

# Acute Care Episode (ACE) Demonstration

## Lessons Learned from the ACE Demonstration Program

The Health Industry Forum  
Episode Payment: Private Innovation and Opportunities for Medicare

The Fairmont Hotel  
Washington, DC

May 17, 2011

# Baptist Health System

## San Antonio, TX

5 Acute-Care Hospitals

1,741 Licensed Beds

Solucient Top 100 Hospitals®

Regional Children's Center

Bariatric Center of Excellence

AirLIFE Air Medical Transport

Healthy Women's Centers

The Brain & Stroke Network

M&S Imaging Centers

School of Health Professions

HealthLink Wellness Centers

Accredited Chest Pain Centers

Vascular Institute of San Antonio

Baptist Cancer Center

*"To determine whether improvements in quality of care can result from the alignment of financial incentives between hospitals and physicians in such a way that they must coordinate care on a case-by-case basis."*

# ACE Components

ACE

```
graph LR; ACE[ACE] --- CB[Competitive Bidding]; ACE --- DRGs[28 Cardiac & 9 Ortho DRGs]; ACE --- GS[Gainsharing]; ACE --- BI[Beneficiary Incentive]; ACE --- BP[Bundled Payment];
```

Competitive Bidding

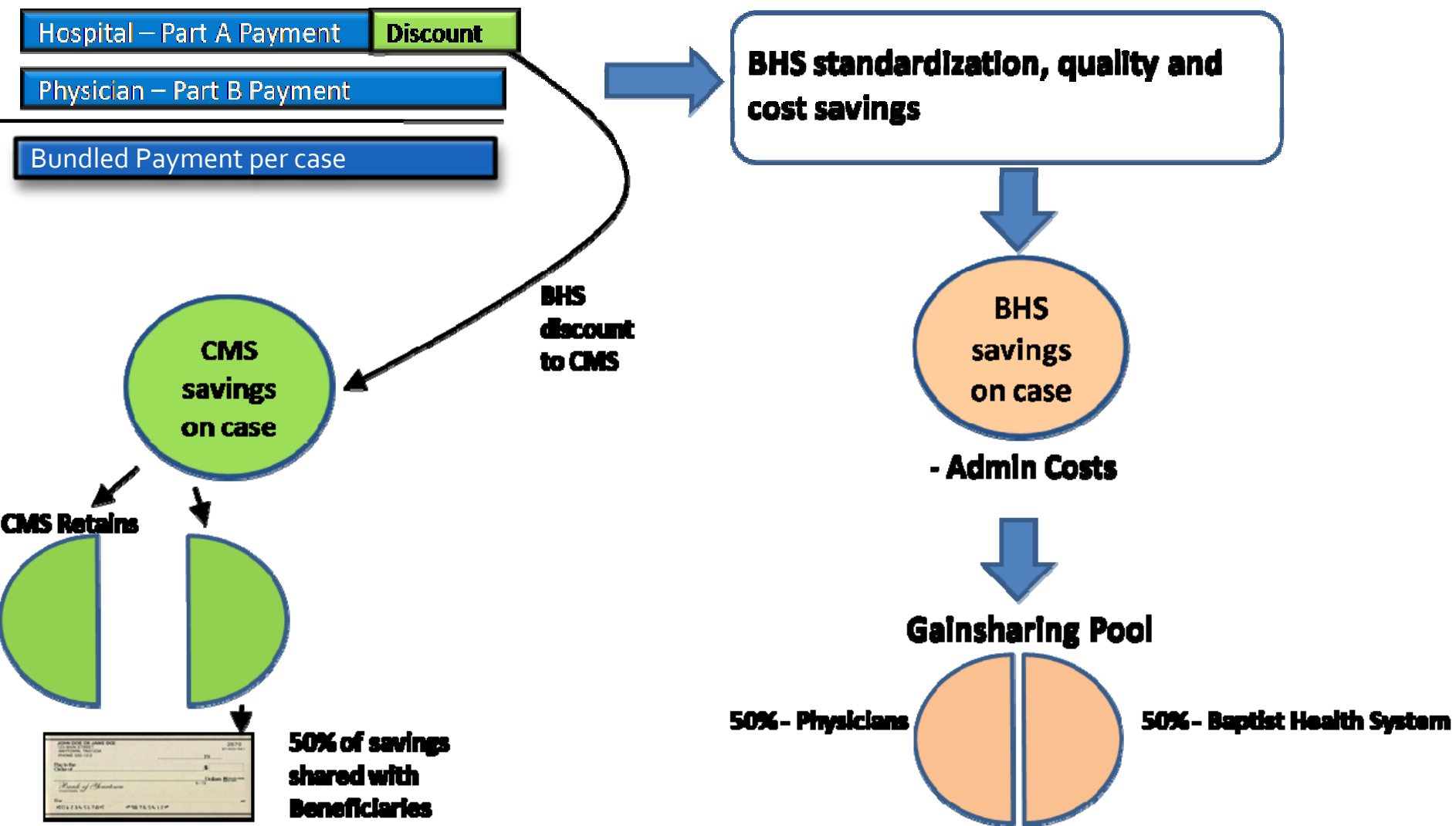
28 Cardiac & 9 Ortho DRGs

Gainsharing

Beneficiary Incentive

Bundled Payment

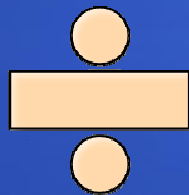
# ACE Process



# Gainshare Example

DRG 470	Major Joint Replacement of Lower Extremity w/o MCC
VOLUME	710 Medicare Admissions
PHYSICIAN PAYMENT	Part B \$1,065,000

\$ 266,250  
Gainshare  
Opportunity  
(25%)



