

Value based contracting:
How to get started
*Assessing readiness and bringing the
stakeholders to the table*

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April 24th, 2015

Disclosures

- Medical Director, CT Joint Replacement Institute
- President, CT Joint Replacement Surgeons, LLC
- Investor, Renovis Surgical Technologies
- Unpaid Consultant, Renovis Surgical Technologies
- Editorial staff, J. Arthroplasty
- Principal, Novel Healthcare Solutions, LLC

Bias

The entrepreneurial spirit of the independent *private practice* surgeon, working at an arms length relationship with a willing hospital partner, can more rapidly and effectively create sustainable healthcare value than other contemporary alignment models.

Assumption #1

- Overarching goal is to create a new paradigm for healthcare delivery focused on delivering high quality care at a reasonable price point and not on revenue, RVUs or transactional volume.

Assumption #2

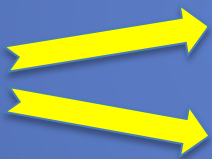
- “A bundled payment is a single package price that *provides a positive margin* for a comprehensive and defined set of healthcare services delivered to a patient by multiple providers over a full cycle of care”.

Assumption #3

- Full cycle of care is defined as 30 days pre-operatively to 90 days post discharge.

Assumption #4

Stakeholders

- Physicians  surgeons
anesthesiologists
- Hospital
- Consumers of healthcare services
- Post-acute providers

Bundle payment program at CJRI

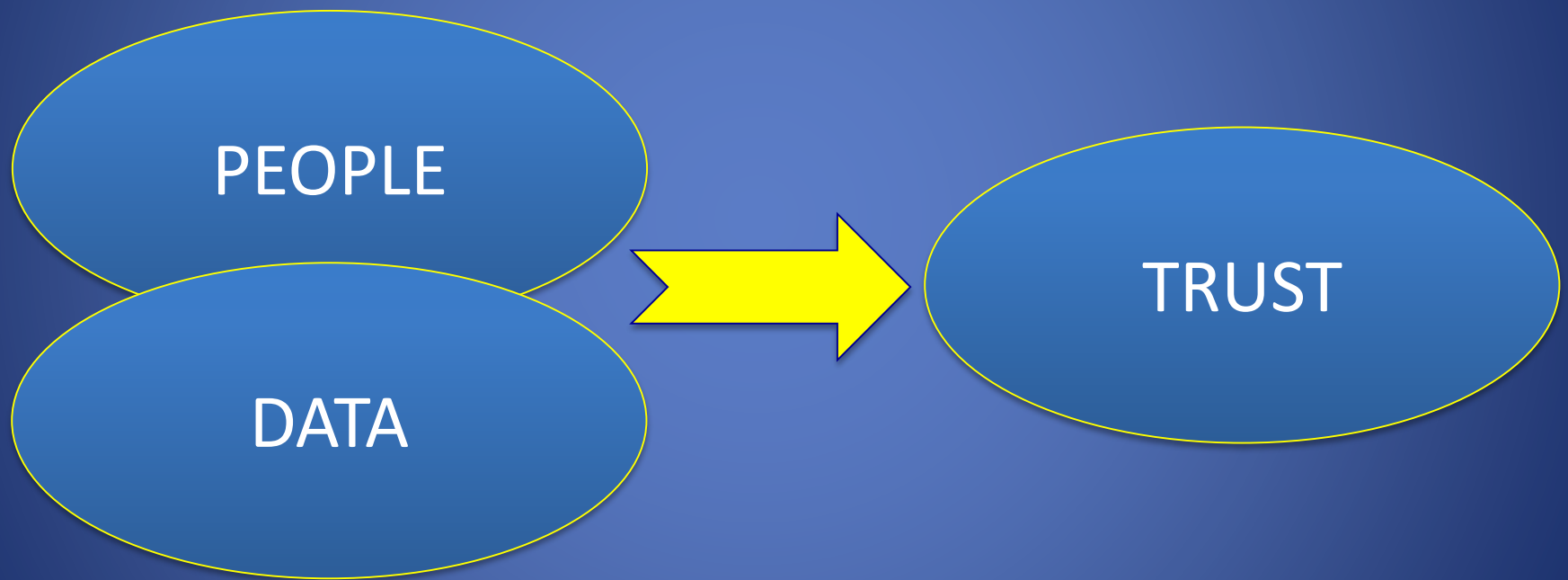
- Team convened July, 2009
- Focus group meetings weekly
- Care redesign for primary TJR episode
- “Basket of Care Agreement” signed
August, 2010

What was the input?

- Time
- Patience
- Steady Physician/Hospital leadership
- Discipline
- \$70K in collective legal fees
- Opportunity cost

ARE YOU
PREPARED?

Primary challenges



Assessing readiness: Physicians

- Physician leaders
 - Collaborative relationships
 - Awareness of obstacles
 - Shared vision

Assessing readiness: Physicians

- Physician alignment
 - The first step has to be aligning physicians around a common vision
 - Form an LLC

Assessing readiness: Physicians

- Physicians
 - Willingness to standardize
 - Willingness to make data driven decisions
 - Willingness to be transparent

Physicians and the Value Framework

Achieving success with the value framework demands a substantial change in behavior and...

Physicians and the Value Framework

...Physician leadership and *engagement* are the single most essential elements of any successful value based health care journey...

Period, end of the story...

