Agenda

- Bundled Payment 101
- Why Bundled Payment is Important
- Options for Implementing Bundled Payment
- Getting Started
Bundled Payment 101

Bundled Payment Model
A bundled payment program creates unique new opportunities for key specialists and acute care providers to benefit from improved care transition and coordination efforts.

- Multiple available designs
- 30, 60 or 90-days
- Tied to specific DRGs or procedures
- All-cost/Treatment-related cost
- One price paid to bundle owner
- Physician gainsharing opportunity
Bundled Payment 101

Bundled payment appears to have the highest potential to reduce costs.

Projected Impact of Various Payment Reform Initiatives

2010 - 2019

Bundled Payment 101

Bundled payment initiatives are rapidly expanding across the country.

Maps of Various Payment Reform Initiatives

Comprehensive Care for Joint Replacement

Bundled Payment for Care Improvement

Commercial Bundled Payment Programs
Over 6,500 providers applied to the Medicare Bundled Payment for Care Initiative (BPCI) program, representing approximately $47 billion of Medicare spending.

**Medicare Bundled Payment Market Size**

**Medicare Dollar Breakdown**
- $293.8
- $278.7
- Total: $572.5B

**Current BPCI Applicant Pool**
- $47

**Program Uptake Range**
- 15%: $7.1
- 25%: $11.8
- 40%: $18.9

70% of Medicare inpatient & post-acute spend is available within BPCI

6,667 providers have applied to the program

360 Awardees and 1,755 Episode Initiators
Why Bundled Payment is Important

Engage the specialists
- Bundled payment programs turbocharge ACO performance
- Specialists control 60-70% of benefit spend
- Hedge on increasing power of large PCP-driven networks

Manage network trend
- Improves overall network performance within current contract year
- Helps with the next round of contracting
- Shared savings opportunity for at-risk payer

Bundled payments are here now
- Dozens of providers are participating in BPCI – including ACO participants
- Significant interest from non-BPCI provider groups as well
- Real early-mover advantages

Keep pace with competitors
- Other at-risk entities are actively exploring bundled payment programs
- Pilots across the country include plans, self-funded employers and states

Synergies with other APM
- Bundled PPO product offers unique non-attribution based risk program
- Bundled payments sync well with tiered benefit designs
- Straightforward way to promote transparency and engage consumers
Options for Implementing Bundled Payment

**Contract**
- Get a contract in the market
- Similar to BPCI, ACOs and non-ACOs can participate
- Let the providers choose how they want to participate

**ACO Toolkit**
- Empower ACOs to use bundled payment methods to improve and monitor referral networks
- Bundled payment reporting provides an easy and useful paradigm for identifying high-quality and efficient specialist providers
- Facilitate the design of more accountable specialist compensation models

**Bundled PPO Product**
- Use bundles as the value engine of a new insurance product
- Increase consumer transparency
- Offer an approach outside of the PCP attribution model
I. Contract - Identifying Opportunity

In BPCI & CCJR we see significant variation in the cost of a bundle across providers, clinical conditions and regions. BCBS Association has shown this holds for commercial payers as well.

**Major Joint Replacement (DRG470) Bundle Price Benchmarking**

Source: Archway BPCI Pricing files.
There are a variety of options for implementing a bundled payment pilot. Gaining experience is critical for both the provider and payer.

**Contract Options**

**Shared Savings**
- Reduces risk to the provider
- Arkansas, Tennessee, Ohio Medicaid

**Treatment-Specific Bundles**
- Fixed price, costs associated with treatment only
- BCBS North Carolina – 210-Day pre/post Knee Replacement
- United Healthcare – Cancer bundles based on stage

**All Cost Bundles**
- Largest opportunity for savings
- Geisinger – 90-day CABG
  - Pricing based on initial procedure + 50% of 90-day historical cost
I. Contract – Bundle Definitions

Publicly available bundle definitions make implementing a bundled payment pilot easy and low-cost.

