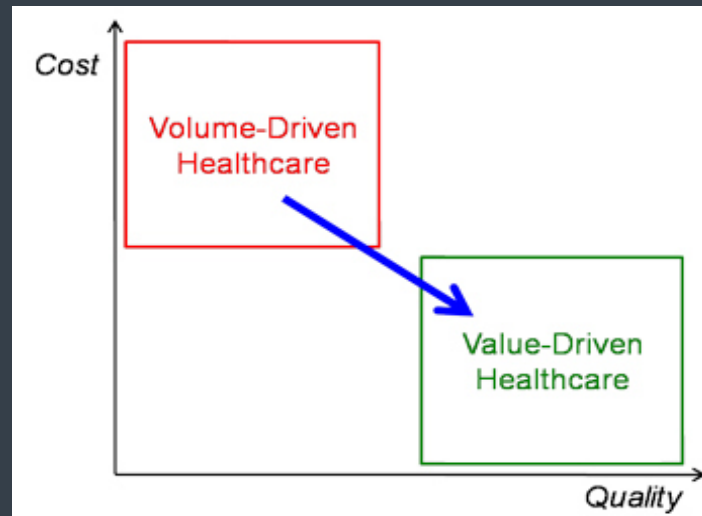


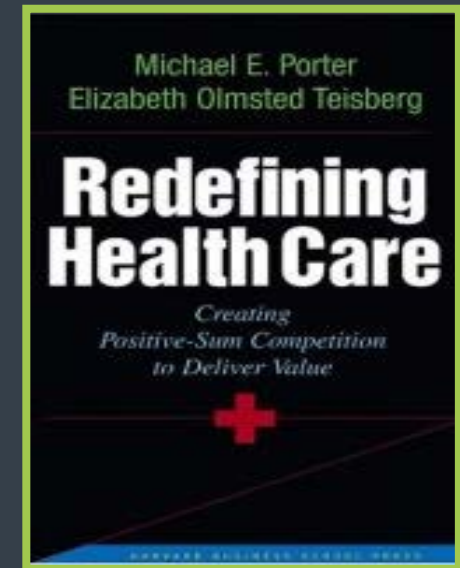
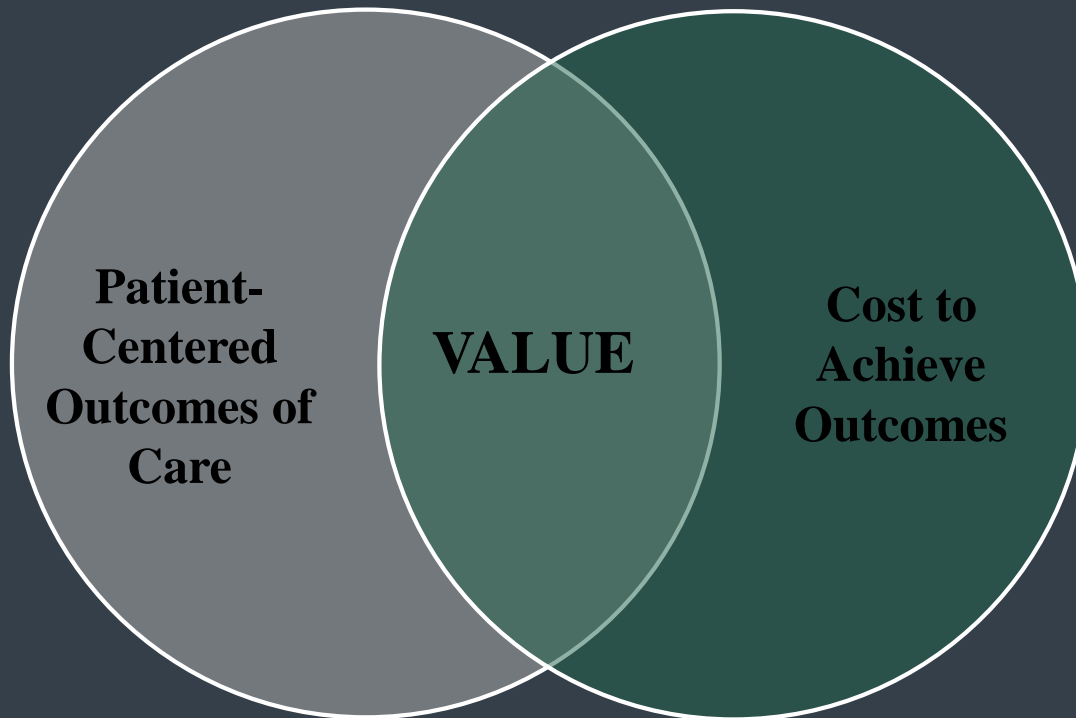
A Strategy for Successful Implementation of Bundled Payments



Kevin J. Bozic, MD, MBA

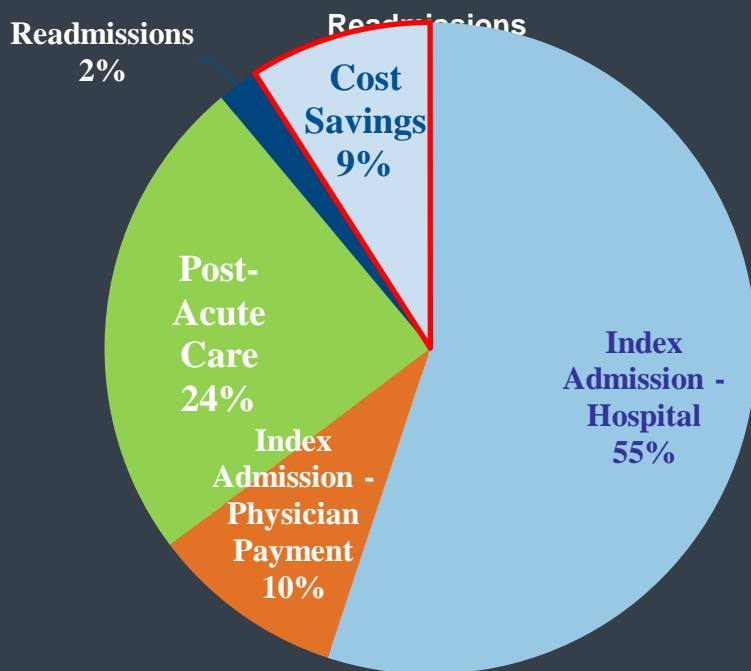
Professor and Chair, Department of Surgery and Perioperative Care
Dell Medical School at the University of Texas at Austin
Visiting Scholar, Harvard Business School

Role of Payment System in Improving Value?



