Bundled payment methodology model in the ambulatory setting with commercially insured in California, 2009- 2015

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The federal government has initiated broad adoption of the bundled payment methodology in the inpatient setting. However this has not been widely adopted in the ambulatory environment with commercially insured or federally insured patients.

From 2010 to 2015, over 2000 commercially insured bundled surgical cases were performed in California ASCs with overnight stay capability administered by Global One Ventures ("G1") a Third Party Administrator (TPA). The surgery case types included total and partial joint replacement and repair, major spine surgery, hysterectomy, thyroidectomy, mastectomy and breast reconstruction. The payers included Blue Shield of California, UHC, and large self-insured employers and union groups.

The bundle included all facility and professional fees during the episode of care. The bundled surgical cases were managed by a TPA with a network of 38 ASCs and over 300 physicians. The bundled payment agreements were approved by the California Department of Managed Care ("DMHC") and underwent a regulatory review by the California Department of Insurance ("DOI").

Results from the implementation exceeded expectations and included:

• High patient satisfaction rates (98% would recommend a bundled payment methodology to friends)

• Low complication rates (ER rate, infection rate and readmission rate of 0.67% in 2015)[1]

• Significant financial savings (an average of $7,648 per case). The total cost is 30-60% less per bundled case than if the procedure had been performed in the hospital setting

Lessons learned include:

• Physician ownership of ASCs generates financial alignment between the facility and physician, encouraging providers to adopt best practices, eliminating waste and redundancy, and generating greater efficiency and value. Physicians are willing to be at financial risk for readmissions as they benefit from the financial rewards generated by the excellent outcomes of the majority of their patients

• Patients appreciate price transparency and an all-inclusive rate

• Providing a comprehensive patient-centric pre and post-operative education program including pain management, recovery and physical therapy contributes to excellent outcomes and satisfied patients

• Bundled payments in the ambulatory setting could be adopted by a federal payer and achieve similar results

INTRODUCTION

The federal government has initiated broad adoption of the bundled payment methodology in the inpatient setting through the current Bundled Payment for Care Improvement Initiative (BPCI) and the Comprehensive Care for Joint Replacement Model (CJR) program. However, there is less awareness of the advancements of initiating an episode in the ambulatory setting with commercially insured beneficiaries than in the in-patient environment. G1 has expanded bundled payments into the outpatient surgery setting. The G1 provider network of 38 ASCs and over 300 Physicians has managed in excess of 2000 bundled payment outpatient surgery cases.

HISTORY

G1's ASC network initially began bundling surgical services including total joint replacement and major spine surgery in 2010. In 2011 four of its network facilities were invited to participate in the Integrated Healthcare Associates (IHA) multi-year bundled payment demonstration, funded by the Agency for Healthcare Research and Quality (AHRQ). The project attempted to demonstrate the feasibility and scalability of bundled payments among a range of payers and providers in California, including those with the episode being initiated in the ambulatory setting. Bundled payments for commercially insured patients receiving total hip or knee replacements and meniscal knee repairs were initially implemented at hospitals and G1 network ASCs. Although the IHA demonstration was generally unable to implement bundles across multiple payers and hospitals, the ASC model demonstrated the greatest success. The G1 network ASC facilities participating in the IHA demonstration program performed significantly more bundled surgery cases (100+) than all the hospitals combined (25 cases performed across eight hospitals).[2]

G1 submitted a proposal in August 2013 to the CMMI Healthcare Innovation Awards Round II, to bundle total joint replacements and major spine surgery in a network of ASCs in California. ASCs are ideal facilities for the bundling of elective complex surgical cases. Technological advancements including minimally invasive surgical techniques, long acting non-opiate anesthetics (such as Exparel) and medications that virtually eliminate blood loss are rapidly moving these commercially insured, complex and expensive elective surgical cases into the ASC setting.[3, 4, 5] Additionally, physicians who typically determine and initiate the vast majority of surgical healthcare costs, are ASC owners. This financial alignment amongst surgeons, anesthesiologists and facilities fosters high quality care in a lower cost setting. The single payment methodology encourages adoption of best practices, standardization of supplies and reduction of waste and redundancy. The G1 network of ASCs is growing rapidly, and now offers bundled payments for over 60 case categories. The outpatient surgery bundled payment network contracts with large nationally known payers including Blue Shield of California, United

