Implementing Bundled Payments for Health Care Services

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

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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 (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

- **Baptist Health System**: 34.50% (1,030)
- **All Other**: 65.50% (1,956)

**Baptist Health System**
Passionate people. Compassionate care.
Orthopedic Market Snapshot

2008 Market Admissions – Ortho Bexar and 7 surrounding counties

- Baptist Health System: 40.1% (924)
- All Other: 59.9% (1,382)
Example DRG Payment

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

**Before ACE**
- Surgeon = $1,200 (80%) + $300 (20% co-pay)
- Hospital = $10,400
- Patient = $0

**With ACE**
- Surgeon = $1,500
- Hospital = $9,800
- Patient = $300
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

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