Value = patient centered health outcomes per the health dollar expended

Value-Based Payment



Mean DRG 470 Payment Distribution after 100% Episode Savings

- Reduce/eliminate non value-added care
 - Unnecessary care
 - Inappropriate variation in care
 - Avoidable complications/readmissions/reoperations
- Excess cost due to variation in price

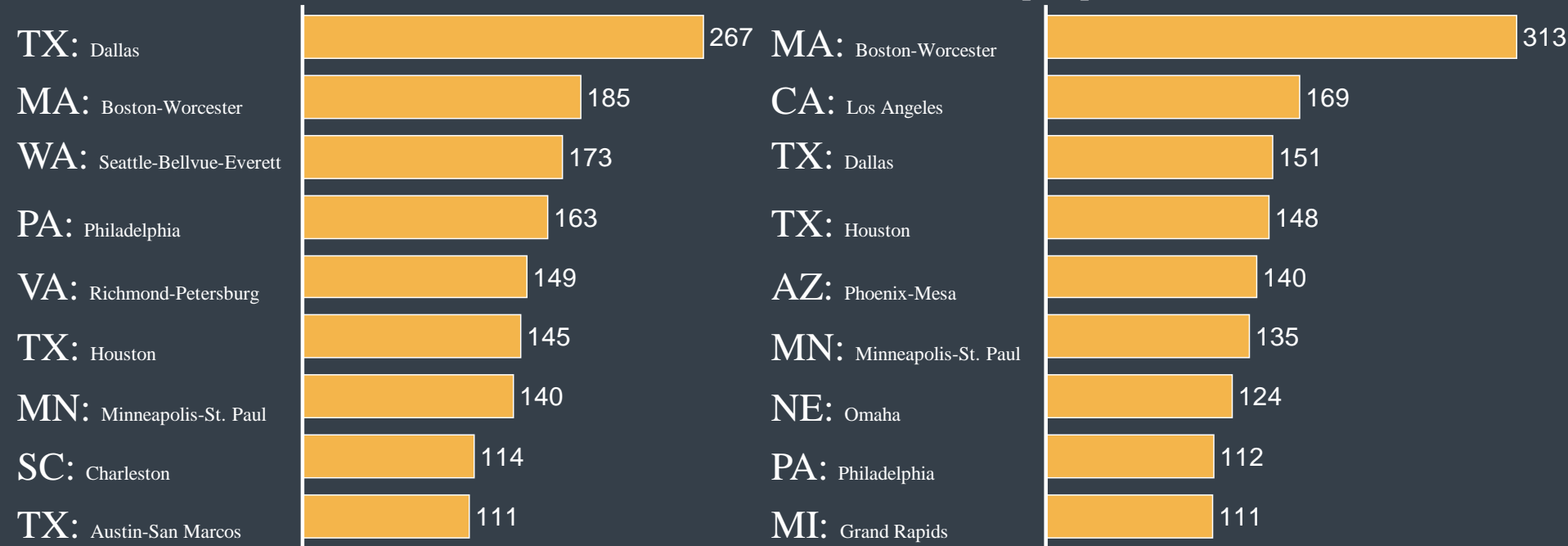
Cost variation in hip and knee arthroplasty

A Study of Cost Variations for Knee and Hip Replacement Surgeries in the U.S.

Percent Difference between Minimum and Maximum Cost per Case, Top 9 Nationally

Knee Replacement

Hip Replacement

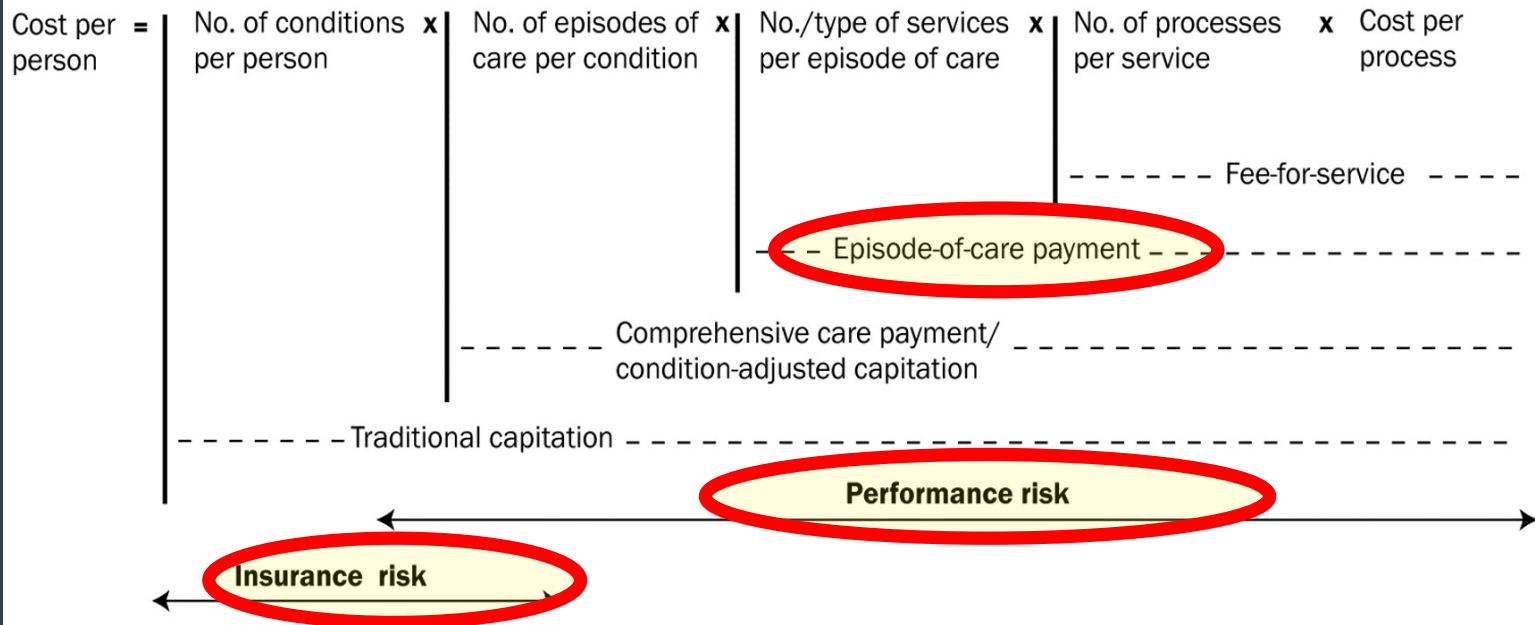


* For hip replacements, Austin is #18 in the nation in the cost differential ranking
Source: Blue Cross Blue Shield. "A Study of Cost Variation for Knee and Hip Replacement Surgeries in the U.S." January 2015

Providers Bear More Risk

EXHIBIT 1

Variables For Which The Provider Is At Risk Under Alternative Payment Systems



SOURCE: Author's analysis.