**Public Bundle Definitions**

**HCI3 Evidence-informed Case Rate®**

- 84 bundle definitions including Acute, Chronic and Procedural

**Bundled Payment for Care Improvement**

- 48 bundle definitions (inpatient-only)
- [https://innovation.cms.gov/initiatives/bundled-payments/](https://innovation.cms.gov/initiatives/bundled-payments/)

**State Medicaid Programs**

- Ohio, Tennessee, Arkansas
- [http://medicaid.ohio.gov/Portals/0/Providers/PaymentInnovation/Episode-Definitions.pdf](http://medicaid.ohio.gov/Portals/0/Providers/PaymentInnovation/Episode-Definitions.pdf)
I. Contract - Real World Impact

When bundled payment programs are well managed we expect providers to more than double their revenue per case.

**Bundled Payment Performance – BPCI Experience**

*Average Skilled Nursing Days/Case*

*First 2 Performance Quarters*

- **Baseline Period**: 10.7
- **BPCI Performance Period**: 3.7

$3,200 of Savings per Case
II. Bundled Payment ACO Toolkit

A simple approach is to utilize the bundled payment tools to assist ACOs to better manage their downstream providers.

- Bundle driven opportunity and benchmark analysis
- Value-oriented referral relationships
- Specialist compensation model design
  - Preferred provider relationships
  - Gainsharing design and contract templates
  - Quality metrics
  - Full bundle ownership
- Real-time patient tracking dashboards during the episode of care
- Prospective and retrospective performance reporting
Cost Breakdown by Episode

COPD – 90 Days

COPD Bundle Price: $22,203 | Hospital A COPD Avg Cost:
II. Bundled Payment ACO Toolkit – Physician Episode Patterns

Other Joint: CPTs 27447, 27130, 27125 (Left) vs Hemi: CPT 27236 (Right)

Source: CMS BPCI claims data. 30-day bundles. Episodes identified through attending physician excluded (1).
II. Bundled Payment ACO Toolkit – Preferred Provider Analysis

Skilled Nursing Facility
Mean Episode Costs

90 Day Episodes
II. Bundled Payment ACO Toolkit – Preferred Providers

Preferred provider benchmarking analysis to identify preferred providers on quality and cost is critical to controlling downstream spending.

<table>
<thead>
<tr>
<th>Facility</th>
<th>Episode Volume</th>
<th>LOS Score</th>
<th>Readmit Score</th>
<th>Facility Cost Score</th>
<th>Episode Cost Score</th>
<th>Total Score</th>
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<tbody>
<tr>
<td>HANCOCK PARK REHABILITATION &amp; NURSING CENTER</td>
<td>120</td>
<td>0.74</td>
<td>0.46</td>
<td>0.73</td>
<td>0.85</td>
<td>0.64</td>
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<tr>
<td>HARBOR HOUSE NURSING &amp; REHABILITATION CENTER</td>
<td>123</td>
<td>0.69</td>
<td>0.80</td>
<td>0.75</td>
<td>0.87</td>
<td>0.76</td>
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<tr>
<td>SOUTHWOOD AT NORWELL NURSING CTR</td>
<td>135</td>
<td>0.67</td>
<td>1.02</td>
<td>0.58</td>
<td>0.77</td>
<td>0.81</td>
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<tr>
<td>LINDEN PONDS</td>
<td>147</td>
<td>0.84</td>
<td>0.87</td>
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<td>0.93</td>
<td>0.86</td>
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<tr>
<td>BAY PATH AT DUXBURY NURSING &amp; REHABILITATION CTR</td>
<td>137</td>
<td>1.14</td>
<td>0.55</td>
<td>1.15</td>
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<td>LIFE CARE CENTER OF THE SOUTH SHORE</td>
<td>155</td>
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<td>0.62</td>
<td>1.17</td>
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<td>0.91</td>
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<td>ROYAL NORWELL NURSING &amp; REHABILITATION CENTER LLC</td>
<td>140</td>
<td>1.03</td>
<td>0.85</td>
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<td>1.05</td>
<td>0.96</td>
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<tr>
<td>JOHN SCOTT HOUSE NURSING &amp; REHABILATION CENTER</td>
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<td>0.80</td>
<td>1.19</td>
<td>0.72</td>
<td>1.22</td>
<td>0.99</td>
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</table>

CMS claims data is analyzed for each provider.

Quality and cost metrics are compared to state and national averages to generate a score for each provider.

Sample Preferred Provider Benchmarking Report

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90 day Hospital-initiated bundles from 11/1/2013 - 10/31/2014

XYZ Hospital

Skilled Nursing Facility Analysis

CMS claims data is analyzed for each provider.