710 Cases



\$ 375  
Per Case  
Gainshare  
Opportunity

# Gainshare Example

DRG 470 – Major Joint Replacement or Reattachment of Lower Extremity w/o MCC

Before  
ACE



Surgeon =  $\$1,200 (80\%) + \$300 (20\% \text{ co-pay}) = \$1500$

Hospital =  $\$10,400$

Patient =  $\$0$

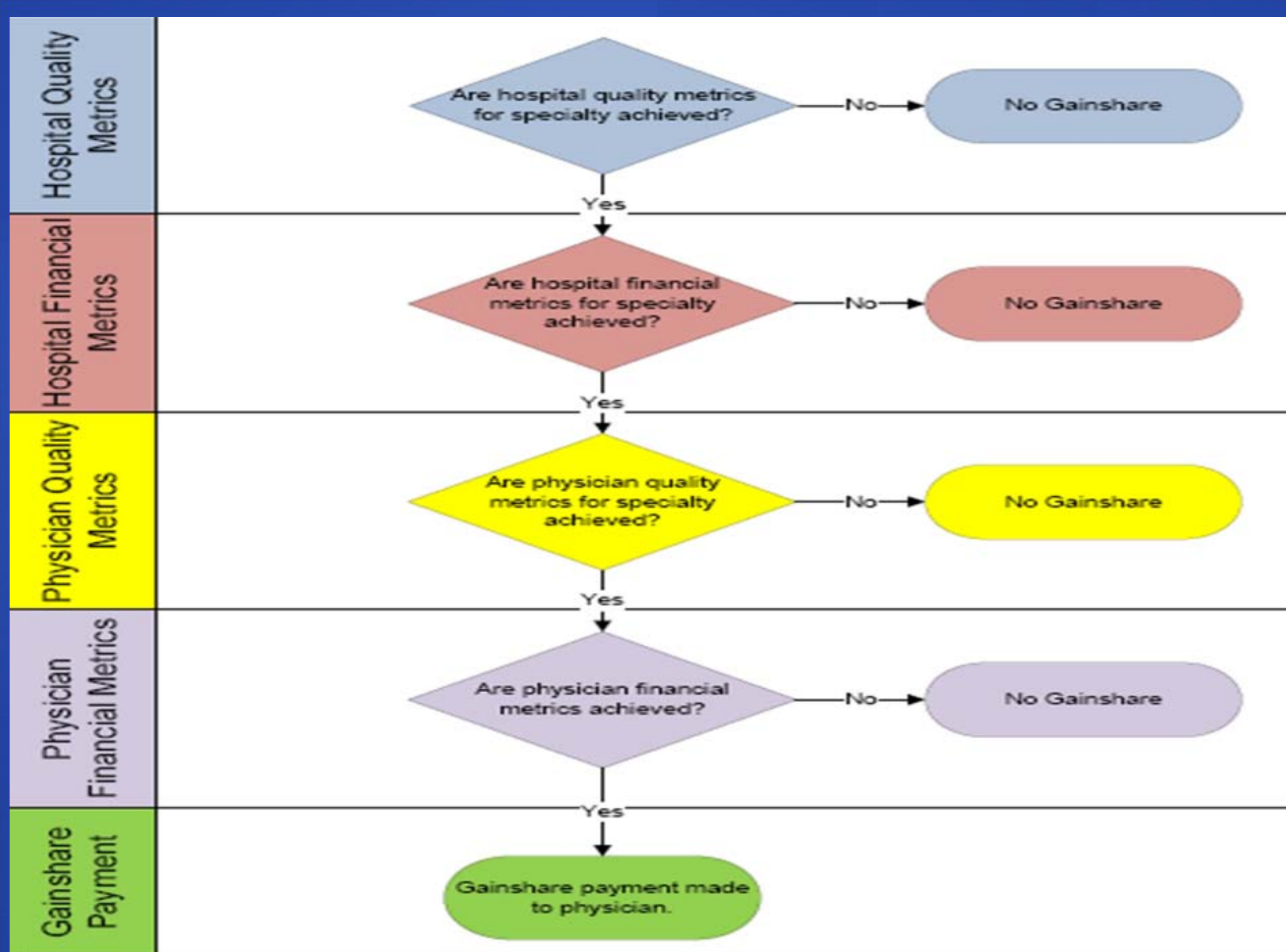
With  
ACE



Surgeon =  $\$1,500 + \text{up to } \$375 (25\%) \text{ from lower cost}$

Hospital =  $\$10,400 - (\$600 \text{ to CMS})$   
+ (rest of cost savings after MD share)