Principles for Successful Implementation of Value-Based Payment

JB&JS REVIEWS

A STRATEGY FOR SUCCESSFUL
IMPLEMENTATION OF BUNDLED PAYMENTS
IN ORTHOPAEDIC SURGERY

Kevin J. Bozic, MD, MBA

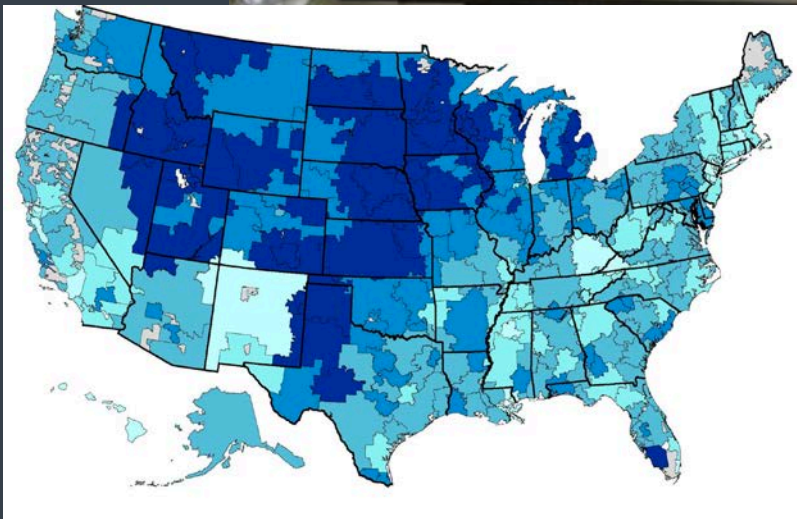
Lorrayne Ward, MBA, MPP

1. Assess Cultural, Operational Readiness

- A. Risk tolerance
- B. Data systems, Sharing
- C. Trust, Alignment
- D. Leadership

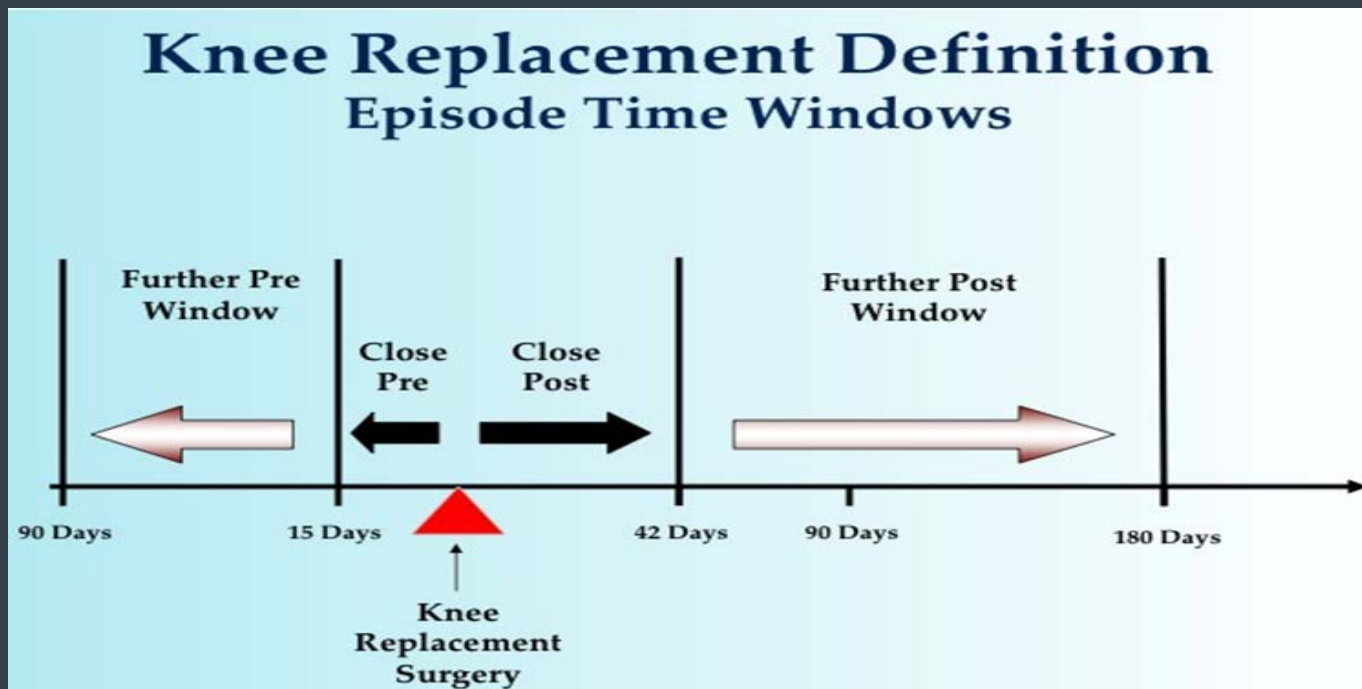


2. Identify Condition, Clinical/Administrative Champions



- High volume
- Well defined episode
- Relatively well-defined indications (CPGs)
- Outcomes already measured
- Homogeneous patient population
- *Local expertise, leadership*

