

Bundled Payments for Spine Surgery

Paul J. Slosar, M.D.
SpineCare Medical Group
San Francisco Spine Institute

Disclosures

- Consultant: Episode Solutions, LLC

Why is he giving this talk?

- President of SpineCare Medical Group
- 20 yrs. practicing Tertiary Spine Center
- Trained over 25 spine fellows
- Extensively published in Peer journals

- Began losing sleep several years ago when all this talk about the end of fee for service and the replacement with Bundled Payments

- Spent the last 4 years on a deep-dive into the subject
 - Webinars
 - Articles
 - Conversations with experts and emerging leaders in field
- BPCI participant
- Created Spine Specialty Network
 - Northern California Spine Specialists, IPA

BECKER'S
SPINE REVIEW

- "Most spine practices have a great depth of talent in working traditional fee-for-service reimbursement strategies but have neither the experience nor capacity to negotiate, or manage, favorable bundled payment terms from payers."

Paul Slosar, MD

Overview

- Concepts/ Definitions
- Market Force Drivers
- Government Policies Driving Change
- Spine: Surgeons and Surgeries
- Current Intersection of Spine and Bundled Payments
- Risk/ Reward Opportunities
- Emerging Companies/ Alignments

Definition

- Bundled Payment
 - single comprehensive payment made to healthcare providers—hospitals and physicians—for a group of related services, based on the expected costs for a clinically defined *episode of care*.
 - Term is often misrepresented
 - *Devil is in the details*

“Bundle” (like an Accordion)

- Narrow to Large Windows of Risk Exposures
 - Dollar\$
 - » Professional fee
 - » Anchor Admission
 - » Post-DC care
 - » Re-admission
 - Time-frames
 - » 0-30 days pre-admit
 - » 30-60-90-120 days post-op



Episode Of Care

- All services provided to a patient with a specific diagnosis- “Episode”
 - within a *specific period* of time
 - across a continuum of care
 - Surgical
 - Hospital
 - Post-Discharge
 - Re-admission
 - in an integrated system

Market Forces

- Federal Government
 - ACA
 - HHS/ CMS
 - BPCI
 - Sustained Growth Rate (SGR) Repeal
- Self-insured
 - Testing Bundled Payment programs
- Commercial Insurance
 - Pilot programs
 - Joints/ Spine/ Cardiology

Policy Announcements: HHS/ CMS

- Provider, payer communities react to HHS value-based payment initiative
 - “Reaction was mixed to Monday's news that the U.S. Department of Health and Human Services intends to aggressively shift Medicare provider payments from FFS model to a system based more on quality and improved patient outcomes.”
 - “Most appear to take wait-and-see attitude”

FierceHealthcare January 2015

Better Care. Smarter Spending. Healthier People: Paying Providers for Value, Not Volume

HHS Goals

- 30 percent of Medicare payments in alternative payment models by the end of 2016
- 50 percent by the end of 2018.
 - Achieved through investment in alternative payment models
 - Accountable Care Organizations (ACOs)
 - Medical Home models
 - Bundling payments for episodes of care, and integrated care demonstrations
- Overall, HHS seeks to have 85 percent of Medicare fee-for-service payments in value-based purchasing by 2016 and 90 percent by 2018.

CMS.gov

January 2015

Policy Announcements: SGR Repeal Legislation

- What the SGR repeal means for value-based payment models
 - **Speed transition away from FFS to Value-based**
 - Physicians may not be thinking about what the SGR repeal means in the long-term, beyond the fact that they no longer have to worry about Medicare reimbursement cuts.
 - But ignoring the *bill's implications for the shift to value-based payments* would be a "big mistake"

FierceHealthcare

Blair Childs, senior VP Premier Inc.
April 2015

Original Interval Cost Savings Programs (CMS)

- ACO's and Medicare Shared Savings Programs
- Fraud and Abuse laws
 - Waivers needed to create MD financial alignment
 - Partner with and Share savings \$ with hospitals
- MD Financial benefit results in behavior change

HHS extends Stark, anti-kickback waivers to BPCI

- Enables innovative business arrangement between Physician Practice Group (PGP) and Hospital
- Enables Hospital to utilize Convener to allocate and distribute ICS and bundle savings to Individual MDs and physician practice groups ("PGP")
- Enables PGP to allocate and distribute ICS and bundle savings to individual docs through Convener

Who are the Provider Players in Medicare Bundles?