Quality and cost metrics are compared to state and national averages to generate a score for each provider.
Bundled payment program management is simple if you can answer the following 4 questions.

- Where are my patients today?
- Are they on track with their care plan?
- Are we on budget?
- Do we need to intervene to help the patient get back on track or change the care plan?
II. Bundled Payment ACO Toolkit - Episode Status Dashboard

Having a **real time dashboard** enables risk bearing providers to track where their bundled payment patients are as well as their resource utilization in real time.

<table>
<thead>
<tr>
<th>Patient</th>
<th>Practice</th>
<th>Procedure</th>
<th>Bundle</th>
<th>Surgeon</th>
<th>Hospital</th>
<th>Last Update</th>
<th>Flags</th>
<th>Action</th>
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<tbody>
<tr>
<td>Ray Chanelles</td>
<td>NORTHEAST ORTHOPEDIC &amp; SPORTS MEDICINE, PLLC</td>
<td>Hip replacement</td>
<td>Major joint replacement of the lower extremity</td>
<td>Anup</td>
<td>WINCHESTER HOSPITAL</td>
<td>9/9/15 12:00 AM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Xenia, Kronos</td>
<td></td>
<td>Arthroscopy</td>
<td>Major joint replacement of the lower extremity</td>
<td>Deepshah</td>
<td>NORTH SHORE UNIVERSITY HOSPITAL</td>
<td>9/9/15 11:16 PM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Antigonus, Alexis</td>
<td></td>
<td>Ganglionectomy</td>
<td>Double joint replacement of the lower extremity</td>
<td>Deepshah</td>
<td>BAYVIEW HEALTH CARE [SNF]</td>
<td>9/9/15 11:20 PM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Middle</td>
<td>Excel Orthopaedic Specialists, Inc.</td>
<td>TestProc</td>
<td>AICD generator or lead</td>
<td>Deepshah</td>
<td>MERCY MEDICAL CENTER</td>
<td>9/9/15 3:00 AM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Last</td>
<td></td>
<td>Phineectomy</td>
<td>Major joint replacement of the lower extremity</td>
<td>Deepshah</td>
<td>NORTH SHORE UNIVERSITY HOSPITAL</td>
<td>9/9/15 11:16 PM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Olympus, Damon</td>
<td></td>
<td>Hip replacement</td>
<td>Major joint replacement of the lower extremity</td>
<td>Michael</td>
<td>WINCHESTER HOSPITAL</td>
<td>9/9/15 12:00 AM</td>
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<td></td>
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<tr>
<td>Mike Munchak</td>
<td>Northeast Orthopedic Associates Inc. dba Greater Boston Orthopaedic Center</td>
<td>Hip replacement</td>
<td>Major joint replacement of the lower extremity</td>
<td>Michael</td>
<td>WINCHESTER HOSPITAL</td>
<td>9/9/15 12:00 AM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europa, Samale</td>
<td>Excel Orthopaedic Specialists, Inc.</td>
<td>Tonsillectomy</td>
<td>Double joint replacement of the lower extremity</td>
<td>Deepshah</td>
<td>NYACK HOSPITAL</td>
<td>8/2/15 3:00 AM</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Month</th>
<th>Physician</th>
<th># of episodes</th>
<th>% of total</th>
<th># of Patients sent to SNFs</th>
<th>% of Patients sent to SNFs</th>
<th>SNF LOS (avg)</th>
<th>Care Plan projected costs (avg)</th>
<th>Estimated costs to date (avg)</th>
<th>Estimated Price</th>
<th>Performance Per Episode (avg)</th>
<th>Total Estimated Performance</th>
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<tr>
<td>October</td>
<td>Susan Lebon</td>
<td>6</td>
<td>55%</td>
<td>1</td>
<td>16.67%</td>
<td>$16,692</td>
<td>$15,808</td>
<td>$25,000</td>
<td>$9,192</td>
<td>$10,462</td>
<td>$52,308</td>
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<tr>
<td></td>
<td>Nick Rhodes</td>
<td>5</td>
<td>45%</td>
<td>1</td>
<td>20%</td>
<td>$20,808</td>
<td>$14,538</td>
<td>$25,000</td>
<td>$10,462</td>
<td>$10,462</td>
<td>$52,308</td>
</tr>
</tbody>
</table>

**Subtotal** 11 100% 2 18%  $107,462
III. Bundled Payment PPO Product - Beyond the ACO

Specialist engagement & accountability, driven by bundled payment initiatives, have the potential to reduce trend even further within traditional global cap programs.