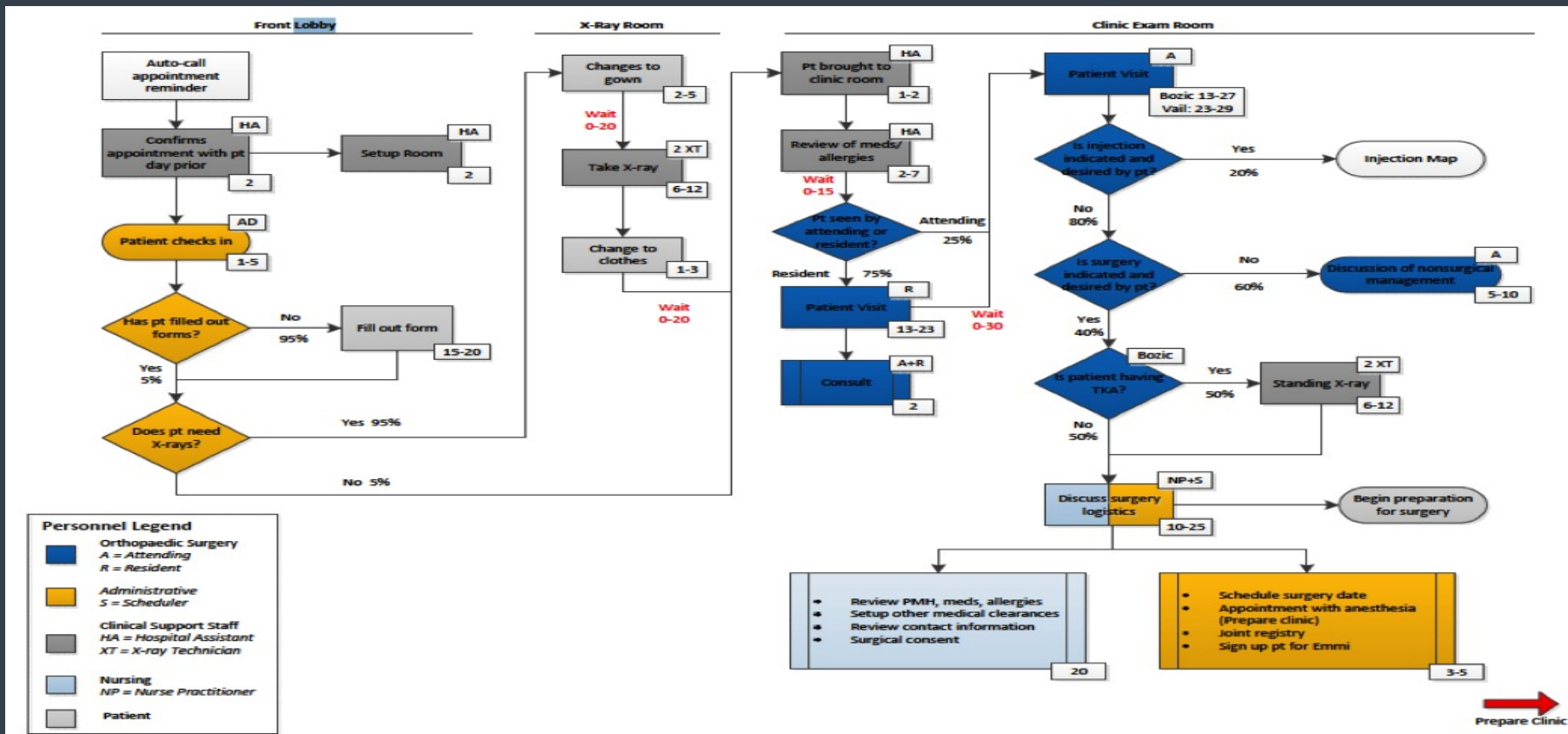
3. Define the Episode for which you Accept Risk



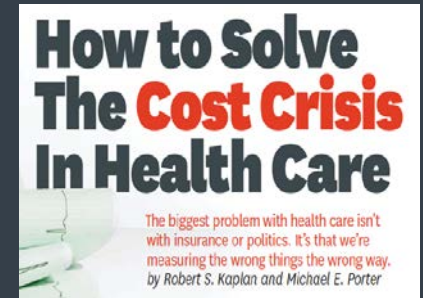
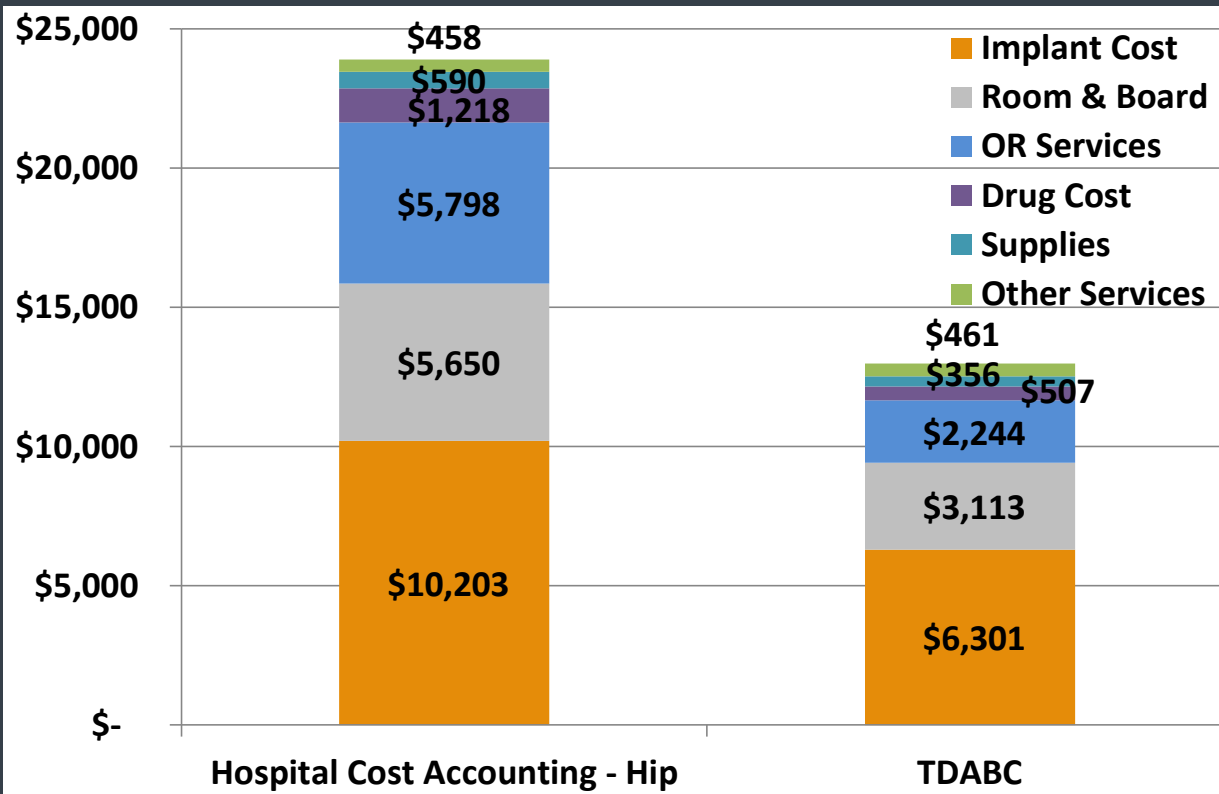
4. Define Performance Metrics, Gainsharing Models