- MDs
- Hospitals
- Hospitalists
- SNFs
- Home Health Agencies
- GPOs
- ASCs
- Implant/ Device manufactures

Why so many Players?

Complex delivery System with many moving parts

- Business entities
 - Hospitals/ ASCs/ Devices/ GPOs
 - Playing for CONTROL \$\$
 - Interact with Policy makers
 - Witnessed the landscape shift early
 - Change = *Opportunity*
- Physician entities
 - Too busy taking care of patients to attend policy meetings
 - Don't understand this landscape (wiring issues)
 - Don't realize it has already changed
 - Change = *More Challenges and problems*

BECKER'S SPINE REVIEW

- "I have concluded that spine practices will need business partners to represent their groups in order to negotiate and generate profits from bundled payment strategies,"
– Paul Slosar, MD

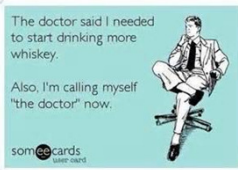


Spine Surgeons and Value

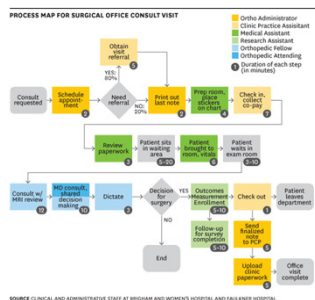
- Essential to understand that the SURGEONS are the VALUE ASSET in this new paradigm
 - Those surgeons that don't, will be manipulated
 - Manipulated surgeons ultimately become *Uncooperative surgeons*

Spine Surgeons and Value

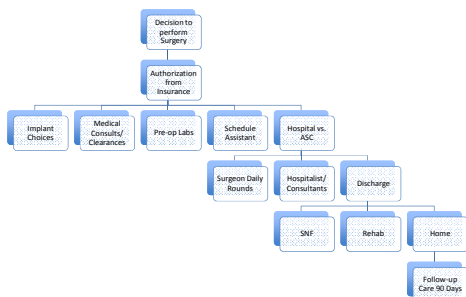
- Harness the power of surgeons
 - Clinical Decision-makers
 - Point of contact and reference for Patients
 - **Nothing happens unless a surgeon writes (or doesn't write) an order**

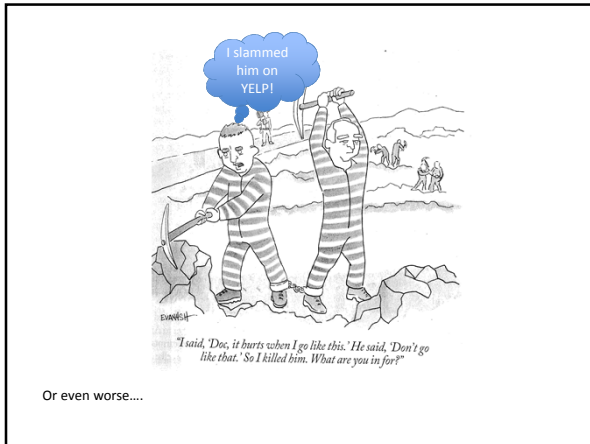


Steps in an Initial Surgeon Consult



Spine Surgery Work Flow (Episode)





Spine Surgery The Basics

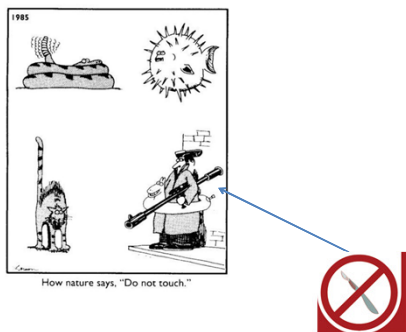
<p><u>Laminectomy</u></p> <ul style="list-style-type: none"> • Diagnosis: <ul style="list-style-type: none"> - Spinal Stenosis • Length of Stay <ul style="list-style-type: none"> - Outpatient- 2 days • Implants <ul style="list-style-type: none"> - None (95%) - Spinous process stabilizer (5%) • Post-Discharge <ul style="list-style-type: none"> - Home (80% +) 	<p><u>Fusion</u></p> <ul style="list-style-type: none"> • Diagnosis: <ul style="list-style-type: none"> - Scoliosis/ Spondylolisthesis/ Instability • Length of Stay <ul style="list-style-type: none"> - Range 2-6 days • Implants <ul style="list-style-type: none"> - Yes (95%) • Post-Discharge <ul style="list-style-type: none"> - Supervised setting <ul style="list-style-type: none"> • Rehab/ SNF (Medicare 50-70%)
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Fusion:

