

# Implementing Bundled Payments for Health Care Services

**Acute Care Episode (ACE) Demonstration Project**  
**Baptist Health System**  
**San Antonio, Texas**

**Michael C. Zucker, FACHE**  
**Chief Development Officer**



# Vanguard Health Systems

|                     |   |
|---------------------|---|
| Founded             | 1997  |
| Headquarters        | Nashville, Tennessee  |
| Number of hospitals | 15  |
| Total beds          | 4000+   |
| 2008 Revenue        | \$2.7 billion   |
| 2008 employees      | 18,500  |
| Markets             | Chicago, Illinois; Phoenix, Arizona; San Antonio, Texas; and Worcester, Massachusetts |

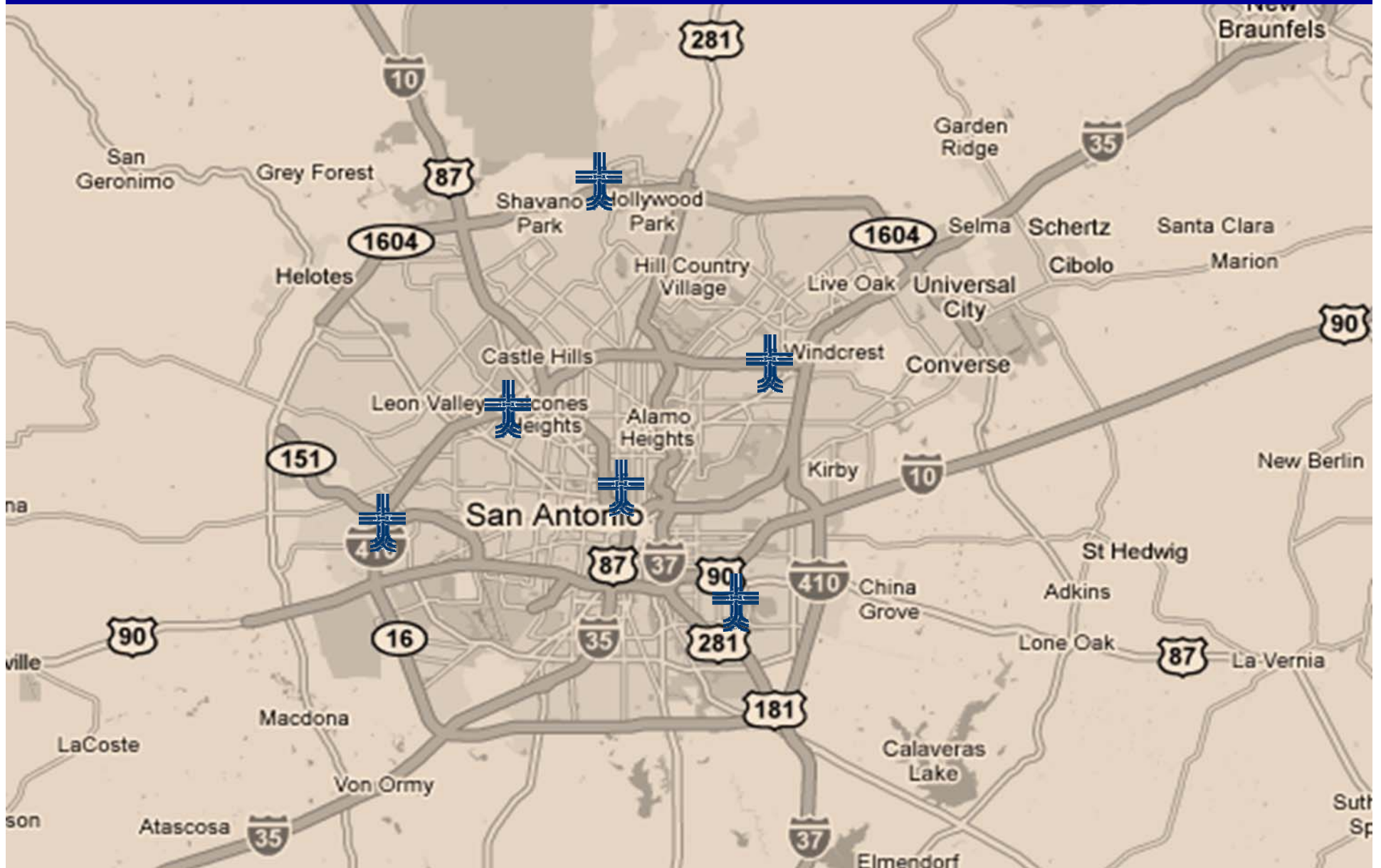


# Baptist Health System

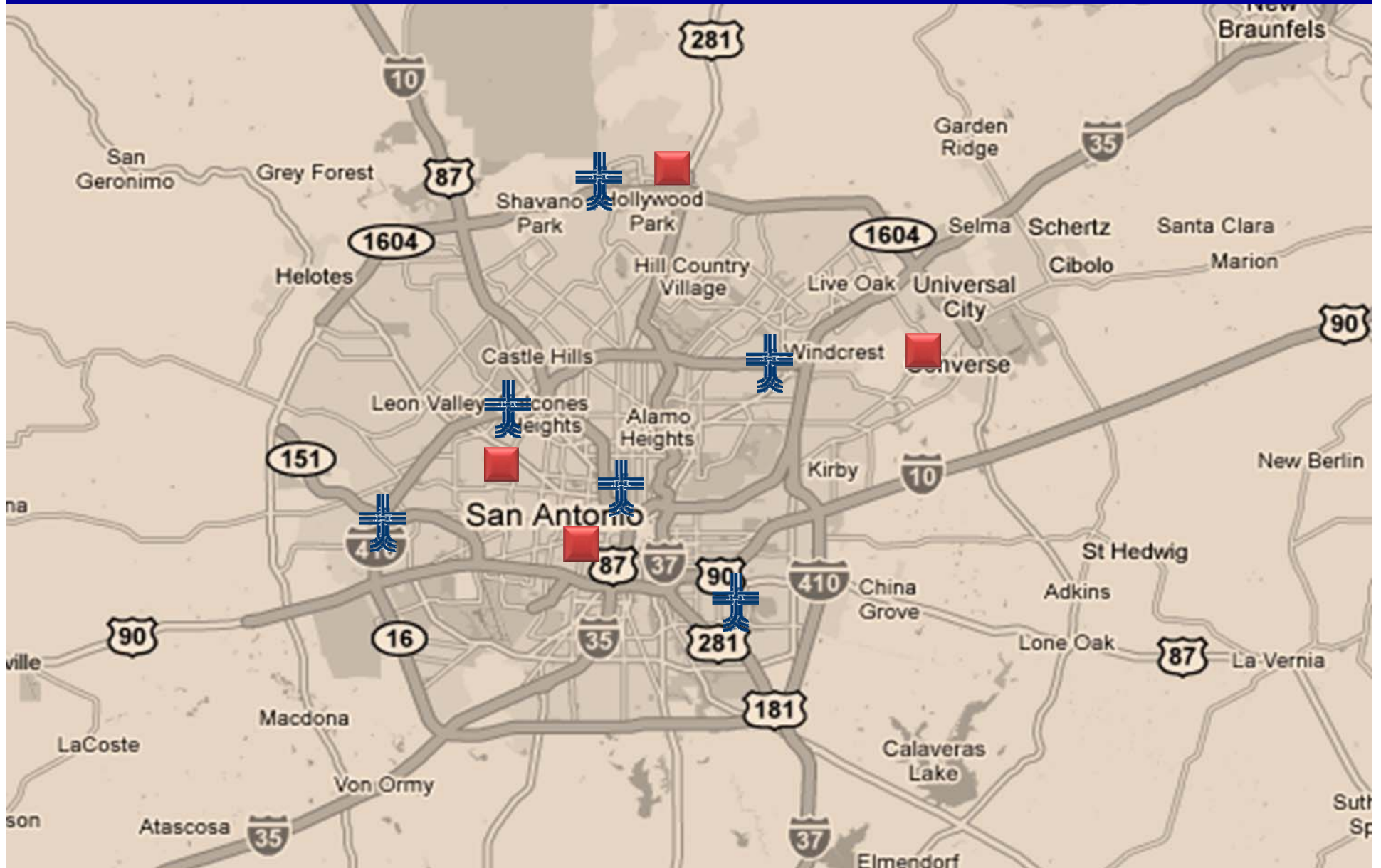
- 5 acute-care hospitals
- 1,741 licensed beds
- Accredited Chest Pain Centers
- Solucient 100 Top Hospitals®
- Regional Children's Center
- The Brain & Stroke Network
- M&S Imaging
- School of Health Professions
- HealthLink Wellness Center
- AirLife



