

Implementing Automated Bundled Payment Programs

June 11, 2013



Early Results Reported by Select CMS ACE Hospitals

Win-Win-Win-Win



Payer

- CMS received 5% discount (average)
- Technical risk shifted to providers



Hospital

- Decrease in cost (7% average) per case
- Increased market share (40% in one quarter)
- Saved \$4.3M net over 18 months (\$2k/case)



Physician

- 130 of 150 physicians receiving 25% increase fee-for-service
- Greater increase available (up to 50%) if CMS cap removed



Patient

- Improved patient quality measurement
- Improved patient satisfaction
- \$300-\$1100 per patient cash incentive from CMS

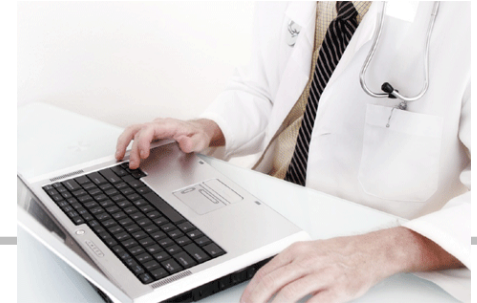
Example: CMS ACE Demonstration Project

Operational Lessons

Provider Experience

Collaboration between hospital and physicians essential – and challenging

- Leadership is critical
- You cannot communicate enough



Devote the correct resources

- During design and stand-up, multi-disciplinary resources needed
- Full-time coordinator/case manager

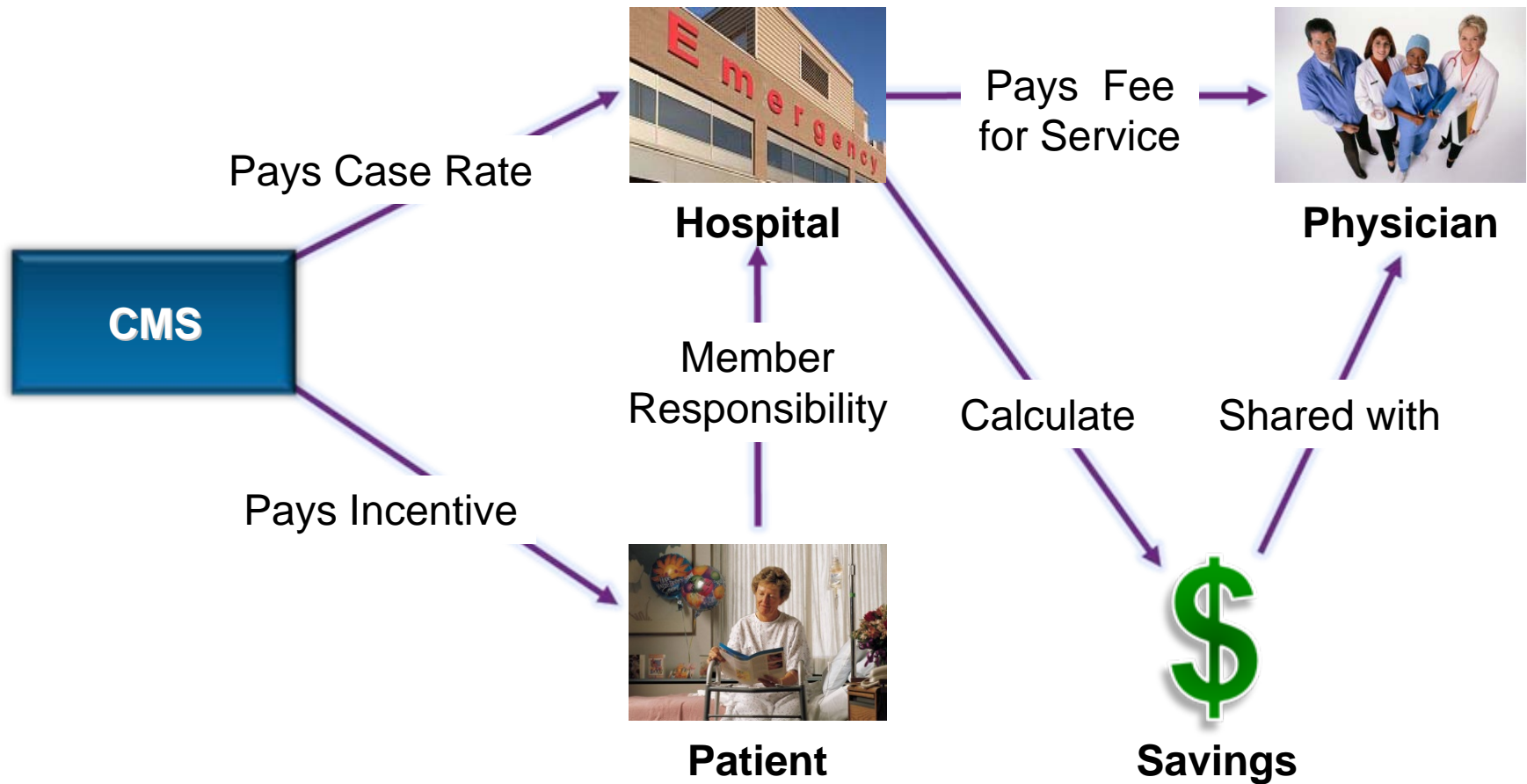
Administrative Issues

- Cost accounting challenges
- Data collection
- Processing and distributing payments
- Claims Processing
 - One hospital processing approximately 10,000 part B claims per year for qualified procedures
 - Claim volume is cost prohibitive in typical health plan claims processing operation
 - Technology solution needs to be scalable in anticipation of additional bundled services or expanded product lines