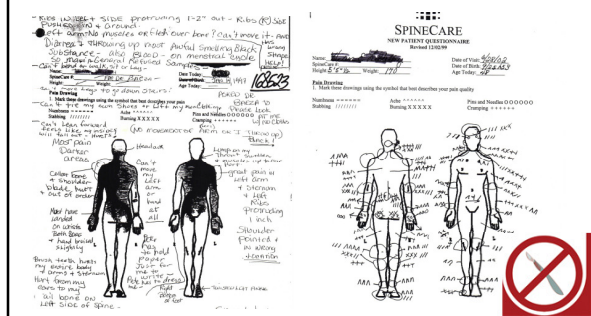
Weld 2 vertebrae together to prevent painful motion

<ul style="list-style-type: none"> • Interbody fusion implant (cage) <ul style="list-style-type: none"> - Titanium/ Bone/ Plastic - Restores and holds alignment - Fusion bed • Bone Graft <ul style="list-style-type: none"> - Biologic filler inside to grow bone • Screws/ Rods <ul style="list-style-type: none"> - Scaffolding to hold the cage/ bone graft/ Spinal vertebrae together. 	
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How nature says, "Do not touch"



Spine Surgery: The Most *Unpredictable* Variable is the Patient



Not all Fusions are created equal*



*who is negotiating your bundle?

Spine Surgery Bundled Payment Opportunities and Challenges

- Length of Stay (LOS)
 - Anchor Admission Hospital \$ (varies by institution)
 - Difficult to predict
 - Patient (pain tolerance/ support network) influences LOS
- Implants
 - Screws/ Rods/ Plates/ Biologics
 - Cost effective “Generic” implants for routine cases
 - Difficult to get agreement on implants across surgeons
 - Complex cases may require complex (\$) implants
- Cost Savings Shared with Surgeons
 - Co-management
 - Gain Sharing

Anchor Admission



- Lower cost alternatives
 - Hospital vs. Hospital
 - Hospital vs. ASC
 - ASC vs. ASC
- Internal Cost Saving Opportunities
 - Reduce LOS
 - Lower Cost Implants
- Other Part B spends
 - Hospitalists
 - Consultants
 - Anesthesia

Spine Surgery Bundled Payment Opportunities and Challenges

- Post-Discharge Care
 - Inpt. Rehab \$\$\$\$
 - SNF \$\$\$
 - Home Health \$
 - Home (alone) ☺



Post-Discharge Care



- Cost efficient SNF/ Rehab centers
- Reduce Days in care
- Manage transitions to lower Acuity settings
- Pre-emptive Patient DC needs analysis (social)

- Readmissions
 - Pre-emptive patient analysis (medical)
 - Close Monitoring by Surgeon or partner MD
 - Don't lose patient to "outside" MD for follow-up
 - Too Easy readmission for non-events

Spine Surgery Bundled Payment Opportunities and Challenges

- Complications (surgical or medical)
 - Extended LOS
 - Return to OR
 - Other unpredicted procedures
- Re-admissions
 - 0-90 days post-op
 - Attributable to Anchor admission Surgery
 - \$\$\$\$\$
- Stop-loss insurance

Bundled payments and Spine Where do we currently stand?



CEO Power Panel poll finds broad support for value-based pay*

By Joseph Conn and Michael Sandler | May 2, 2015



- Yet only 20% are willing to do away completely with the industry's still dominant fee-for-service reimbursement model

*for the Doctors, not themselves!

BECKER'S SPINE REVIEW

Bundled spine surgery for Walmart, Lowe's employees — 6 things to know
Laura Dyrda 03 April 2015

1. Large (self insured) employers like Lowe's and Walmart, testing collaboration with three hospital providers to send employees for healthcare.
2. The new initiative to include spine surgery was launched April 1.
3. The network provided hip and knee replacements last year (500 patients)
4. Surgery done at a center of excellence no cost to patient and the network also covers travel and related expenses.
5. Employees covered by ECEN can choose to undergo care from local providers outside of the centers of excellence. However, those patients are subject to routine costs.

BECKER'S SPINE REVIEW

5 Findings on Spine Surgery Bundled Payments
Laura Dyrda July 2014

- A recent study in **Spine** looked at surgery costs and implications on Bundled Payments
- 196,918 patients: cervical or lumbar spine surgery from 2000 to 2009
- The largest portion of the costs were associated with hospital payments; 76% of the bundle on average.
- There are factors *surgeons can control* to reduce the cost of care
 - Implant/materials, choice of surgical location, and type of procedure, LOS.
- Did not evaluate Post DC care costs or readmissions

How are Spine Surgeons responding?

