Understanding Payment Models in a World of Value-Based Care

Bundled Payments

AMGA Annual Conference
March 10, 2016

Suzanne T. Anderson
Executive VP, CFO, CIO
How Do We Get From Here to There?

Fee-For-Service

Bundled Payments
A Little Bit About Virginia Mason
Virginia Mason Medical Center

- Integrated physician/hospital organization since 1920
- Tertiary hospital in downtown Seattle plus seven regional medical centers with a strong referral network in the Pacific Northwest region
- Yakima Valley Memorial Hospital Family of Services in Eastern Washington
- Affiliation with Evergreen Health and other hospitals
- National Centers of Excellence (bundled payments)
- 450+ employed physicians multi-specialty group practice
- 120 Residents and fellows in GME programs
- Focus and results in quality and patient safety
- Quality, operational efficiency and flexibility – Virginia Mason Production System (VMPS)
- 15+ years into the VMPS journey
Virginia Mason

OUR STRATEGIC PLAN

Patient

VISION
To be the Quality Leader and transform health care.

MISSION
To improve the health and well-being of the patients we serve.

VALUES
Teamwork | Integrity | Excellence | Service

Strategies

People
We attract and develop the best team

Quality
We relentlessly pursue the highest quality outcomes of care

Service
We create an extraordinary patient experience

Innovation
We foster a culture of learning and innovation

Virginia Mason Foundational Elements

Strong Economics | Responsible Governance | Integrated Information Systems | Education | Research | Virginia Mason Foundation

Virginia Mason Production System

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Virginia Mason - 1929
“Virginia Mason”—they are Communists!
The Virginia Mason Risk Journey

- Virginia Mason— they are communists!
- Medicare DRGs implemented
- Virginia Mason Health Plan Sold
- Trip to Japan— VMPS launched
- Boeing Intensive Outpatient Primary Care pilot project
- Virginia Mason Employee Benefits changed
- PSHVN launched
- Virginia Mason Employee Benefits changed
- Virginia Mason Employee Benefits changed
- New Strategic Plan
- Quality journey begins
- Work with Aetna on back pain
- Centers of Excellence Bundled Payments Began with Walmart
- State of Washington Accountable Care Program bid process
- State of Washington Accountable Care Program bid process
- State of Washington Accountable Care Program live
- State of Washington Accountable Care Program live
- State of Washington Bundled Care RFP
- State of Washington Bundled Care RFP

1930
1983
1997
2001
2002
2005
2007
2013
2015
2016

Virginia Mason Health Plan
VM Production System
Virginia Mason Employee Benefits
Puget Sound High Value Network
Boeing
Virginia Mason Employee Benefits
VMPS
Virginia Mason Employee Benefits
Centers of Excellence
Aetna
Walmart
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How Did We Get Ready For Bundled Payments?
Our Philosophy

- Payment models will evolve
- No model is perfect
- Being an early adopter ensures us a seat at the table
A Single Bottom Line
World-Class Management

The World-Class Management System is a leadership system that provides focus, direction, alignment, and a method of management for daily work.
The VMMC Quality Equation

\[ Q = A \times \frac{(O+S)}{W} \]

**Q**: Quality  
**A**: Appropriateness  
**O**: Outcomes  
**S**: Service  
**W**: Waste
Our Early Work on Clinical Value Streams

Value Stream Mapping

Back Pain: Patient Perspective

Better Systems Reengineering

Before Systems Reengineering

After Systems Reengineering

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Clinical Value Streams
Solving for access, quality, patient experience and cost

• Costco, Starbucks, Nordstrom and King County used their purchasing power to challenge VM on affordability

• We invited employers and their health plan inside VM to redesign health care with us by:
  ➢ Identifying conditions of highest aggregate cost for employers
  ➢ Standardizing care for the 15 most costly conditions
  ➢ Defining quality from the employers perspective: the “5 specs”
  ➢ Eliminating wasted time and content with VMPS
  ➢ Using the right provider to meet the patient’s need
High Value Healthcare Collaborative

17 healthcare delivery systems and The Dartmouth Institute for Health Policy & Clinical Practice collectively serving a market of more than 70 million people across the United States, including Alaska and Hawaii.

Working together to improve care for patients with diabetes, congestive heart failure, or sepsis, and patients considering surgery for their hip, knee, or spine pain.

