Cal Ortho On-Line

Orthopaedic Legal News

EMERGING TRENDS IN ORTHOPAEDIC PRACTICE MANAGEMENT, DELIVERY MODELS, AND LEGAL ISSUES

REPORT IV—2012—SPECIAL EDITION

Cal Ortho On-Line provides COA members with timely and relevant information on emerging issues affecting orthopaedic practice.

*T*opics will range from new health delivery models, strategies to make your practice successful, the use of physician extenders, and updates on recent legal/regulatory developments.

This publication is only available to COA Members.

Be sure that your membership is current so that you and your practice manager will continue to receive this publication.

Plan to attend:

COA's 2013 Annual Meeting/ QME Course

C-Bones 2013 Annual Meeting

April 18-21, 2013

Terranea Resort

Rancho Palos Verdes, CA

LA's Oceanfront Resort

For practice management strategies that are critical to the success of your practice, Encourage your practice manager to attend with you.

This meeting is accredited for 18 hours of Category I CME hours and 6 QME CME hours. You can also earn 10 hours towards your Self Assessment CME requirement for your MOC. Information regarding the meeting is posted online at: www.coa.org.

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Cal Ortho On-Line:

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- Hip and Knee Documentation Checklists

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REPORT IV—2012—SPECIAL EDITION

Editor: Astrid Meghrigian, JD

Bundled Episodes-Of-Care Payments

Bundled Episodes-Of-Care Payments

Sweeping healthcare reforms have increased interest in payment reform models such as "Bundled Episode of Care Payments." This edition of Cal Ortho On-Line contains an in-depth discussion of:

1. What are "Bundled Payments"
2. How bundled payments differ from capitation payments
3. Steps to Implement Bundled Payments
4. Case Studies
   - Integrated Healthcare Association
   - Hoag Orthopaedic Institute
5. Benefits and Risks

We would like to thank James Caillouette, M.D., Surgeon in Chief at the Hoag Orthopedic Institute and Jett Stansbury, Director of New Program Development at the Integrated Healthcare Association for their contributions toward this article.

Below is a summary of the report with action items for orthopaedic surgeons to take if they are considering bundling payments.
The complete report can be accessed by clicking on this link:
Bundled Episodes-Of-Care Payments

SUMMARY

The ongoing changes and reforms in medicine has led many physicians to re-evaluate their payment system. Should they change their payment model to fit the changing landscape of medicine?

One such payment reform model that has garnered national attention is bundled episode payment, a method of healthcare reimbursement which sets a fixed rate for a patient's entire episode of care for a particular procedure or condition. This payment combines reimbursement for the multiple providers and other services involved in providing care for the patient throughout the episode. For example, a fee for a hip replacement may also include pre-surgical preparation, diagnostic tests, facility fees, anesthesiology, the surgical procedure, hip implant, intro/post operative radiological examinations, laboratory tests, and rehabilitation.

Bundled episode payments are already in play with active pilot programs, such as the Integrated Healthcare Association's (IHA) three-year Bundled Payment Demonstration, funded by the Agency for Healthcare Research and Quality. This demonstration is testing the feasibility and scalability of bundled payments among a range of payors and providers in California, including the implementation of bundled payments for commercially insured patients receiving total hip and knee replacement at Hoag Orthopedic Institute (HOI). HOI is a joint venture between Newport Orthopaedic Institute and Hoag Memorial Hospital located in Newport Beach, CA.

Bundled Episodes-Of-Care Payments

Why would this system be beneficial to physicians?

Advantages:

- Consistent amount of reimbursement for a specific procedure
- Potential to increase reimbursement if the group does of good job of managing the risk
- No need to justify clinical choices of treatment for payors "second guessing" decisions
- Shared risk split between physician and payor

Disadvantages:

- The group incurs full responsibility for the treatment of the patient for the episode of care for a flat fee. Not all procedures are "cookie cutter" and some may require additional treatment/rehabilitation, diagnostic testing, etc. then originally budgeted.
- There may be incentives for a physician to "cut corners" on a patient's treatment in order to pocket additional reimbursement.
- Payment to physicians may be slower than usual due to payment initially going to an administrative center before flowing out. In other words, the more hands the payment touches, the slower the payment will travel.