5. Understand Care From the Patient's Perspective

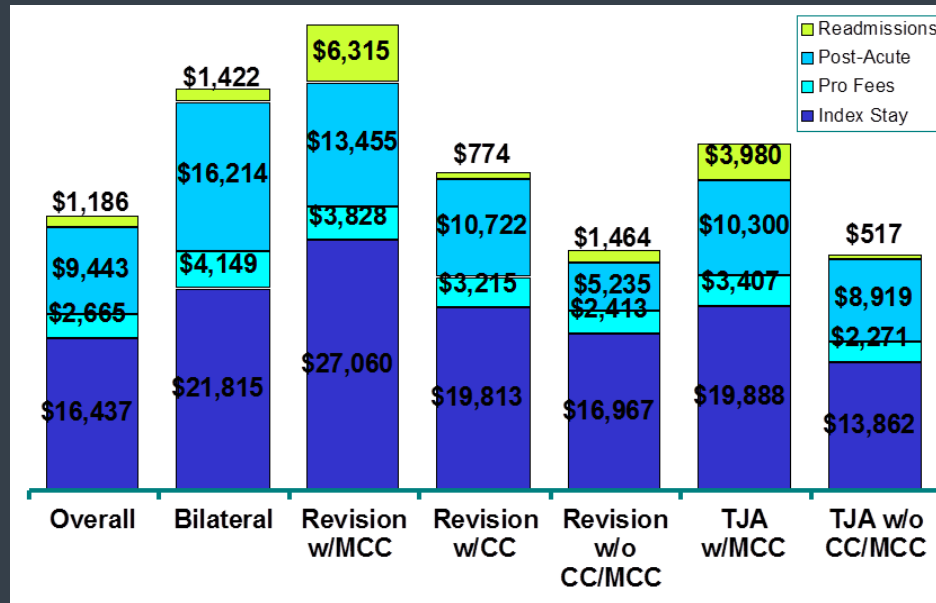


6. Measure the *Actual Costs* of Care Delivery



7. Use Data to Identify Opportunities for Improvement

A) Evidence-based vs. consensus



**Clinical Orthopaedics
and Related Research®**
A Publication of The Association of Bone and Joint Surgeons®
SYMPOSIUM: 2013 KNEE SOCIETY PROCEEDINGS

Bundled Payments in Total Joint Arthroplasty: Targeting Opportunities for Quality Improvement and Cost Reduction

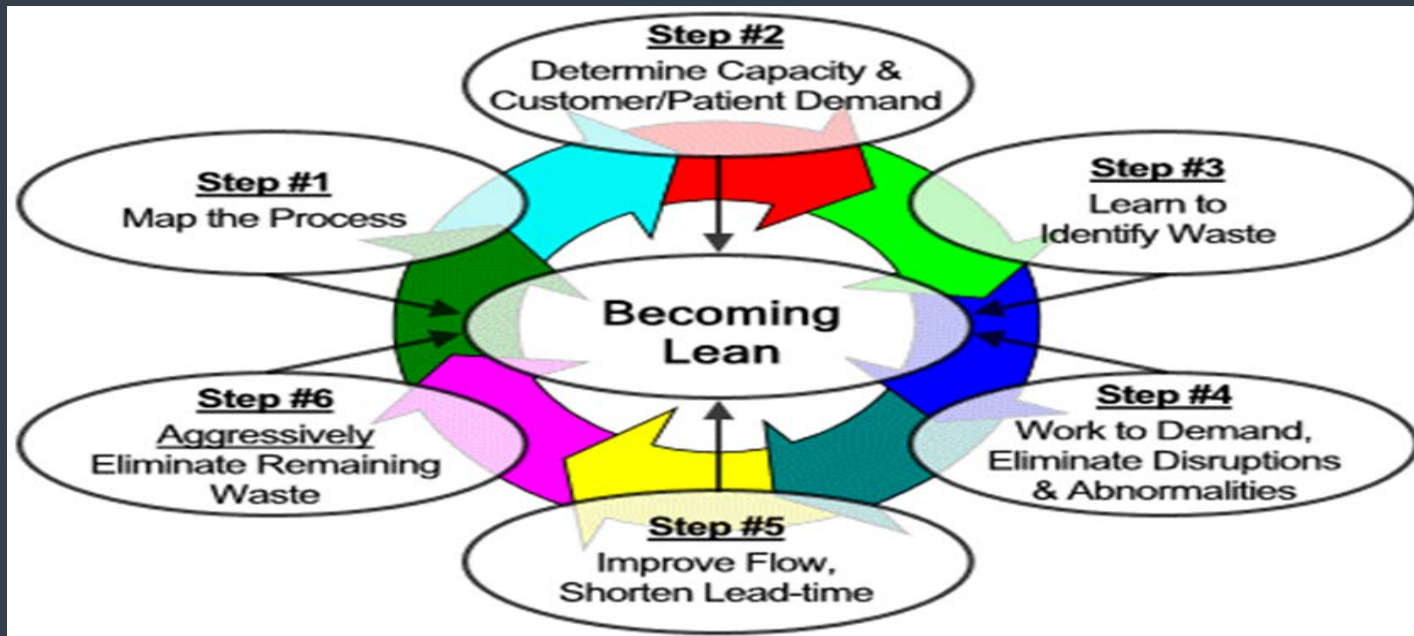
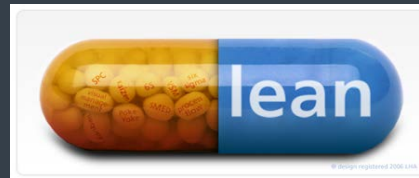
Kevin J. Bozic MD, MBA, Lorraine Ward MBA, MPP,
Thomas P. Vail MD, Mervyn Maze MB, ChB

Variability in Costs Associated with Total Hip and Knee Replacement Implants

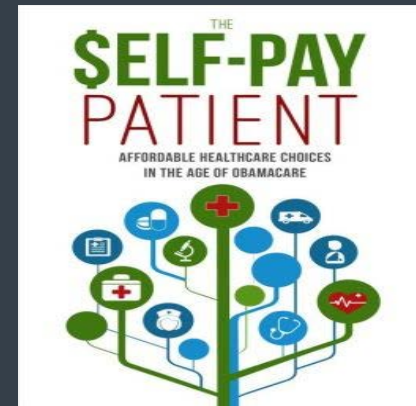
James C. Robinson, PhD, MPH, Alexis Pozen, BA, Samuel Tseng, PhD, and Kevin J. Bozic, MD, MBA