Distribution Payment

One Example

CMS ACE Demonstration Project



Payment Bundling Claims Processing

Work with existing provider / payer processes, including authorizations, existing provider payment claims stream, and benefits processing

Support numerous and different definitions of payment bundles

- Automatically determine which version of an episode definition to use
- Allow changes or customization to bundle design – or creation of new designs
- Use pre-configured bundles from national sources (IHA, CMS, Prometheus, others)

Support different models of payment bundling payment

- Multi-provider global case rates
- FFS with a withhold
- on claims in the episode
- Reference pricing on multiple claims
- Budget-based differential payment
- PMPM payment for an episode
- Stop loss and outlier automation

Tightly integrate into the payer's core administration system

- Tight integration allows a cleaner application of bundle logic within the context of claims processing
- Otherwise, the actions of the bundle repricing cannot be coordinated with all the other claims activity

TriZetto Experience

9 clients purchased software in first year

- Six are BCBS Plans
- Three already had provider agreements manually processed

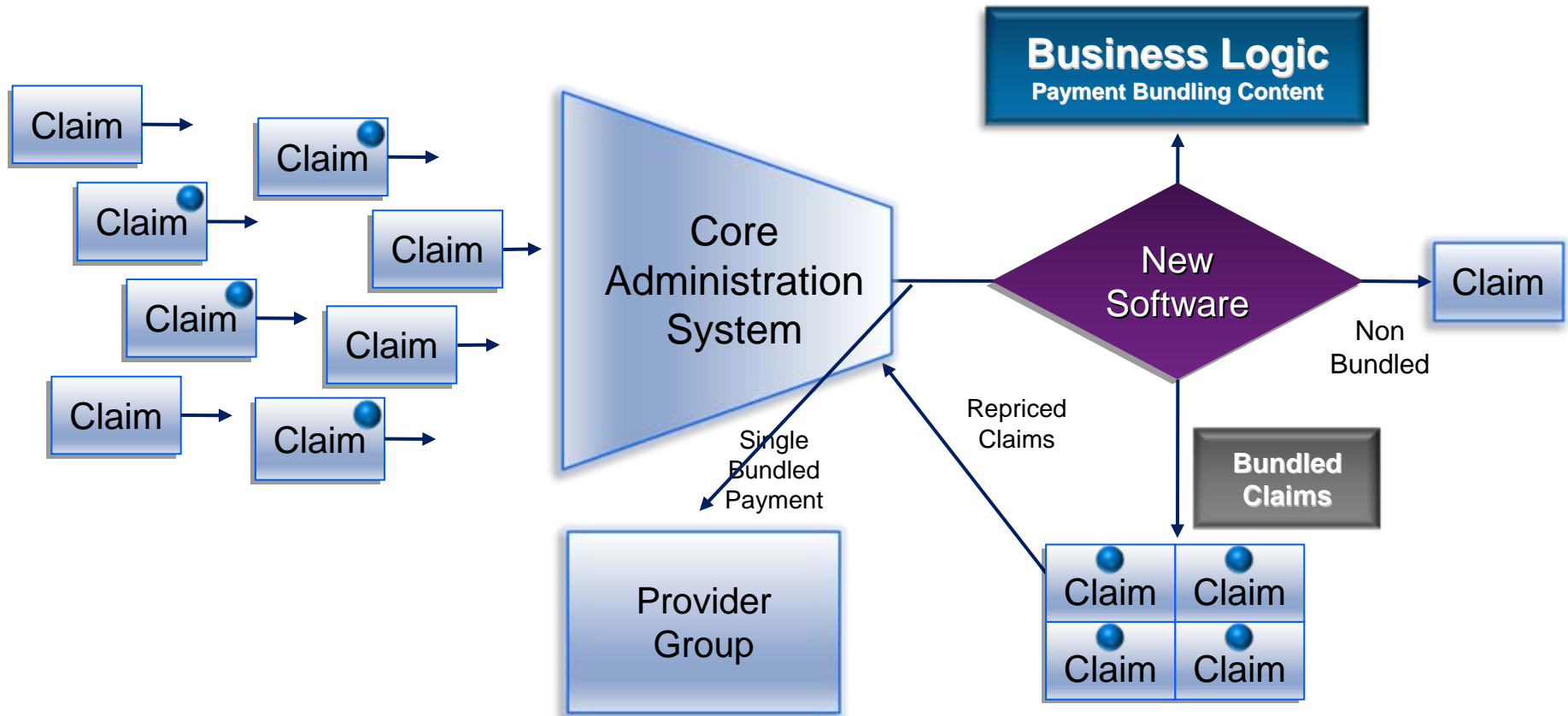
2 have software ready for production

- Five are actively working toward implementation in 2013
- Two have payment bundling plans on hold
- Neither of the ones in production had provider agreements when they started