# San Antonio Market, TX (BHS)

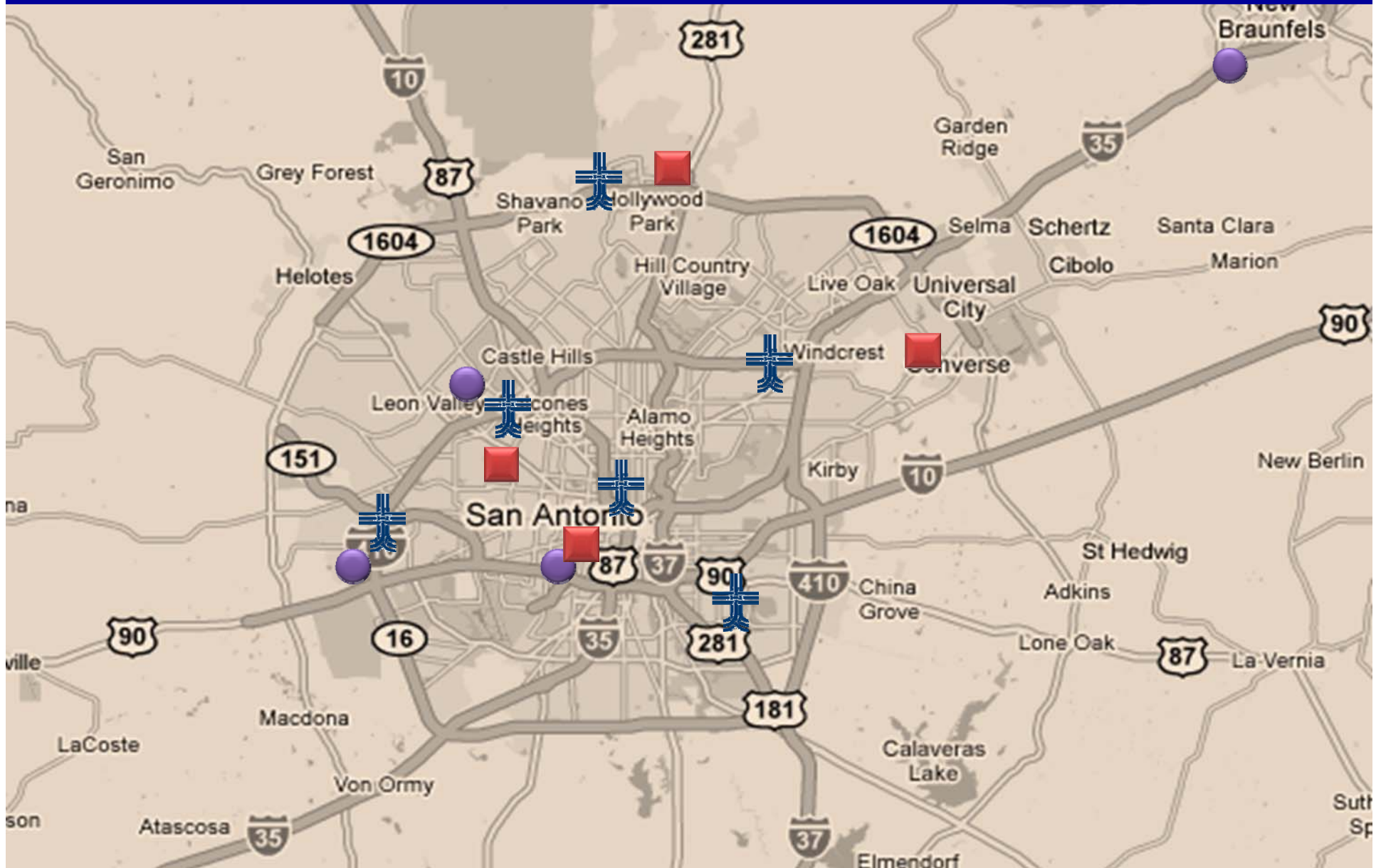