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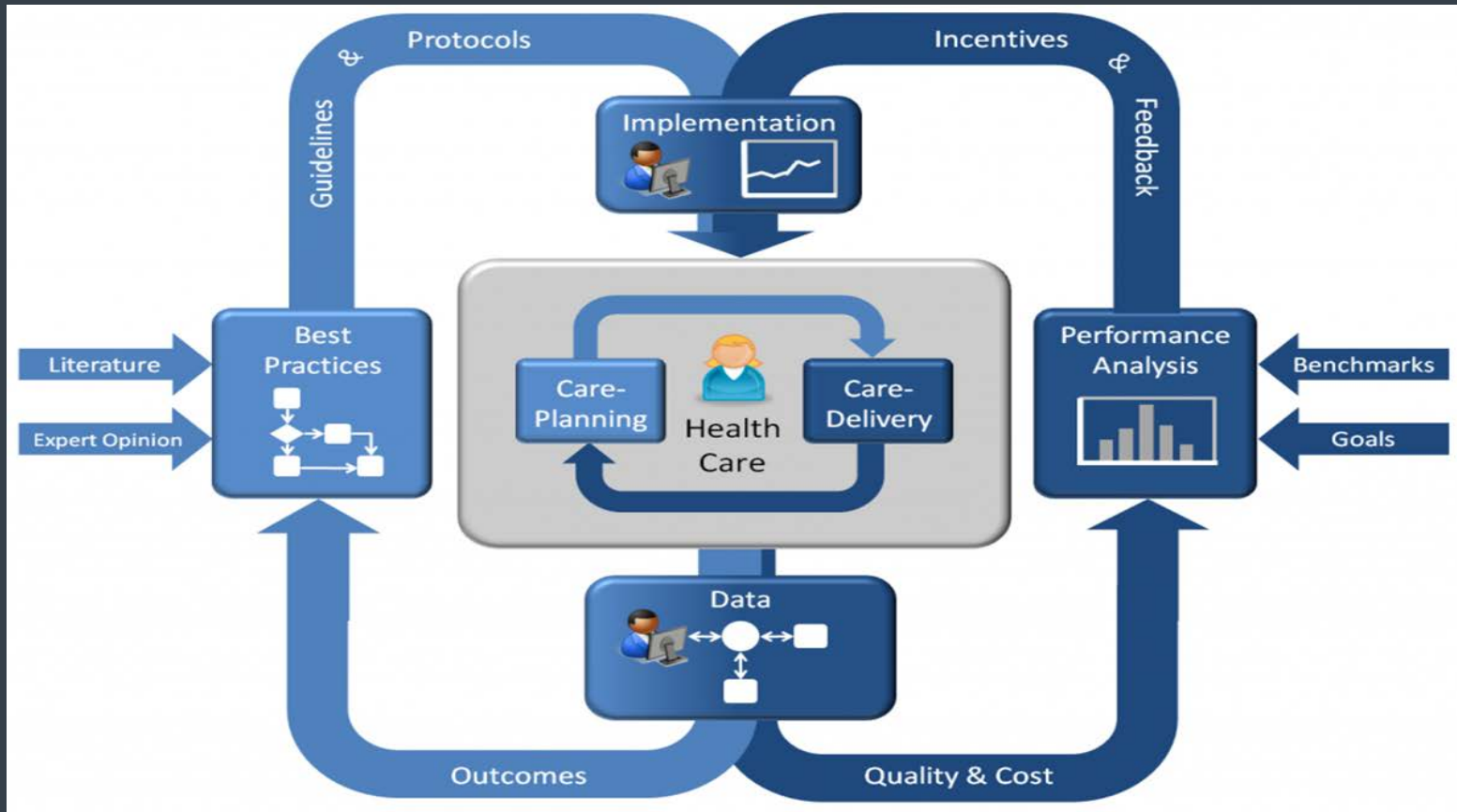
8. Redesign Care to Improve Quality, Reduce Cost



9. Price/Market Episode of Care Program



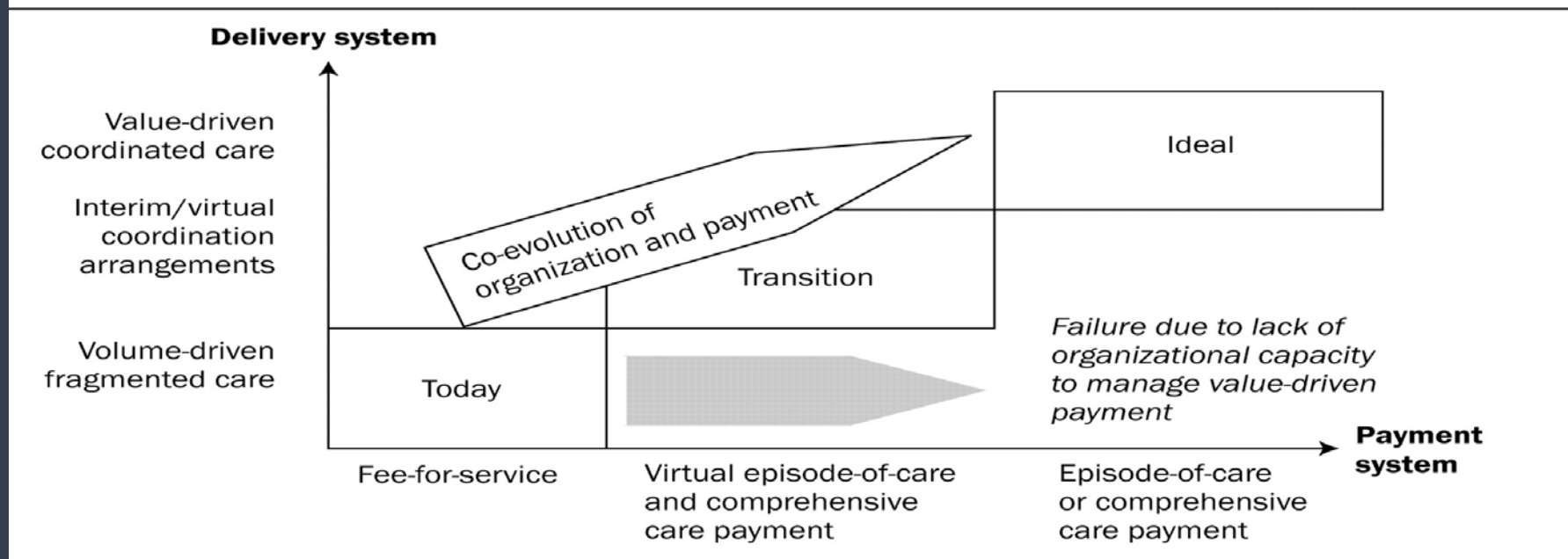
10. Evaluate Results, Iterate



Payment vs. Delivery System Reform?