HVHC GOALS: Improve care, improve health, and reduce costs by identifying and accelerating widespread adoption of best-practice care models and innovative value-based payment models.
High Value Healthcare Collaborative
CMS Discharge SNF vs. Home

- 2012 SNF: 35.9%
- 2012 Home: 27.0%
- 2013 SNF: 59.2%
- 2013 Home: 70.2%
Bundled Payments
What is a Centers of Excellence?

Employers, Providers and patients coming together around common objectives:

• Ensure clinical appropriateness

• Reduce cost for employers and employees

• Reward high quality providers

• Rapid return to work/function

• Employers know what they are paying for
Overview: Virginia Mason’s Centers of Excellence and Bundled Care

- Launched 1st bundled care contract in 2013 with Walmart
- Focus on clinical appropriateness
- Controlled and predictable costs (remove variability)
- Improve outcomes, patient satisfaction

Today:

- **Many Employers:** Walmart, Lowes, McKesson, Jet Blue, etc.

- **Bundles include:** Cardiac surgery, orthopedic, spine (including complex), bariatric, gynecology and general surgery.

- **Third Party Administrators:** (EdisonHealth, Employer Direct, Health Design Plus)

- Care for patients from across the United States
What are we Selling in a Bundle?

- Appropriateness—avoidance of inappropriate surgeries
- High Quality, **Reliable** Care
- Predictable Price
- Exceptional Patient Experience

This is not about rock-bottom pricing only
How Does the Program Work for Patients?

• Patient is referred to VM and a plan of care with estimated length of stay is created and communicated to the TPA

• Upon approval from TPA all appointments, including surgery, are scheduled and a Patient Navigator is assigned

• Travel, lodging and food stipend is coordinated for the patient and a caregiver by the TPA

• *Employer pays 100% of costs with no annual deductible managed through the TPA*
What is Included in the Bundled Case Payment?

Phase 1: Pre-Procedural Evaluation
- Once a patient is determined to be a candidate for a procedure, they are evaluated using evidence-based criteria.
- A basic set of evaluation services are included. These include an evaluation visit/s with the surgeon, basic labs, a basic x-ray, blood typing and matching and an ECG or EKG with interpretation.
- If it is determined the patient will NOT require surgery, all services rendered will be paid at a negotiated payment.

Phase 2: Surgical Admission and Inpatient Stay
- All hospital and professional services incurred during the surgical admission are covered under the one bundled payment. This phase begins on the day of admission and ends on the day of the surgical case discharge.

Phase 3: Post-Discharge Surgical Follow Up Visit
- A post-discharge visit is included in the bundle. This is geared towards preparing the patient for a hand off back to their referring/primary care physician. Part of the objective of this visit is providing the patient with a “clearance to travel”.

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What is Excluded from the Bundled Case Payment?

• Any additional services required as part of the pre-procedural evaluation which are not part of the bundle
• Any non-routine post-discharge services provided, i.e. Inpatient Rehab, Discharge drugs, DME
• Travel and lodging costs for stays in Seattle (e.g., hotel before or after the admission)
• If the patient is readmitted while in Seattle (for up to 30 days post discharge) care related to the discharge of the surgical admission, all technical, professional, and ancillary services provided by Virginia Mason will be covered by Virginia Mason.
• Any additional services that occur after 30 days or after the patient leaves Seattle will be at the financial responsibility of the Payor/Employer and patient.
Key Elements of the Program
Collaborating with Others: Aggregators/Third Party Administrators

The Pacific Business Group on Health (PBGH), has lead efforts to transform US healthcare using the combined influence of some of the largest purchasers of healthcare services in the United States.

Health Design Plus (HDP) is a third party administrator (TPA). They process insurance claims or certain aspects of employee benefit plans for a separate entity.\[1\] This can be viewed as "outsourcing" the administration of the claims processing, since the TPA is performing a task traditionally handled by the company providing the insurance or the company itself.
Role of the Home Physician

Pre-Visit
- Must be established prior to referral to COE
- Communication with VM Provider around proposed plan of care
- Additional testing needed

Post VM Visit
- Post-Op wound assessments
- Physical therapy orders
- Other complications
- F/U x-rays
The Role of the Caregiver

Signed Agreement Required

- Travel Assist
- Help with Instructions
- Obtain Medications
- Assist with Care

WALMART CENTERS OF EXCELLENCE PROGRAM CAREGIVER RESPONSIBILITY FORM

Note: You must complete this form and return it to Health Design Plus before any procedure can be scheduled under the program.