# San Antonio Market, TX (HCA/Methodist)

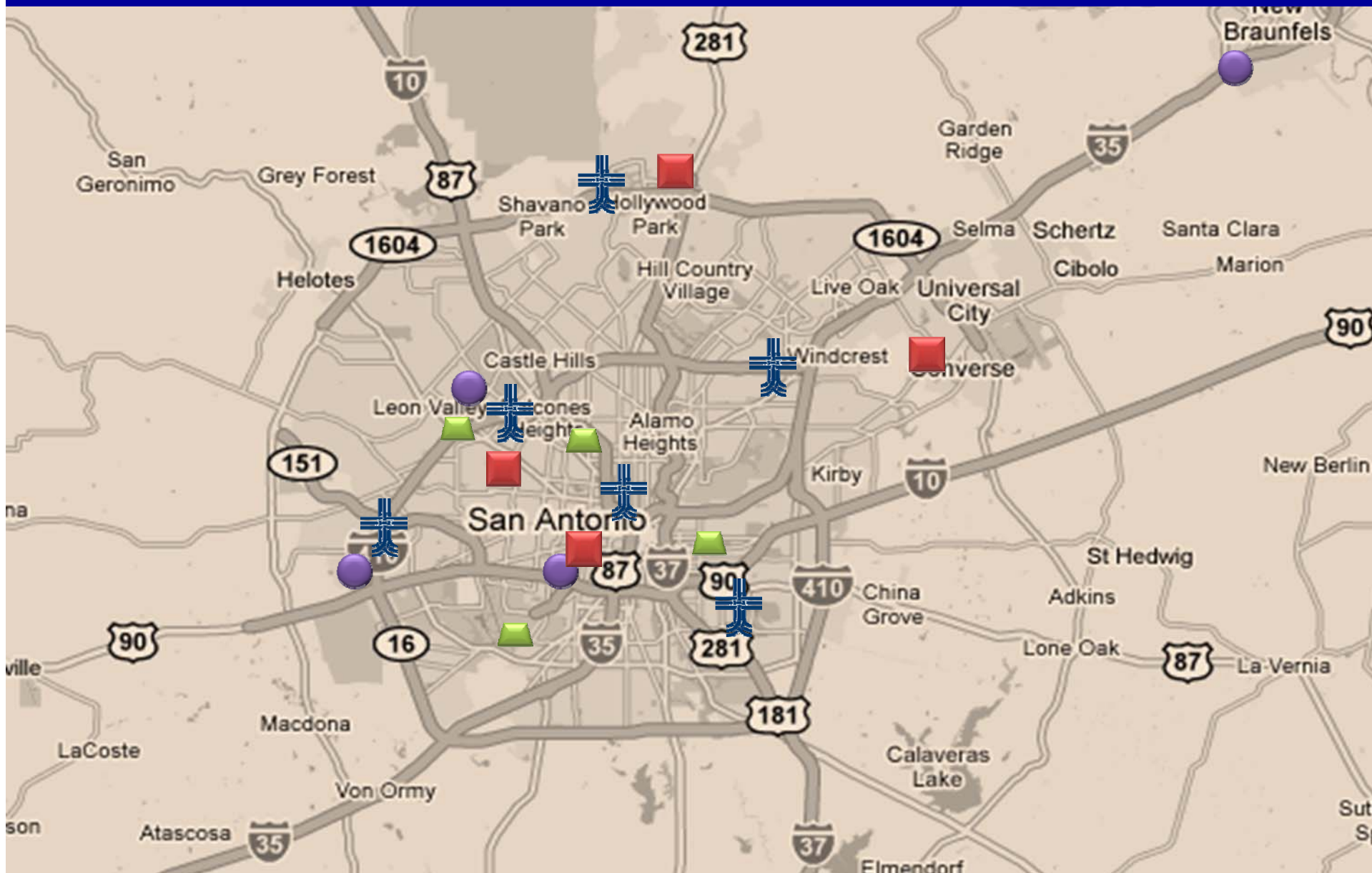