Patient =  $\$300 (\text{up to } 50\% \text{ of CMS savings})$



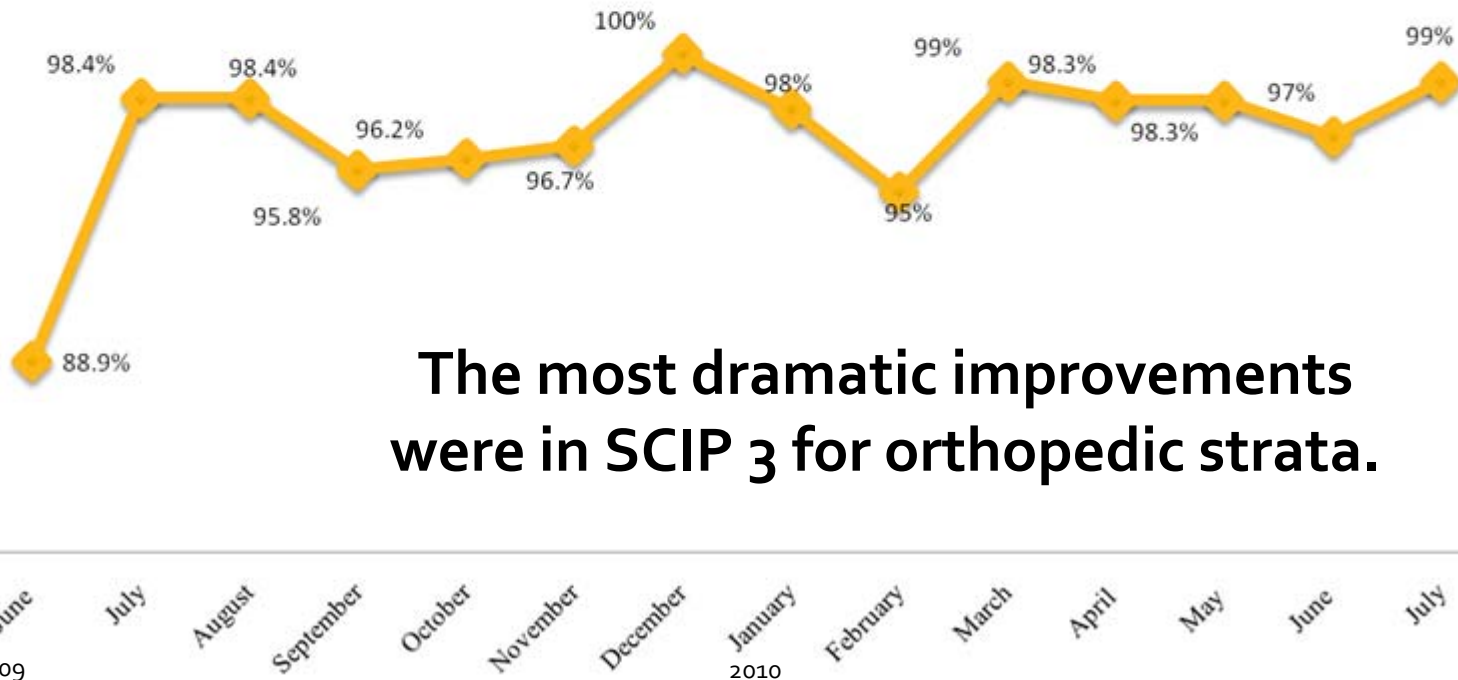


# Orthopedic Quality Metrics: Significant Year One Improvements

- **SCIP 1 – Antibiotic Received 1 Hour Prior to Incision**
- **SCIP 2 – Appropriate Antibiotic Selection**
- **SCIP 3 – Antibiotic Discontinued 24 Hours After Surgery**
- **VTE Prophylaxis Ordered**
- **Smoking Cessation Ordered (for active smokers)**

