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

- Competitive Bidding
- 28 Cardiac & 9 Ortho DRGs
- Gainsharing
- Beneficiary Incentive
- Bundled Payment
ACE Process

Hospital – Part A Payment
Physician – Part B Payment
Bundled Payment per case

BHS standardization, quality and cost savings

BHS savings on case
- Admin Costs

Gainsharing Pool
50% - Physicians
50% - Baptist Health System

CMS savings on case
CMS Retains

50% of savings shared with Beneficiaries

Discount
## Gainshare Example

<table>
<thead>
<tr>
<th>DRG 470</th>
<th>Major Joint Replacement of Lower Extremity w/o MCC</th>
</tr>
</thead>
<tbody>
<tr>
<td>VOLUME</td>
<td>710 Medicare Admissions</td>
</tr>
<tr>
<td>PHYSICIAN PAYMENT</td>
<td>Part B $1,065,000</td>
</tr>
</tbody>
</table>

\[
\frac{\$ 266,250 \text{ Gainshare Opportunity} \ (25\%)}{710 \text{ Cases}} = \frac{\$ 375 \text{ Per Case Gainshare Opportunity}}{710 \text{ Cases}}
\]
Gainshare Example

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

Before ACE

- Surgeon = $1,200 (80%) + $300 (20% co-pay) = $1500
- Hospital = $10,400
- Patient = $0

With ACE

- Surgeon = $1,500 + up to $375 (25%) from lower cost
- Hospital = $10,400 – ($600 to CMS) + (rest of cost savings after MD share)
- Patient = $300 (up to 50% of CMS savings)
Hospital Quality Metrics

Are hospital quality metrics for specialty achieved?
- No → No Gainshare
- Yes →

Hospital Financial Metrics

Are hospital financial metrics for specialty achieved?
- No → No Gainshare
- Yes →

Physician Quality Metrics

Are physician quality metrics for specialty achieved?
- No → No Gainshare
- Yes →

Physician Financial Metrics

Are physician financial metrics achieved?
- No → No Gainshare
- Yes → Gainshare payment made to physician.
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

The most dramatic improvements were in SCIP 3 for orthopedic strata.
Quality Improvements in Orthopedics (cont.)

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

Order Set Utilization

- June 2009: 0%
- July 2009: 31%
- August: 67%
- September: 87%
- October: 80%
- November: 86%
- December: 84%
- January: 91%
- February: 90%
- March: 92%
- April: 95%
- May: 96%
- June: 86%
- July 2010: 97%
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
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