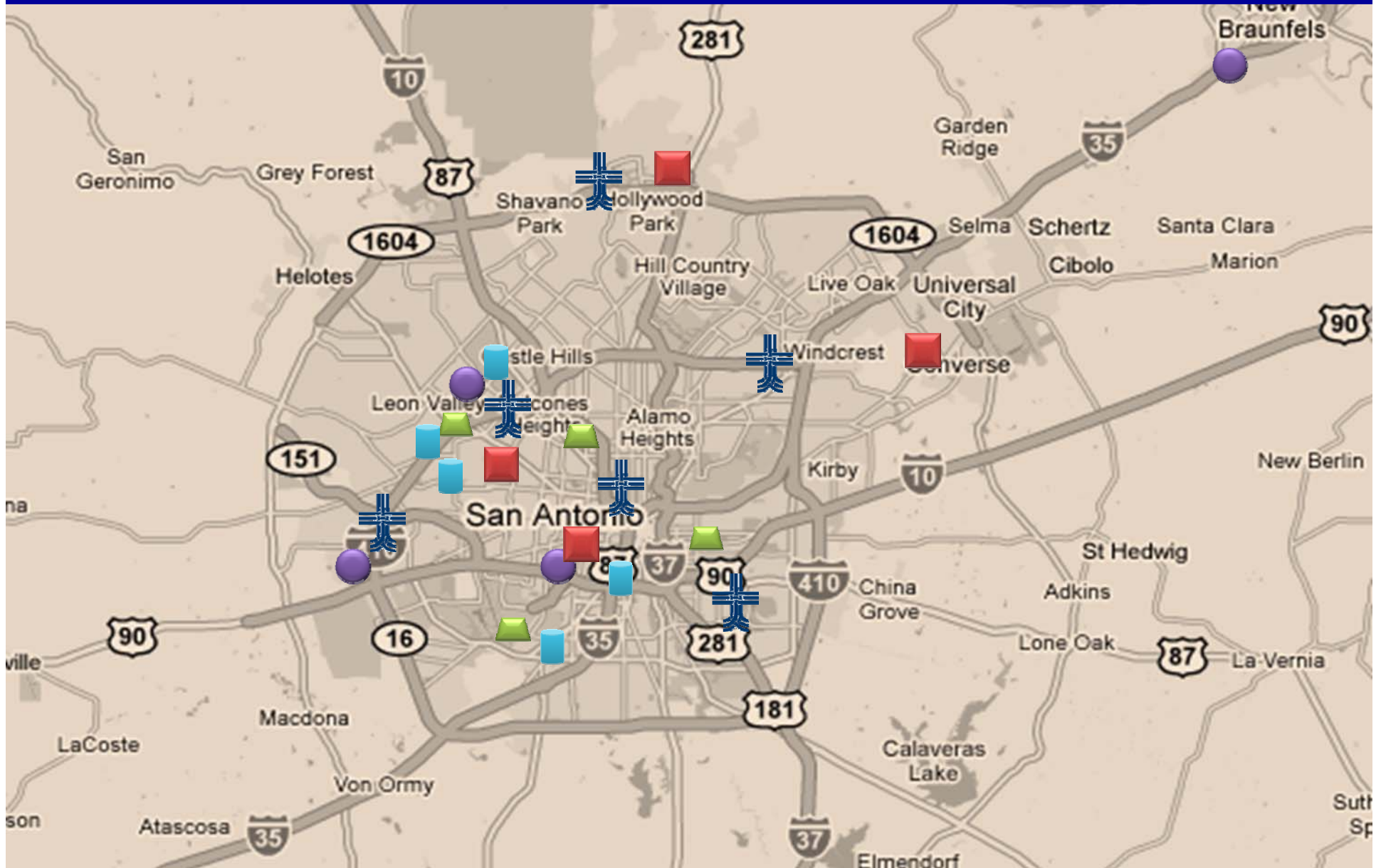
# San Antonio Market, TX (Christus Health)