Assessing readiness: Hospital

- Visionary CEO
- Relationships with Physician groups
- Transparency
- Trust
- Flexible Accounting and Financial officers
- Data warehouse
- Volume

Assessing readiness: Hospital *and* Physicians

- What is the collective risk tolerance?
 - Insurance risk
 - Performance risk

Assessing readiness: Hospital *and* Physicians

- What is the collective risk tolerance?
 - Insurance risk

Performance risk

access to:

Internal claim reserve

Stop Loss policy

Assessing readiness: All stakeholders

- The importance of access to legal counsel with expertise in healthcare law cannot be overstated.

What are the critical data?

Cost

- Hospital direct cost/case
- Surgeon cost for services
- Anesthesia cost for services
- Cost of complications
- Cost of re-admissions

What are the critical data?

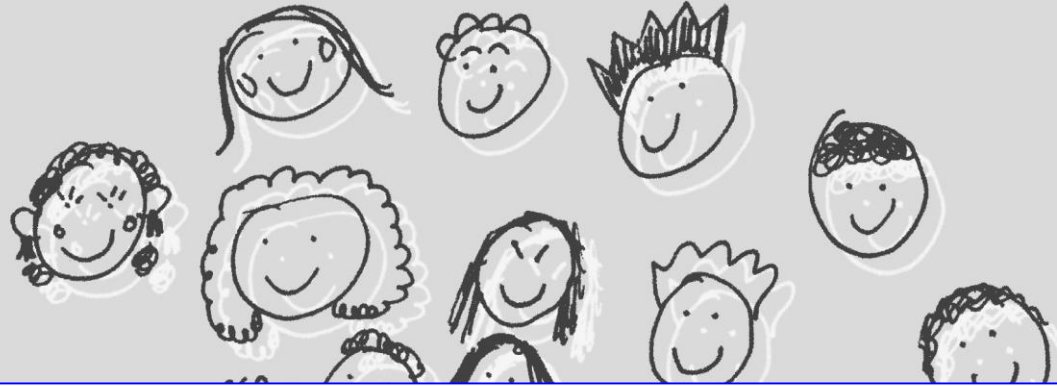
Quality

- 30, 60, 90 day re-admission rate
- Complication profile
- Length of stay
- Discharge disposition
- HCHAPS scores
- SCIP measures

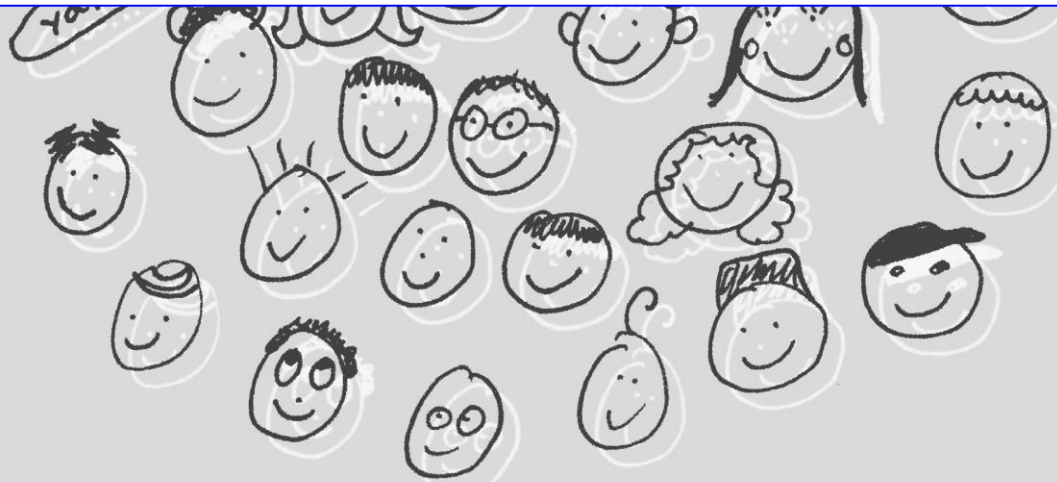
What are the critical data?

Functional
outcomes

- Generic and Disease specific Patient Reported Outcomes



Engage all stakeholders



Primary drivers

- *Increase healthcare value!*
- Increase margin
- Increase “same store” volume
- Increase market share

Secondary drivers

- Improve operational efficiency
- Better FFS contracting
- Stable long term relationships
- Access to patients
- Evolution to an Integrated Practice Unit
- Access to “at risk” dollars

Supreme drivers: Physicians

OPPORTUNITY

Autonomy

Mastery

Purpose

Professor Michael Porter



“Under value based healthcare, there is no reason why Arthroplasty surgeons should not be able to maintain or increase their revenues and income.”

AAOS: Shifting from Volume to Value, March, 2012 and June 2014.

Potential obstacles

- *Absence of any of the readiness criteria*
- Fear of the unknown
- Current transition from FFS to VBHC
- Negotiating with post-acute providers
- Is the market really ready?
- Who has benefitted by these efforts thus far?

Bundled Payment plans: Pitfalls and risks

1. Unclear definitions and time frames
2. Imperfect risk adjustments
3. Financial loss related to risk bearing
4. Administrative burden > anticipated
5. What are we going to do with the excess capacity?



Keynote address by noted healthcare strategy expert and economist Michael E. Porter, PhD.

Special Event!

AAOS Shifting from Volume to Value: Preparing Your Practice for Healthcare Reform

Course #3042

Kevin J. Bozic, MD, MBA, Course Director

Anthony M. DiGioia, III, MD, Course Co-Director

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- 2013 course participant

June 5 – 6, 2014

Washington, DC

Do your due diligence
Be prepared
Have the data
It's worth the effort
Thanks for your attention!

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