Bundled payment in total joint replacement – value-based care becomes policy

Written by Rick Ferreira, President and CEO of Intralign | December 11, 2015 | Print | Email

Value-based care is a potent, paradigm-changing idea recently turned legislation.

Now, with the Centers for Medicare and Medicaid's (CMS's) final rule on bundled payment for total joint replacement, this legislation is becoming a dramatic reality that challenges healthcare to invent new principles for care delivery that focus on total care value as opposed to services delivered or actions performed.

And make no mistake, the reality that hospitals are waking up to is scary to hospital administrators. The new Comprehensive Care for Joint Replacement rule (termed CJR) places financial responsibility for the cost and quality of total joint replacement (one of the fastest growing, most financially impactful procedures performed at hospitals) squarely with the hospital. This means three things:

- Hospitals must create a new governance and care delivery system that goes far beyond what the hospital itself currently provides and controls – they will be responsible for costs incurred 90 days after hospital discharge – so in skilled nursing facilities, rehab centers, etc.
- Hospitals must manage care delivery to a target dollar amount for the entire episode of care (including the 90 days) – CMS will provide financial rewards for hospitals that provides this care at a cost below the target – and financial punishment for hospitals that fail to meet the target.
- Hospitals must re-think every clinical encounter to fit within a paradigm of managing overall care delivery vs. managing fragmented clinical services. This difference is enormous: You have to look at total quality management, not reimbursement optimization.

The American Academy of Orthopedic Surgeons (AAOS) and the American Hospital Association (AHA) have both recognized the value of this new principle – and warned about the lack of preparedness among hospitals to tackle the implicit challenges. So CMS postponed the effective date of the rule from January 2016 to April 2016, which makes little difference for the hospital - but shows CMS is listening.

Value-based care and addressing the new rules from CMS is about managing costs and quality – but fundamentally, you don't get there without solving a more fundamental problem: How do you get to a point where you truly control the episode of care? Intralign is a healthcare service company that was founded to help hospitals gain control of the episode of care.

The most important challenge – in the light of value-based care and CMS' initiatives – is how to operationalize value based care and the specific initiatives born from this idea. While healthcare policy makers, professionals and administrators may recognize that the principle is sound, the real question is how to create the changes that need to take place. Consulting firms have lined up already to write up long and impressive reports about value-based care and CJR, but Operating Room (OR) Directors and Hospital COOs are left looking at these reports asking "Yes, but what do I DO and HOW do I do it?"

Systemic care delivery change is easy to discuss and legislate – but difficult to operationalize. There are two principles that we have found to be critical:

- Change does not happen through the delivery of a report. Real results happen when you address how to
execute, measure and sustain change programs
- In a hospital environment, it is not possible to accomplish this without combining operational and clinical resources – operational improvements remain without true impact when there is no clinical buy-in

We challenged our advisors and professionals to develop a program based on these principles. Our success in operationalizing value-based care has come from diligent insistence on delivering real, sustainable changes through a five-point program:

1) Assessment of current processes and performance outcomes to identify areas of opportunity across the episode
2) Alignment of clinical and operational staff groupings to ensure everybody shares goals and objectives
3) Installation of near-real time dashboards to allow cross-functional and cross-performance-measure tracking of how resources are spent and how quality is created
4) Launching a clinical intra-operative support program, primarily based on surgically qualified Physician Assistants (PAs) and MDs, to increase efficiencies, improve quality of procedures and track performance metrics
5) Completing process transformation programs such as optimizing pre-admission processes to better manage the patient journey through the episode of care. Usually a handful of process improvement initiatives can produce million-dollar savings and dramatically increase clinical staff satisfaction

Ultimately, hospital administrators cannot reasonably be expected to react to legislation. The hospital world is a world full of clinical and financial pressures every day that take away everybody's attention. Therefore, a focus on operationalization rather than legislation is needed to enable healthcare executives to develop the healthcare system of tomorrow.

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