- Educating themselves and colleagues
- Aligning with partners
 - Emerging “Bundled Payment” companies
 - Implant manufacturers
 - ASC’s
 - Hospitals
 - Self-insured companies
- Entering Programs
 - BPCI (CMS)
 - Commercial Payers
 - Self Insured

How are Hospitals Responding?

- Primarily by engaging consultants
 - Fee based (no skin in the game)
 - May stay on for per diem events/ monitor progress
 - Commodity advice? (all provide essentially similar analysis and suggestions)
 - Advise “Partnering” with MD’s
 - Co-management/ Gain-share contracts
 - Employment models
- Bureaucracy Layers (where does this fit?)
 - Manage departments well
 - Not easy to “manage” MDs and their patients
- Implants
 - Own the implants themselves?
 - “Rep-less” OR suites
 - Generic/ Lower cost implants
 - Gain-share with cooperative MDs
- Looking for 3rd Party Partners to straddle the space
 - MD/ Implants/ Hospital Admin/ Payers
 - Risk share

How are ASCs Responding?

- Advantage (vs. Hospitals)
 - Existing Financial partnerships with MDs
 - Lower costs
- Disadvantage
 - Not able to (routinely) deliver complex spine/ joint cases
 - Non-ortho partners left out?
- Vulnerable to Payers negotiating tactics
 - Known MD costs (Uses your own data against you)
 - ASC negotiates against itself
- Best served with a 3rd party partner to negotiate contracts on behalf of a large network
 - anonymous MDs
 - Regional data benchmarks

How are Medical Device Companies Responding?

- Depends on Size/ Scale and Sophistication
 - Larger players
 - Engaging large hospital systems
 - Creative Implant sales options
 - OUS manufacturing to drop production cost
 - Reducing role of sales rep
 - Partner with MD/ Hospital in Bundles
 - Smaller players
 - Unclear strategy or can't engage
 - Niche play to provide low-cost/ Generic implants
 - Save \$ for Bundled payment MD's

Stryker explores broader risk-based contracts

- **Stryker Performance Solutions**
- Risk based contracts (BPCI)
 - fees are tied to overall patient outcomes, quality improvement, and cost reduction, rather than device performance
 - customers pay Stryker a savings percentage of the total Net Payment Reconciliation Amount (NPRA) determined by CMS
- BPCI Annual Technical Data Support
- Implementation Support
 - Support the creation and implementation of client's gain-sharing arrangements

Emerging Companies

- OrthoIndex™
 - Founded in 2009 with the focused objective of transforming the management of orthopedic technology.
- Archway Health Advisors
 - Illuminates the healthcare landscape for providers, helping our clients successfully navigate the complexities of payment reform, risk management, and care improvement.
- Episode Solutions, LLC.
 - Focus is MSK Physicians only – transitioning into Value Based Payment Models
 - If MD's don't manage the Episode of care someone else will/ MD's best positioned to succeed

Episode Solutions

- Expertise
 - Healthcare executive/ Insurance/ Government policy/ Medical/ Surgical experts
- Focus on MD/ ASC/ Hospital Backyard
 - Medical Care Delivery is local
 - Regional market nuances
- 3rd party Contract negotiations with Payers on behalf of the Network
 - Use Large Regional/ Statewide Data benchmarks
 - Avoids the common mistake of ASCs or MD entities often unknowingly negotiate based on data this is their own

Episode Solutions

- CMS/ BPCI Experience
 - Approx. 90 ortho practices enrolled
 - Spine
 - Total Joints
- Commercial payer business active and evolving
- Partnering with the musculoskeletal surgeons and hospitals across specific US markets
 - Creating regional Musculoskeletal Specialty Networks
 - Surgeon Networks will provide cost efficient care
 - Cost Savings and clinical outcomes data

Conclusions

- Government policies (along with large market players) are enacting sweeping changes to move away from FFS to Bundled Payments/ Value
- Spine surgery (along with joints) is a logical target
- Tremendous opportunity for surgeons, and their partners, to reduce waste and benefit from the cost savings
- Surgeons are the Value Asset as the primary drivers of care
- Negotiating contracts will be the most important element in ensuring financial success of a bundled care network
 - Pick your partners wisely...

Thank you