# Quality Improvements in Orthopedics

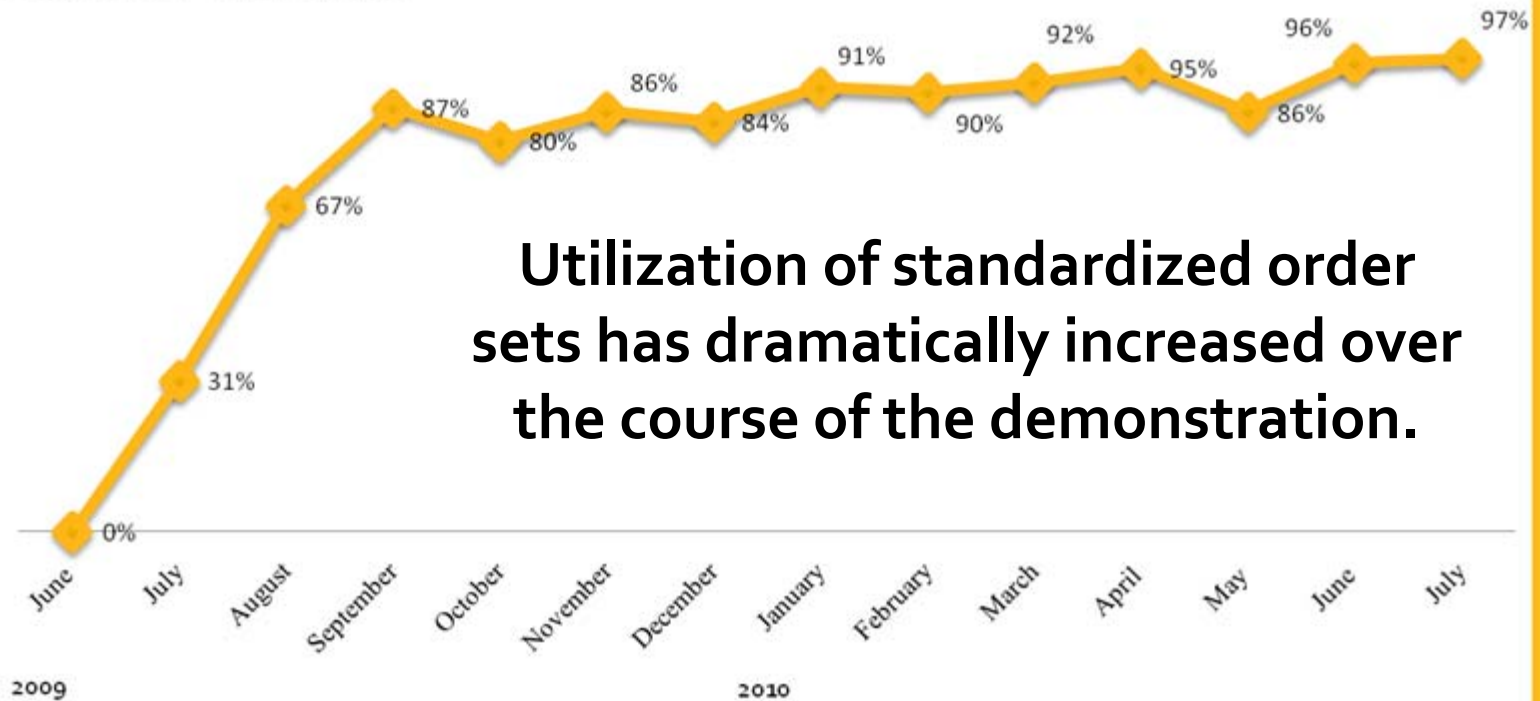
## SCIP 3



The most dramatic improvements were in SCIP 3 for orthopedic strata.

# Quality Improvements in Orthopedics (cont.)

Order Set Utilization



Utilization of standardized order sets has dramatically increased over the course of the demonstration.

# Financial Results

June 2009-December 2010

Volume



≈1,985 Patients

Hospital Savings



>\$4.3 Million

Shared Savings to Patients



\$646K

Gainshare to Physicians



\$558K

# Overcoming Implementation Challenges

- Identify opportunities for early wins to demonstrate effectiveness of partnership
- Define the vision from the outset; establish a series of short term, achievable objectives
- Enfranchise physician opinion leaders to avoid perception of “another hospital initiative”
- Empower physicians to own program leadership, governance, and decision making
- Use quality improvement as the primary change agent with physicians

# Overcoming Implementation Challenges (cont.)

- Become transparent about quality and cost performance data
- Communicate openly with physicians, creating opportunities for shared learning experiences
- Engage in robust analytics to ensure program viability before making major investments
- Dedicate sufficient executive mindshare to adequately support program implementation
- Develop comprehensive payment infrastructure and processes

# Insights

- **Immediate Improvements in Quality Measures**
- **Accelerated Shift Towards Evidence-Based Practices**
- **Sooner Than Expected Gainshare Distributions**
- **Need for More Robust Information Systems**
- **Labor Intensive to Administer Program**

# Building Upon Our Experience

- **Shift to Clinical Outcome Measures vs. Process Measures**
- **Further Leverage Pricing Power**
- **Drive Further Efficiencies in Clinical Care**
- **Explore Commercial Bundling Options**
- **Prepare for Post-Acute Bundling**



# Michael C. Zucker, FACHE

Senior Vice President and Chief Development Officer

Baptist Health System

One Lexington Medical Building

215 E. Quincy Street, Suite 200

San Antonio, Texas 78215

[mczucker@baptisthealthsystem.com](mailto:mczucker@baptisthealthsystem.com)