EXHIBIT 4

Transition In Both The Payment And The Delivery Systems

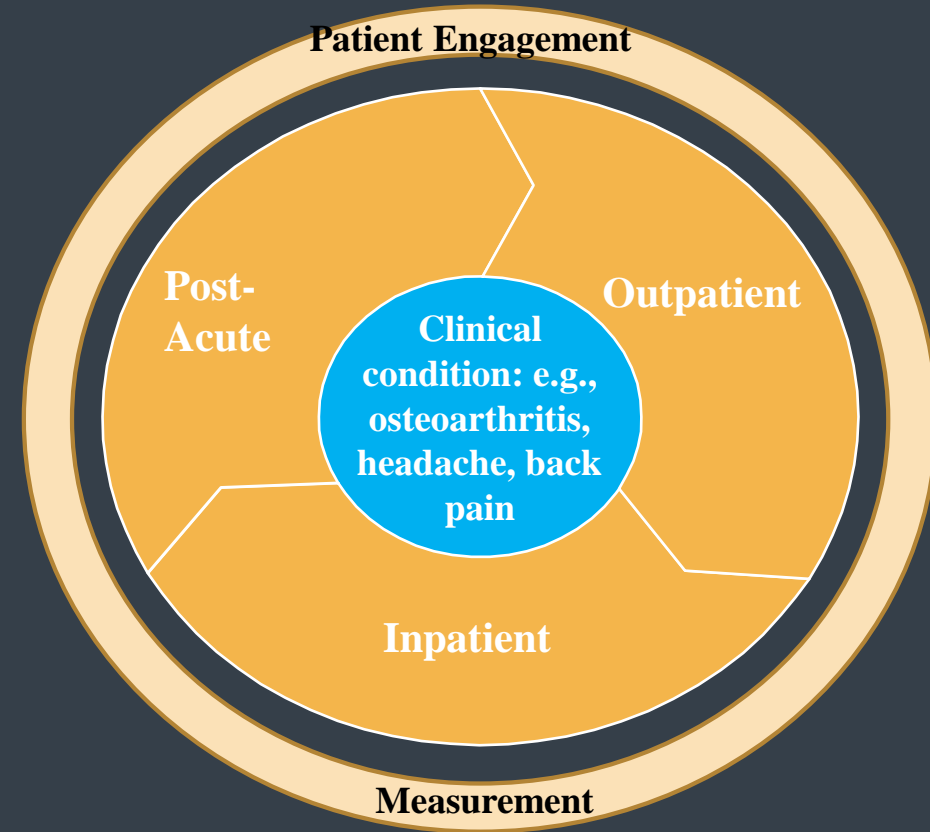
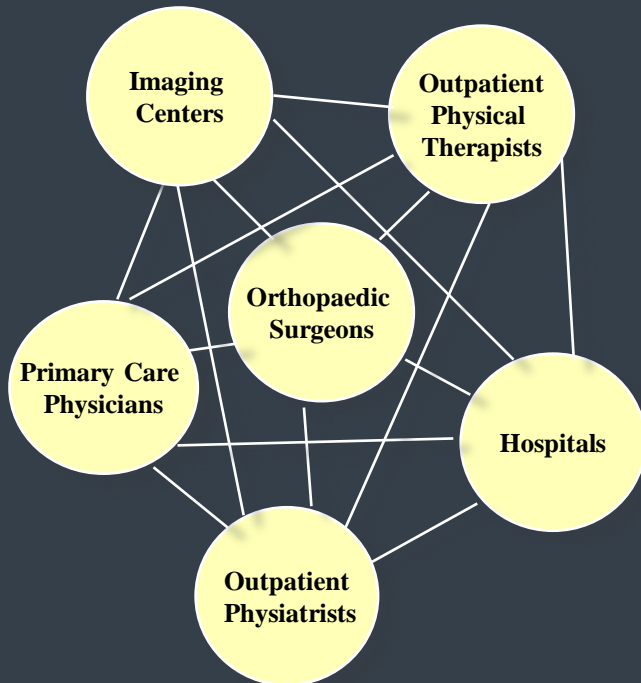


SOURCE: Author's analysis.

Reorganizing the Delivery System Around Value

Existing Model:

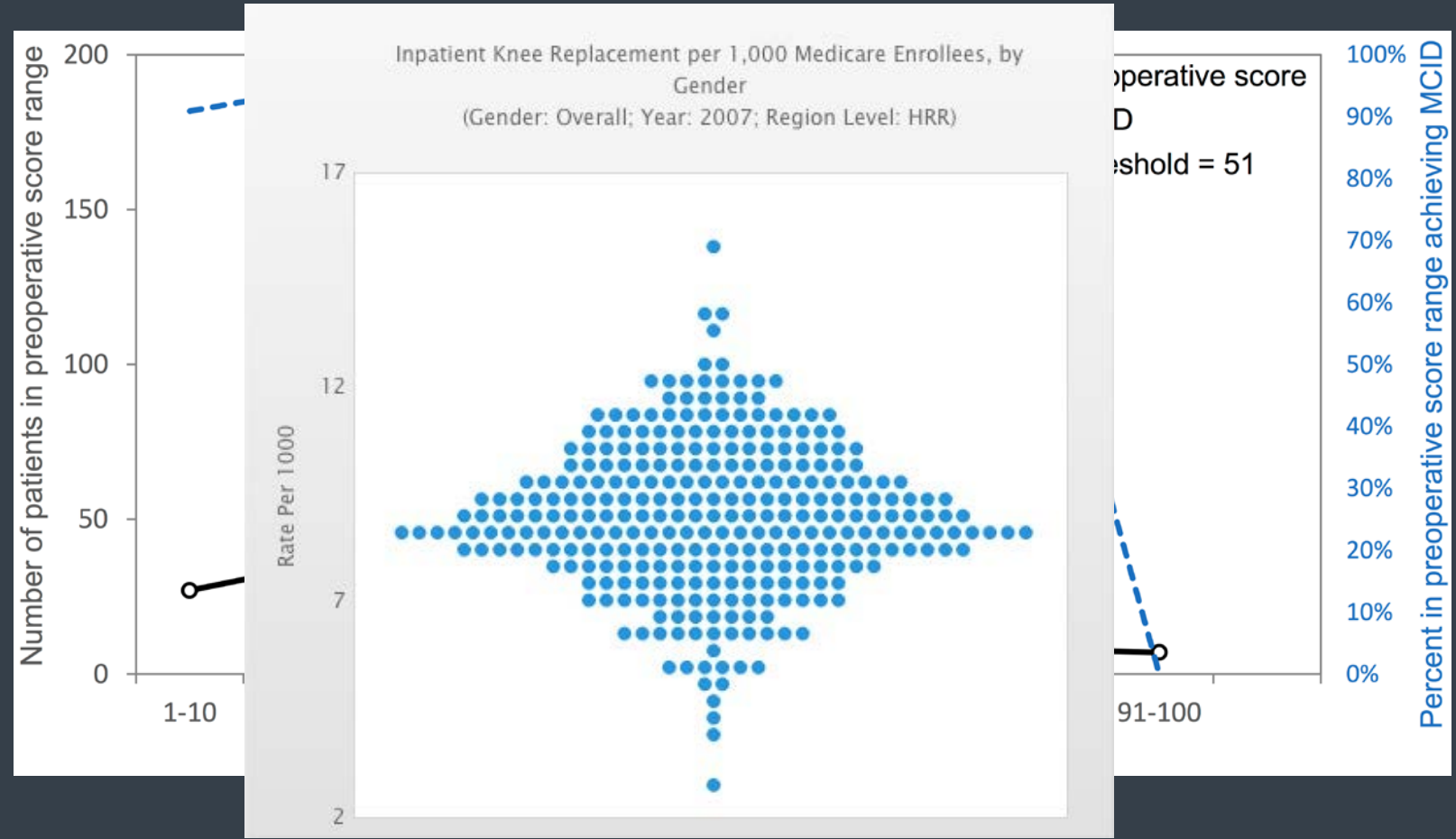
Organize by Specialty and Discrete Service