# San Antonio Market, TX (University Health System, Military, Independent, etc.)



# San Antonio Market, TX (Heart, Spine and Ortho Hospitals)





# ACE Demonstration Project

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

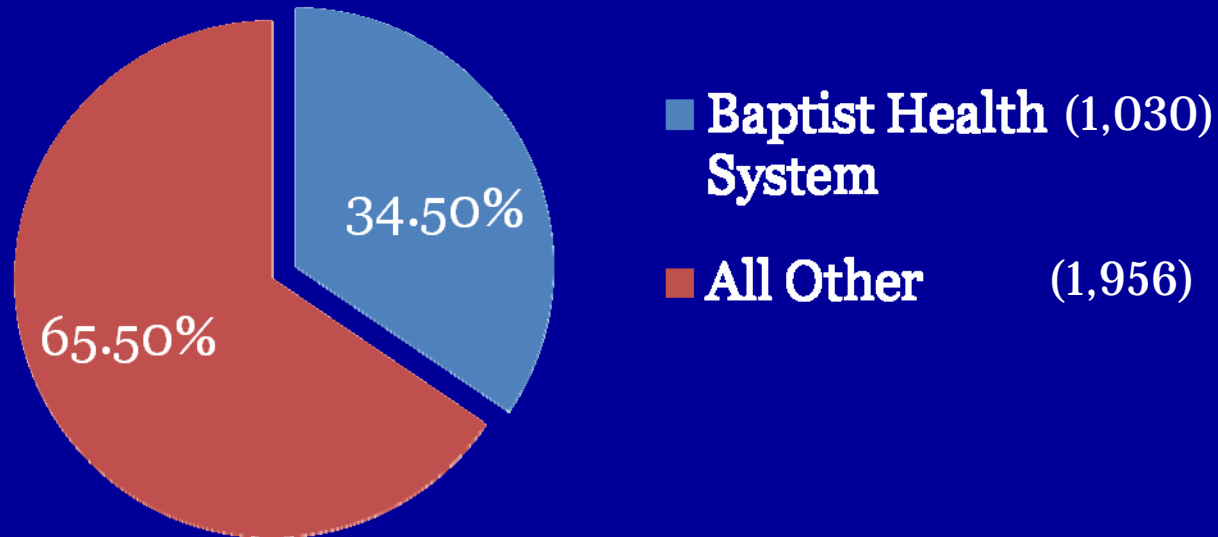


# ACE Components

- Competitive bidding
- Shared savings
- Bundled (global) payments for both hospitals and physicians
- 9 ortho and 28 cardiac DRGs
- Gainsharing opportunity
- Beneficiary incentive