ASSOCIATE NAME: ___________________________ ASSOCIATE BENEFITS ID NUMBER: ___________________________

ASSOCIATE HOME ADDRESS: ___________________________

PATIENT NAME (IF NOT ASSOCIATE): ___________________________ PATIENT AGE: ___________________________

PATIENT HOME ADDRESS (IF NOT SAME AS ASSOCIATE): ___________________________

PATIENT RELATIONSHIP (IF NOT ASSOCIATE): ___________________________

NAME OF CAREGIVER: ___________________________

Please note that “Caregiver” is defined as an adult, 18 years of age or older, who will travel with the Patient to the Walmart designated hospital and back home to help the patient with travel and care needs as necessary.

By signing below, the Caregiver acknowledges and agrees to meet the following conditions:

- Travel with the Patient by car or plane according to the itinerary set by Walmart
- Provide or assist the Patient with transportation to and from the home airport if applicable
- Stay in the hotel room with the Patient
- Remain with the Patient from departure to return home
- Be physically able to provide help to the Patient during travel and with activities of daily living
- Be accessible to the hospital team from arrival to departure
- Help the Patient follow instructions regarding:
  - Pre-operative medications
  - Completion of program forms
  - Transportation between the hotel and the hospital
- Be able to assist with Patient care, including:
  - Communication of patient needs to the hospital team
  - Participation in and assistance with following discharge instructions
  - Obtaining medications prescribed at discharge
- Be able to assist with simple procedures while the Patient is in the hotel
  - Physical therapy/exercises
  - Temperature measurement
  - Weight measurement
  - Transferring from chair to bed and back

Note: We cannot schedule procedures or complete travel arrangements until you sign and return this document to Health Design Plus.

Please sign and fax (1-877-885-0650) or mail the form to Health Design Plus, 1755 Georgetown Road, Hudson, Ohio 44236, Attn: Walmart Centers of Excellence.

Caregiver: ___________________________ Date: ___________________________

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Patient Navigator

• A Patient Navigator is a professional dedicated to helping patients and their caregivers navigate the Virginia Mason campus while during care at our facility. They are available 24/7

• The Navigator will meet the patient in the hotel lobby on the day of patient’s first appointment and escort them to any appointments, as well as additional labs, radiology or other testing needed.

• The Navigator will be able to answer questions about other resources such as local dining, transportation, medication needs and other concerns.
Ongoing Management and Lessons Learned
Bi-Monthly Operational Management

• Team of operational and clinical leaders:
• Review patients status, outcomes and satisfaction
• Address backlogs, delays and resource constraints
• Gain process alignment across Spine, Cardiac and Ortho
• Create plans to address opportunities for improvement
## Center of Excellence Patient Status

<table>
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<th>Days Pending Decision</th>
<th>Patient Name</th>
<th>MRN</th>
<th>Joint</th>
<th>Tobacco CESSATION</th>
<th>BMI STATUS</th>
<th>HH &amp; ROS REQUESTED</th>
<th>X-RAY REQUESTED</th>
<th>CLINIC RECEIVED HH &amp; ROS</th>
<th>CLINIC RECEIVED X-RAYS</th>
<th>SDM SURVEY COMPLETED</th>
<th>HEALTH COACHING RECEIVED</th>
<th>Submitted for Surgeon Review</th>
<th>Decision</th>
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<td>Mar-12</td>
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<td></td>
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</table>
Internal Challenges:

• Surgeon availability when needed
• Logistics – significant work to manage patients
• Data / reporting – internally and externally
• Documentation
Lessons Learned To Date

- This is a care model—not just a payment model
- Our work in many parts of our business have come together over time to make this program successful
- Data is needed for the quality work we are doing
- Many patients do not require surgery – managing patient expectations can be challenging
- Growing interest in COEs from employers, TPAs and insurers
The Future
The Near Future:
CMS – Comprehensive Joint Replacement (CJR) – 5 year program

• Eff. 4/1/2016 – bundled payment, includes all related care 90 day post discharge.

• Begins with Facility specific rate, transitions to regional comparative rate.

• Downside starting in year 2.
  • Up to 20% at risk in years 4-5
The Near Future:

- Health Care Authority TKR/THR Bundle RFP Pending:
  - Effective Date 1/1/2017
  - Selling appropriateness
  - Warranty is part of the product