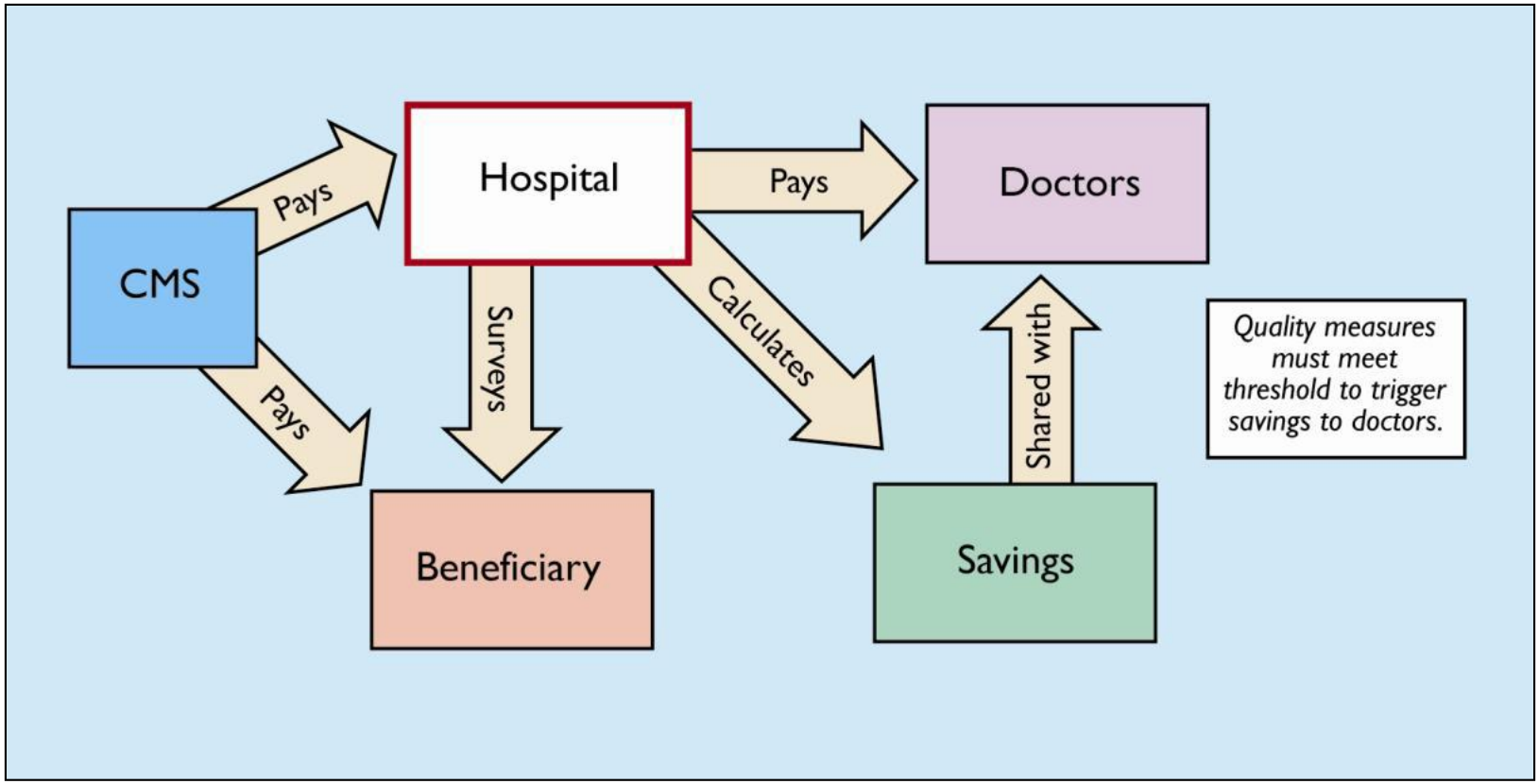
ACE Demo at Hillcrest Hospital



How the ACE Demo Works at Hillcrest Hospital

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ACE in Action at Hillcrest

- Board of Managers meets quarterly and consists of three committees:
  - Finance committee: monitors cost savings needed to be successful
  - Quality committee: monitors quality data used to trigger payments to doctors (quality metrics are national)
  - Gain sharing committee (includes patient advocate): ensures gain sharing requirements

Beneficiary Outreach and Marketing

- Outreach to beneficiaries
  - Traditional forms of media (e.g., newspaper, radio, TV) and includes contact number for patients to call with questions
  - Less traditional forms of advertisements (e.g. orthopedists held symptom-based seminars and followed up with phone call)
- Outreach to physicians
  - Educational sessions for physicians on eligibility, program goals and benefits

Outreach and Marketing: Lessons Learned

- Advertisements can drive up volume on the orthopedic side - not on cardiac side
- Symptom-based seminars also drive up volume – 10% - 25% of attendees came in for appointment
- For cardiac MS-DRGs, patients typically went to the facility where they had an established physician relationship or brand recognition of the facility
- Best way to reach patients with cardiac MS-DRGs was through their cardiologists and physicians

Incentives

- Orthopedic physicians are an independent group and are eligible to receive share of the savings.
- Cardiologists are employed and do not receive direct payment, but do benefit from money set aside for cardiac-related initiatives.
- Physicians benefit from higher volumes and increased attention from marketing group, interested media and the public.

Incentives

- Hospital incentives - working closely with CMS, being early adopters, and continuous scrutiny of processes to improve quality/reduce costs
- Patient incentives – maximum patient incentive payment of $1,157 from CMS
- Other patient incentives – improved quality, care coordination, and outcomes

Incentives: Lessons Learned

- By not lowering the reimbursement levels for physicians, there will be physician support.
- Lean processes and focus on outcomes has led to a better patient experience.
- Patients do not list financial incentives as reason for choosing the hospital.
- Patients seem more interested in the fact that the hospital has been validated as a good place for treatment by CMS.
- Conversely, CMS term “value based” provides perception to some that services are slightly less than highest quality

Case Management

- Role of case managers in ACO Demo
  - Identifies all eligible patients and feeds them into program
  - Follows traditional RN case management model by giving quality service to patient
  - Facilitates and coordinates staff to better serve patient
  - Communicates program expectations to patient
  - Explains that program will not impact future Medicare benefits
  - Communicates post-hospitalization

Case Management: Lessons Learned

- Case managers must be proactive in identifying eligible cases early so they can get into the demo as soon as possible
- Patients often believe they should receive full financial benefit when, in fact, case managers need to explain $1,157 is maximum benefit
- Many cardiac MS-DRGs have lower levels of patient incentive payment
- Post-hospital communication is key to continuing patient understanding of the project and may help in reducing readmissions

Materials Management

- Many supplies in cardiac/orthopedic MS-DRGs considered physician preference items
- Main source of savings - reconstructing the system for selecting supplies
- Lessons learned:
  - Physicians will steer towards lower cost when they see cost of supplies
  - Physician brand loyalty is replaced by financial and clinical consideration
  - ACE is a bargaining tool because vendors know they can move market share
  - It is more useful to look at supplies through the lines of MS-DRG instead of product line

Advice to the Field

- Construct a framework before beginning and include quality improvement initiatives, cost-accounting systems, and robust data warehouse
- Getting more patient volume isn't as important as getting market share through renegotiation of contracts with supply vendors
- Bring physicians on board early to drive cost-cutting measures, quality metrics, and negotiations with suppliers
- Understand that monetary incentives do not drive patients to choose a hospital
- Hire a full-time case manager to track all patients from admission to discharge
- Having prior health plan experience is a plus

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