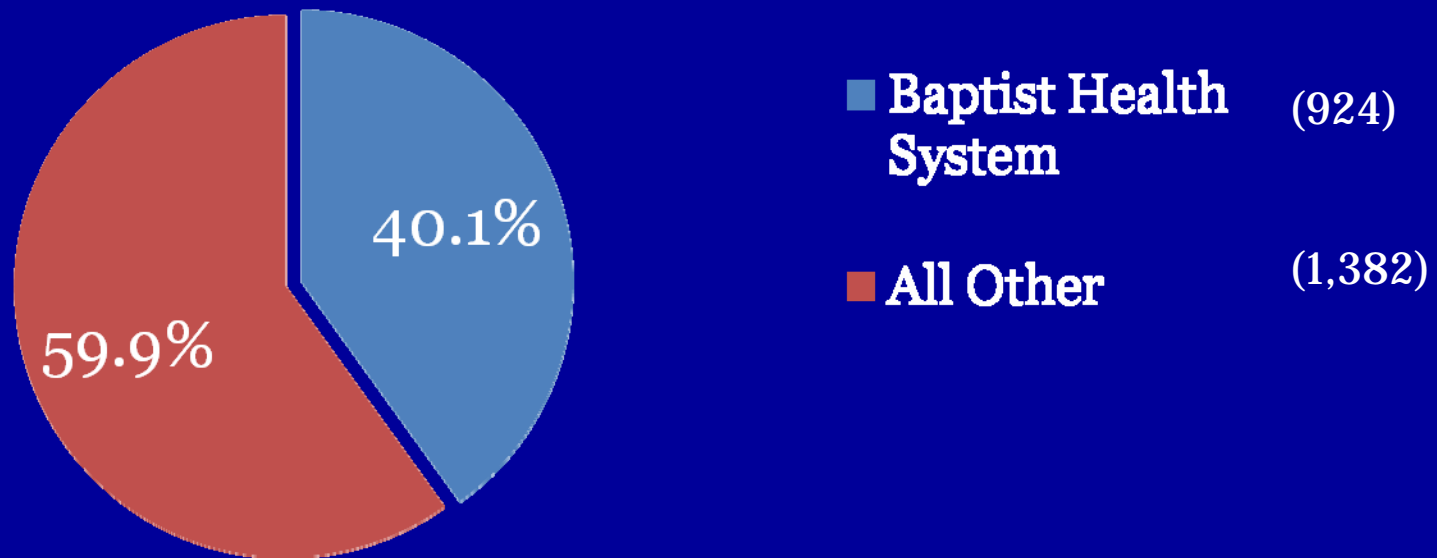
# Cardiac Market Snapshot

## 2008 Market Admissions – Cardiac Bexar and 7 surrounding counties



# Orthopedic Market Snapshot

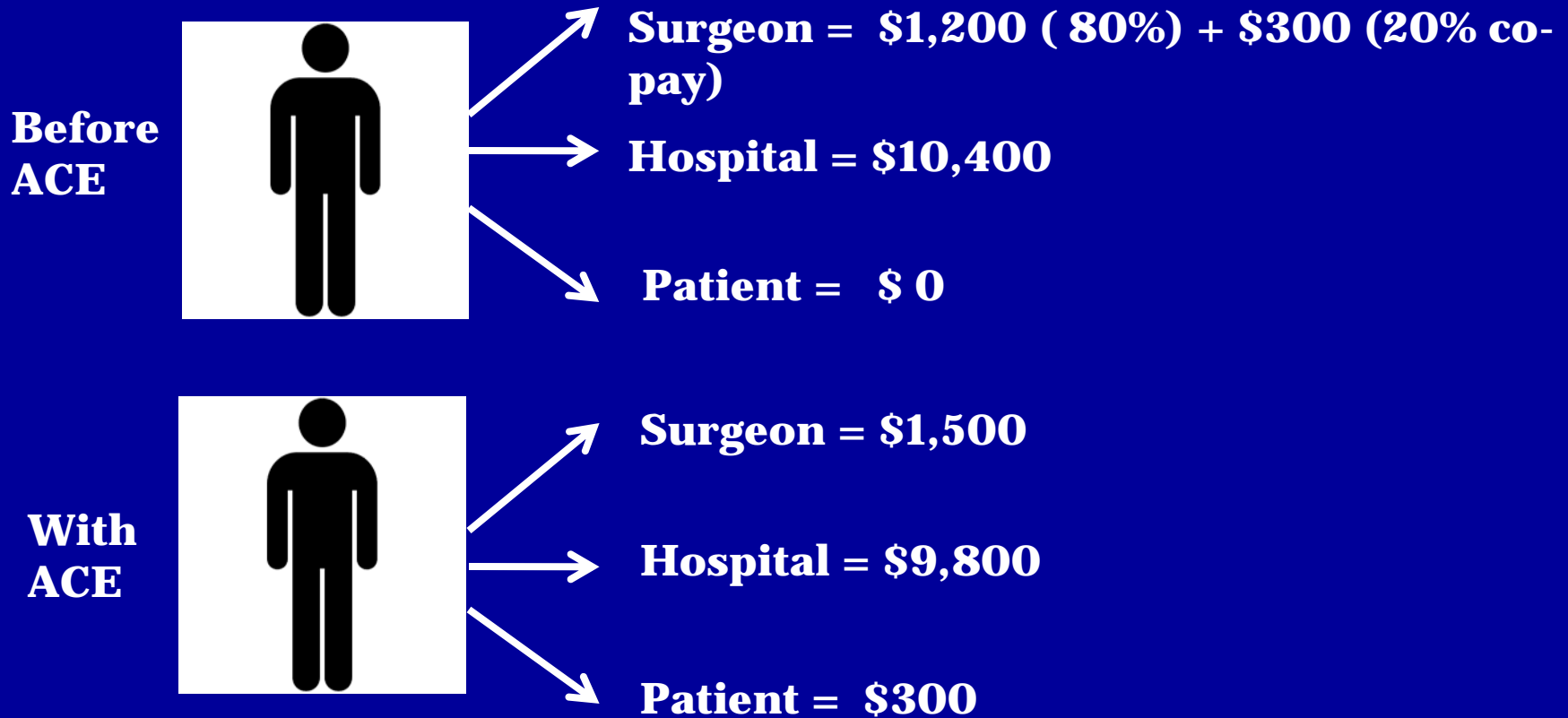
2008 Market Admissions – Ortho  
Bexar and 7 surrounding counties





# Example DRG Payment

**DRG 470** - Major joint replacement or reattachment of lower extremity w/o MCC



# Gainshare Opportunity

**DRG 470 - Major joint replacement or reattachment of lower extremity w/o MCC**

- 2008 DRG 470 Cases (Medicare) = **710**
- 2008 Total Part B Surgeon Payments = **\$1,065,000**
- 2008 Total gainshare opportunity (at 25%) = **\$266,250**
- **Per case gainshare opportunity = \$375**



# “Keys to Success”

- Physician “buy-in”
- Demonstrated quality outcomes
- Improved care processes
- Product standardization
- Resource management
- Incremental volume
- Awareness

# Operational Challenges

- Early identification of patients with ACE DRGs
- Distribution of global payments
- Gainsharing criteria
- Implant standardization
- Quality metrics
- Infrastructure





# Anticipated Results

- Greater hospital/physician alignment
- Improvements in quality and efficiency
- Reduction in costs/improvement in margin
- Increased procedural volume
- Improvements in patient satisfaction

# Contact Information

**Michael C. Zucker, FACHE**

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)

(210) 297-1040