3 are/will be doing prospective payment

- Three are retrospective or both
- Three do not yet know

Claim Processing for Payment Bundling



**Episodes are created and paid prospectively,
at the time of care delivery**

● Related Services

BCBST Bundle Payment Pilot Model

Prospective payment of episode of care

- Providers contract addendum with BCBST for episode rate
- Partner providers negotiate share of episode rate
- Episode rate dispersed first pass

**Admin/Integrator
Provider or
“quarterback”**

**Shared savings
upon acceptable
quality measures
and cost
efficiency**

**Partner providers
at risk to
absolute
threshold**

**Risk
Adjustments,
exclusions,
outliers, other
adjustments**

(Source: BCBS TN)

Status

- Software ready for production
 - Policy decision has shifted away from 'prospective model' to 'retrospective model'
-

Challenges

- Regulatory approval
 - Impact on member responsibility – BCBSTN wanted to minimize impact of new payment program on member co-pay and deductible
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Successes

- Detailed collaboration with specialty practices to create episode definitions and overall program
- Multidisciplinary approach by plan to identify and address technology and business challenges of alternative to fee for service

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The Arkansas Innovation

By EZEKIEL J. EMANUEL

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FOR IMMEDIATE RELEASE

QualChoice Health Insurance Chooses TriZetto's Payment-Bundling Solution to Help Improve Cost and Quality of Care for Members

QualChoice of Arkansas

2012 - Retrospective Episodes Rollout

- Participating in statewide program with State of Arkansas and BCBS
- Episodes defined by consultant
- Retrospective episodes for hip replacement, knee replacement, and pregnancy – statewide

2013 – Prospective Episodes Rollout planned

- Details TBD

these issues. "We began to understand that we had more things in common than we
conversation about creating consistency in payment and expectations for the deliver
said.

First, the three entities analyzed historical billing data to determine the state's high
costly medical conditions. Then, they each individually targeted three conditions for
costs for "episodes of care" — meaning the total charges of treating patients for the
everything from office visits, to medications and specialty care. The conditions inclu
respiratory infections, attention deficit/hyperactivity disorder, hip and knee replacem

selected markets an average of \$20 per beneficiary per month to improve coordination of
patient care, representing millions of dollars for primary care clinicians over the next two years.

Markets were selected from applications across the United States and chosen based on
applicants' willingness to develop, pay for and support comprehensive primary care
coordination in partnership with Medicare. As part of Governor Mike Beebe's health system
improvement initiative, Arkansas Blue Cross and Blue Shield, QualChoice of Arkansas and
Arkansas Medicaid applied on behalf of the state.

Approximately 75 primary care practices in Arkansas will be recruited to participate in
the initiative. In addition to receiving \$20 per Medicare patient per month participating
practices will be eligible to receive shared savings for: improved care coordination; increasing

Status

- Software installed and ready for production

Challenges

- Contracting with providers for prospective payment – distance between interest and contract
- Interfacing with State program – meeting data and reporting requirements
- Additional software features desired

Successes

- Software implementation completed in four months
 - But delays from installation to production
- Able to create episode definitions to match State requirements

General Themes

It takes 3-12 months to create an episode payment program at a payer

New workstreams are a good idea, to focus on mitigation and impact to:

- Claims processing
- Benefits and product design
- Reports and BI
- Clinical edits

It is necessary to create analytics for both the plan use and to share them with your providers prior to contracting and during the program

Specific Pain Points:

- Provider contracting
- Claims administration
- Member responsibility
- Regulation
- Provider sophistication

Payment Bundling Implementation Is Far More than Installing Software

Payment Bundling can impact a large number of payer business areas and processes

- Product development
- Actuary/Underwriting
- Benefit design
- ASO considerations
- Eligibility changes during an episode
- Seepage
- Provider contracting/contract management
- Accounting/finance
- Withholds/clinical edits/accumulators
- Provider relations/communications
- Legal/compliance
- UM/Quality
- Member communications
- Specialty plans

Product and Actuary

- Should new products be created that include PB?
 - What are the decision points?
 - Simplify benefit design for member
 - Enforce the narrow network through benefit design
 - Translate a reduction in contracted costs to lower premium
 - Difficulty in creating new product
 - Time delay in creating new product
- Tasks in creating the product?
 - Regulation (state)
 - Added to systems
 - Get rating from actuary
 - Pricing
 - Sales and marketing
- Should existing products be modified to incorporate PB?
 - Is it necessary?
 - Does it require recontracting with ASOs or individual members?
- Actuary
 - Defining penetration of PB arrangements within a provider community
 - Understanding the impact PB has for actuary
 - Prospective payment
 - fixed pricing easy to predict/model
 - Retrospective payment
 - Variety of models



Questions?



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