Healthcare and self-insured organizations. G1 anticipates expanding its bundled payment provider network to approximately 60 ASCs in 2016. Development of a statewide outpatient bundled payment network required extensive regulatory review. This included approval of the bundled payment contracts involving the payers, TPA and participating providers from the California Department of Managed Care. In addition, a regulatory compliance review was performed by the California Department of Insurance.

AUTHORIZATION AND CLAIMS MANAGEMENT

Network physicians initiate the bundled payment process by electronically transferring clinical and demographic information to G1 to register a patient. The transmission confirms the patient meets admission clinical requirements, the surgeon is a G1 network provider and the patient is a beneficiary of a G1 contracted payer. The confirmations are transmitted to the payer. The case is scheduled at the contracted ASC with a network anesthesiologist and, if appropriate, a first assistant. G1 coordinates the benefits with the beneficiary and collects any patient deductibles or co-payment. The case is performed and the providers bill G1. The claims are collated by G1 and the bundled rate is transmitted to the payer. The payer transfers the total bundled fee to G1 and G1 distributes the agreed upon bundled payment to the network providers. G1 receives an administrative fee from the payer.

PATIENT EDUCATION

The program pairs a comprehensive patient-centric education session with clinical advancements in anesthesia and surgery. The patient and a family member or friend ("coach") receive preoperative and postoperative education including a surgery-specific guide that reviews the procedure and explains what can be expected with the surgery. Pain management, recovery in facility and at home (including appropriate and safe physical therapy exercises) and frequently asked questions are also reviewed. If possible, a preoperative home visit or call is provided through a home health agency. Post-discharge care and instructions, including physical therapy and home preparation recommendations, are addressed. The visit allays patient concerns and anxiety while establishing expectations regarding pain control, healing, and resumption of normal activities.

FINANCIAL RESULTS

An essential component for a successful bundled payment program is the generation of savings. The model is exceeding financial expectations especially in mature markets. In Monterey County, California, where the G1 network of providers has been intact for five years (ASCs, surgeons and anesthesiologists) 451 bundled surgical cases were performed in 2015, paid by commercial carriers and a self-insured union group with 9,000 covered lives.

The average allowable procedure reimbursement rate (hospital, surgeon and anesthesiologist) for the 451 cases performed in Monterey County in 2015 would have been $18,957 if these cases had been performed in the local hospitals as an inpatient procedure or in the HOPD. The average bundled fee rate for the G1 provider network (ASC, surgeon and anesthesiologists) was $11,309. Total savings to the payers (patients, employers and insurance companies) was approximately

$3,450,000. The average savings per case was $7,648 or 60%, which is at the high range of average savings generated through the G1 bundled payment network in California.

G1 estimates the ambulatory bundled payment model can save CMS in excess of $500,000,000 annually for DRGs 460, 470, and 473 alone. In 2013, over 500,000 (540,598 discharges) of these three procedures were performed on CMS beneficiaries in inpatient settings alone, and the number is increasing rapidly.[6] This is due to the increased number of baby boomers aging and needing this service, as well as to advances in surgical technique, pain control medication and implant technology. According to CMS published hospital data, Medicare spent over $7.1 billion on for DRG 470 alone in 2015.[7,8] G1's ambulatory bundled payment program is estimated to save 12.5% to 15% on the current CMS spend, and it is conservatively estimated that potentially 50% of CMS beneficiaries are medically appropriate to be transitioned to the ASC setting.