STEPS TO TAKE

After reviewing the risks and benefits—if you decide that bundling payments may be a good fit with your practice—consider the following tips to help ensure a smooth transition:

1. **Convene the Right Clinical Team**
   A key step of implementing bundled payment is to identify the physicians and ancillary providers who are involved in delivering care for the proposed episodes and will agree to participate in a bundled payment arrangement. These should be providers that work well together and/or are familiar with each other.

2. **Define the Episode**
   Next, the diagnosis-related groups (DRGs) or specific disease conditions/ procedures (CPT codes) must be identified and analyzed. Physicians should focus on those particular procedures or conditions where they and their potential partners have expertise. From this analysis, care pathways are developed that target areas of cost within that episode that can be better managed, reduced or eliminated. The best structure will not just bundle all providers and reduce the costs by a certain percentage, but work to improve and coordinate the patient's care. These plans will support the development of a budget for the episode of care.

Bundled Episodes-Of-Care Payments

3. **Develop the Quality Metrics**
Quality metrics should be developed with input from the providers and use nationally accepted evidence-based treatment guidelines that are measurable for each provider/entity that participates in the bundle.

4. **Price the Bundle**
Pricing the bundle requires a detailed financial analysis and review of providers' history of costs and reimbursements. Use of financial analysis/data analytics is then needed to choose a price point for the bundle reimbursement.

Evaluating catastrophic costs is a necessary component of an accurate bundled payment budget. It may be easy to analyze the average costs of a knee replacement, but few cases are average. How can one analyze outliers? Variations in length of stay and the probability of infections or serious complications are key components of that analysis. The group may wish to fund such outliers through stop-loss coverage.

5. **Develop Mechanisms to monitor and/or reduce costs**
Financial management of the bundled payment requires participants to identify cost reduction opportunities through standardization or product substitutions. Groups should define the key cost metric indicators that will measure cost reduction progress for the bundled episode. Lowering infection and readmission rates, improved discharge to home care, and decreasing some of the post-acute rehabilitation with home exercise programs are all potential ways to lower costs and improve the overall quality of care, while lowering costs.

6. **Plan the gainsharing incentives**
Participants should plan the gainsharing incentives strategies and methodologies and develop a performance scorecard for all involved in delivering care under the bundled payment arrangement. All provider incentives need to comply with Stark, anti-kickback, and anti-trust laws.

7. Determine who administers the bundled payment
A central organization typically holds and administers bundled payments and claims. It may be an existing hospital financial department, an Independent Practice Association (IPA) or other third-party administrator. Not every physician may feel comfortable with the hospital partner receiving and apportioning the bundled payment. In communities where a good working relationship exists between the hospital and physicians, physicians may have sufficient trust in the hospital as a business partner that allowing the hospital to receive and distribute the bundled payments is acceptable.

The administrative entity should be capable of receiving, storing, and transmitting information on pricing of cases, payments, types of providers, contracts, master codes for bundled cases, including rules, and length of stay data. The organization should carry out some or all of the following steps:

- Receiving and storing information about a bundled case episode;
- Generating a unique case ID for the bundled case episode;
- Receiving claims for services which are generated by providers, both facility and professional;
- Identifying a specific claim with procedural and diagnosis codes that triggers a specific case rate or bundle price and then automatically matching all other claims as either inclusive or to be excluded from the bundle to the case ID of the identified bundled case;
- Matching each claim associated with the bundled episode or case to determine whether it is inclusive or exclusive of the length of stay for the bundled case rate; and,
- Determining whether the case exceeds the fixed length of stay for the identified bundle.

This same organization also calculates accounts payable to providers on the case, calculates net margin per case prior to potential risk pool claims; submits the single, reprised bundled claim to a third-party payer and/or other responsible party, and automatically provides claim status to each provider on the case, including whether the bill is billed, in process, denied for more information required, or paid. Finally, they need to provide appropriate reporting to the entities that are part of the group so everyone is aware of how the group is performing.