Attributes:

- Staffed by dedicated multidisciplinary team
- Joint accountability for outcomes and costs
- Shared information platform
- Single administrative & scheduling structure
- Services co-located to the extent possible

What's Missing from Bundled Payments?



Employer Based Initiatives

Oct 8, 2013, 10:43am PDT

Wal-Mart, Lowe's, PBGH form network for 'no-cost' knee/hip replacements

Los Angeles Times | BUSINESS

Companies go surgery shopping

Employers are sending workers on all-expenses-paid trips to top-performing hospitals that agree to low, fixed rates for surgery.

By Chad Terhune, Los Angeles Times
November 17, 2012 | 5:00 a.m.



Dr. James Caillouette of the Hoag Orthopedic Institute in Irvine discusses a hip replacement procedure with Mary Anne Ramey of San Diego. (Allen J. Schaben, Los Angeles Times / November 7, 2012)

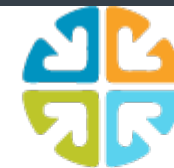
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DIRECT TO EMPLOYER

Narrow Networks in the
"New Exchange World"



Physician Care Direct

Why am I Bullish on Value-Based Payment Strategies?

- Cost pressures are not going away

- Waste in the system (variability in cost, outcomes)

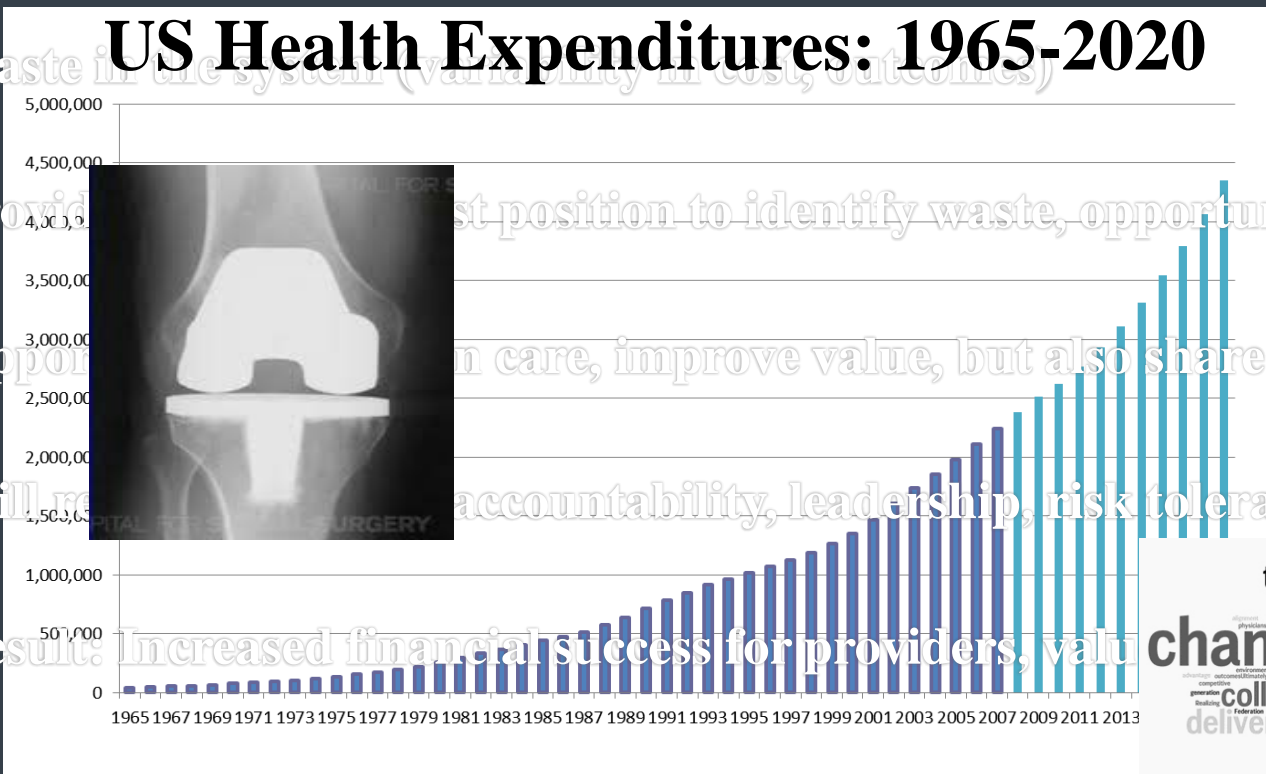
US Health Expenditures: 1965-2020

- Providers in best position to identify waste, opportunities for improvement

- Opportunities in care, improve value, but also share rewards

- Will require accountability, leadership, risk tolerance, access to data!

- Result: Increased financial success for providers, value



transformative
engaged
change
collaboratively
ambiguity
strategies
agent
physician
Engagement
lead
win
win
win

What Do We Have To Lose?

Provider Financial Performance

Fee-for-Service (RVU, DRG) System:

- Improved efficiency or increased time = lower reimbursement
- No consideration of outcome, value

Value-based approaches

Fee for service



Time

The Choice is Ours...



- **Either we find ways to stretch our healthcare dollars by improving value, or...**
- **Cost containment will be imposed on us by limiting access and cutting provider reimbursement**





*Thank
You!!*



The University of Texas at Austin
Dell Medical School