PATIENT SATISFACTION

Patient surgery satisfaction rates for the bundled fee program in the ASC setting arehigh. Nearly half of all patients completed a satisfaction form, and 98% of respondents indicated they would recommend the ASC to family members or friends requiring a similar surgery. Patients frequently commented that they appreciated the all-inclusive rate of the bundled fee. Similar to purchasing an all-inclusive vacation with airfare, hotel and car rental included, patients place a high value on receiving, prior to scheduling the procedure, an all-inclusive fee that incorporates the facility, surgeon, anesthesiologist, first assistant (if necessary), pathology and any laboratory tests. Consumers expect price transparency and desire one-stop shopping with no hidden additional fees. As co-payments and deductibles continue to increase, patient-consumers will expect this transparency to allow them to make an informed decision on their treatment options.

PHYSICIAN SATISFACTION

The bundled payment methodology generates a high level of surgeon satisfaction. Physicians appreciate the value proposition that they are financially rewarded for their focus on best practices, generating greater efficiencies and reduction of waste. They are willing to accept financial risk of reduced payments if a readmission occurs as they benefit from the financial rewards resulting from the majority of their patients who experience excellent outcomes. Physicians also place a high value on a well-run, streamlined, high quality surgery center that focuses solely on surgery, their specialty. Additionally as the physicians are not coordinating the cumbersome and time-consuming collection of payments from patients, they save both time and money. And finally, if their patients are extremely satisfied with the bundled payment protocol, it contributes to their overall high level of personal satisfaction of functioning within this system.

ASC SATISFACTION

ASCs have been functioning under a global fee reimbursement system since 1982 when Medicare first approved payments to ASCs. Most ASCs have never been able to unbundle facility service fees including nursing care, supplies, overnight stays or the use of equipment. They have survived in a global facility fee environment for over 35 years. Extending the reimbursement bundle to include the physician providers is a welcomed evolution since the

ASCs are owned by the physicians. This creates a financially aligned collaborative approach to care, encouraging adoption of best practices and rewarding greater efficiency. The bundled payment methodology rapidly generates a new business opportunity for the ASC as complex cases migrate from the inpatient setting to the more efficient ambulatory environment. Provided the reimbursement rates are fair, ASCs generally seek to participate in the G1 bundled payment facility network.

OUTCOMES

G1 tracked outcomes including readmissions, ER visits, infections and falls at the Monterey facilities in 2015. In the study period we performed 451 bundled payment surgeries with two ER visits (0.44%) and one readmission (0.22%). There were no falls and no surgical site infections within 30 days. The complication rate was 0.67% (three incidents per 451 total cases performed).[1] The two ER visits were for pain management and urinary retention. The readmission occurred 17 days post-operation for incision and drainage. All patients recovered successfully. All complications are thoroughly analyzed. The findings of which are routinely utilized to update patient selection criteria and treatment protocols, which are developed by a multi-disciplinary panel composed of surgeons, anesthesia and nursing aimed to constantly improve patient outcomes.

CONCLUSION

Over a five year period, G1 has demonstrated that the bundled payment methodology is extremely successful in the ambulatory setting for commercially insured patients. The program generates significant savings and exceptional patient satisfaction rates with minimal complications. The G1 bundled payment methodology featuring ASCs outperformed acute care facilities in a statewide demonstration project. This success is attributable to the partnership structure of the ASCs that unites the major stakeholders as owners/administrators. The physician ownership of ASCs financially aligns the surgeons, anesthesiologists and the facility to adopt best practices, reduce waste and standardize supplies and expensive implants. This enables the facility to scale purchases at lower costs and eliminates redundancies. The results are savings of 30% or more to the commercial payer with total complication rates significantly less than 1%. The program promotes total price transparency to the patient with an all-inclusive cost for the episode of care and no hidden fees, generating a 98% patient satisfaction rate. Physician satisfaction is high as doctors are financially rewarded for providing consistently excellent outcomes to their patients. The same elements that enable G1 to succeed in the commercial market can be applied to federal programs (CMS) with similar results.

About the Authors

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