8. **Develop a continuous process improvement plan**
It is important to include a process improvement plan that continually looks at ways to improve care and efficiencies.

9. **Build in transparency to the bundled payment arrangement**
Each entity involved in a bundled payment arrangement must have complete, accurate and transparent information, including:
   - How payments will be made, e.g., to a single entity, such as a hospital, from which the physicians and providers would receive payment;
   - How each episode of care or condition is defined, including, but not limited to, each item or service included in the bundle, identified by CPT, HCPCS, ASA and ICD-9-CM codes, and any applicable modifiers;
   - The duration of the bundle, including the extent to which the risk window may be increased to enhance payer and patient satisfaction;
   - How the basic bundled payment is calculated;
   - Whether the physician will be given sufficient information to enable them to independently audit revenue for their cases;
   - How responsibility for items and services will be assigned to the physician;
   - How the payment will be apportioned between the participating entities;
   - The percentage that the payment received by the physician represents of the entire bundled payment amount;
   - The identities of each physician or provider that is involved in the bundling arrangement; and,
   - The methodology's use of cost and quality benchmarks, risk adjustment and other mechanisms – the kind of considerations that are common to the other risk arrangements.

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Retaining Independence While Embracing Accountability

For detailed information on bundled payments and to read the case studies of practice's that have successfully implemented bundled payments, please refer to the full article on Bundled Episodes of Care Payments.

Retaining Independence While Embracing Accountability:

Care Coordination and Integration Strategies for Small Physician Practices

A changing health care delivery environment makes it difficult for physicians to figure out which path their practice will take in a world that demands accountability with payment and reporting systems. The AMA has published a resource to assist physicians in small and solo practices in creating a practice that meets the demands of measureable outcomes and efficient healthcare. This edition of Cal Ortho On-Line contains an in-depth discussion of the:

1. Steps to Improve Practice Quality
2. Tools For Small Practices

Below is a summary of the article along with links to various tools for solo practitioners to consider while maintaining a successful, independent practice. The complete AMA article can be accessed by clicking on this link:
AMA Retaining Independence while Embracing Accountability

SUMMARY

Solo and small practices often find themselves in the cross fire of healthcare changes. To many independent practices, it seems like a practice cannot survive the larger employed models that have more resources to answer the growing demand of accountability, patient outcomes data, and low costs. Independent practices must be able to answer these demands in order to stay relevant in a highly competitive medical world.

The American Medical Association (AMA) believes that solo and small group practices can answer this growing demand by enforcing and implementing simple steps to improve a patient's quality of care.

Their three key steps to improve care in even the smallest practices are:

1. **Standardize Care** through the use accepted guidelines, policies, and Procedures;

2. **Facilitate Better Coordination** and interaction among the parties involved with the care, including the patient; and,

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3. **Develop and Analyze Data** to change behavior, produce better outcomes, and provide care more efficiently.

How can a practice implement these key steps?

The answer is a practice must use the right tools. These tools often already exist in a small or solo practice, but are not being used to their full potential. These tools include:

- Flow Sheets
  The AMA has created flow sheets for physicians to keep track of a number of clinical conditions and their evidence based performance measures.
- Registries
- Electronic Health Records
- Claims Data
- Increased Quality
- Improved "Profiles" and More Patients
- Increased Financial Benefits

The AMA article describes a practice's success story, and gives links and detailed descriptions to the above steps and tools to make a solo practice successful in a changing healthcare environment. To view the full AMA article, please click here.

RESOURCES

To assist orthopaedic surgeons with bundled payment issues and solo practice independence, the following resources may also be helpful:

- **Orthopaedic surgeon colleagues that have used a bundled payment system.**
- **Orthopaedic surgeon colleagues that believe they have a successful independent practice.**

Contact the COA office – 916-454-9884 or coa1@pacbell.net - if you would like to talk to COA members who may be willing to share their experiences with you with either bundled payments or independent practices.