Payment Reform Value Progression

- Fee-for-Service
- Pay-for-Performance
- Select Bundles
- Shared Savings
- Global Cap
- Global Cap + Bundles
- Bundle-Driven PPO

Provider Driven Demand

Consumer Driven Demand
III. Bundled Payment PPO Product - Overview

Develop & manage a comprehensive product that can be delivered to PPO membership.

**Primary Care Services**
- Traditional PCPs
- Urgent Care Centers
- Convenience Care
- Remote Care – (Web, Telehealth)

**Bundled Specialty Services**

<table>
<thead>
<tr>
<th>Orthopedics</th>
<th>Hip &amp; Knee Replacement</th>
<th>Spine Procedures</th>
<th>Sports Procedures</th>
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</thead>
<tbody>
<tr>
<td>Urology</td>
<td>TURPs</td>
<td>Bladder Surgery</td>
<td>UTI</td>
</tr>
<tr>
<td>Obstetrics</td>
<td>Normal Deliveries</td>
<td>High Risk Deliveries</td>
<td>Neonates</td>
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<tr>
<td>Gastroenterology</td>
<td>Endoscopy</td>
<td>Bowel Obstruction</td>
<td>Cholecystectomy</td>
</tr>
<tr>
<td>Cardiology</td>
<td>AMI</td>
<td>CABG/PTCA</td>
<td>CHF</td>
</tr>
<tr>
<td>Cancer</td>
<td>Breast</td>
<td>Lung</td>
<td>Colorectal</td>
</tr>
<tr>
<td>Chronic Care</td>
<td>Diabetes</td>
<td>COPD</td>
<td>CHF</td>
</tr>
</tbody>
</table>

**Other Services**
- Un-Bundled Specialty Care
- Out of Network Services
- Emergency Care
- Sub-Specialty Services

**PPO Product Elements**
- No PCP gatekeeper
- Bundled Payment Value Engine
  - Bundle specific quality metrics
  - Bundle pricing w/ warranties
  - Outlier protections
    - May need to start with shared savings model
- Patient incentives
  - Shared patient savings if bundled specialists are chosen
  - Out of network options at higher cost
- Aligns well with high deductible and Tiered Co-Pay plans
Sources of Savings

Pricing variability
- High priced hospitals vs. lower priced hospitals
- Inpatient vs. outpatient care
- Hospital outpatient vs. freestanding outpatient services

• Resource utilization
  - Post-acute services
  - Diagnostics
  - Coordinated care

Source: A Study of Cost Variations for Knee and Hip Replacement Surgeries in the U.S.
III. Bundled Payment PPO Product - Quality

Bundled payment enables focused, condition specific quality and outcomes measures.

**Condition Specific Quality Metrics**

- Patient reported health status
  - Patient goals
  - Physical function
  - Quality of life
- Clinical measures
  - Complications
  - Readmissions
  - Key clinical stats
- Patient satisfaction
  - Provider communication
  - Overall experience
- Employer measures
  - Back to work
  - Physical function

**Hip & Knee Osteoarthritis ICHOM Standard Set**

Source: International Consortium for Health Outcomes Measurement (ICHOM)
Getting Started: Three Step Process

I
Generate Claims
Data Extract

II
Review Bundled
Payment
Opportunity
Analysis

III
Select Bundles
for Contracting
Getting Started - Generate Data Extract

Static Dataset
- No ETL process required
- Use a previously existing data extract

Specifications
- Select the time period and population of extract
- Three years and volume preferred
Getting Started - Review Bundled Payment Opportunity Analysis

**Bundle Engine**
- Assign claims to bundles and analyze the data for opportunities

**Opportunity Analysis Report**
- Bundle Opportunity Analysis report
- Includes total bundle opportunity for select bundles
- Average cost estimates by:
  - Bundle
  - Provider
  - Referral Network

**Review**
- Review and select high-priority episodes
Getting Started - Select Bundles for Contracting

Bundle Selection
- Select one or more bundles for contracting

Offer Price Selection
- Identify bundle specification and discounted “offer price”

Contracting
- Negotiate contracts with providers
- Share data with providers!
Questions?

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Archway Health
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617-458-1992