Value based contracting:
How to get started
Assessing readiness and bringing the stakeholders to the table

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Disclosures

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The entrepreneurial spirit of the independent private practice surgeon, working at an arms length relationship with a willing hospital partner, can more rapidly and effectively create sustainable healthcare value than other contemporary alignment models.
Overarching goal is to create a new paradigm for healthcare delivery focused on delivering high quality care at a reasonable price point and not on revenue, RVUs or transactional volume.
Assumption #2

• “A bundled payment is a single package price that provides a positive margin for a comprehensive and defined set of healthcare services delivered to a patient by multiple providers over a full cycle of care”.
Assumption #3

- Full cycle of care is defined as 30 days pre-operatively to 90 days post discharge.
Assumption #4

Stakeholders

- Physicians
- Hospital
- Consumers of healthcare services
- Post-acute providers
- Surgeons
- Anesthesiologists
Bundle payment program at CJRI

- Team convened July, 2009
- Focus group meetings weekly
- Care redesign for primary TJR episode
- “Basket of Care Agreement” signed August, 2010
What was the input?

- Time
- Patience
- Steady Physician/Hospital leadership
- Discipline
- $70K in collective legal fees
- Opportunity cost
ARE YOU PREPARED?
Primary challenges

PEOPLE

DATA

TRUST
Assessing readiness: Physicians

- Physician leaders
  - Collaborative relationships
  - Awareness of obstacles
  - Shared vision
Assessing readiness: Physicians

- Physician alignment
  - The first step has to be aligning physicians around a common vision
  - Form an LLC
Assessing readiness: Physicians

- Physicians
- Willingness to standardize
- Willingness to make data driven decisions
- Willingness to be transparent
Achieving success with the value framework demands a substantial change in behavior and...
...Physician leadership and *engagement* are the single most essential elements of any successful value based health care journey...

Period, end of the story...
Assessing readiness: Hospital

- Visionary CEO
- Relationships with Physician groups
- Transparency
- Trust
- Flexible Accounting and Financial officers
- Data warehouse
- Volume
Assessing readiness:
Hospital and Physicians

- What is the collective risk tolerance?
  - Insurance risk
  - Performance risk
Assessing readiness: Hospital *and* Physicians

- What is the collective risk tolerance?
- Insurance risk

**Performance risk**

*access to:*

Internal claim reserve
Stop Loss policy
Assessing readiness:
All stakeholders

• The importance of access to legal counsel with expertise in healthcare law cannot be overstated.
What are the critical data?

Cost

- Hospital direct cost/case
- Surgeon cost for services
- Anesthesia cost for services
- Cost of complications
- Cost of re-admissions
What are the critical data?

Quality

- 30, 60, 90 day re-admission rate
- Complication profile
- Length of stay
- Discharge disposition
- HCHAPS scores
- SCIP measures
What are the critical data?

- Generic and Disease specific Patient Reported Outcomes
Engage all stakeholders
Primary drivers

- Increase healthcare value!
- Increase margin
- Increase “same store” volume
- Increase market share
Secondary drivers

- Improve operational efficiency
- Better FFS contracting
- Stable long term relationships
- Access to patients
- Evolution to an Integrated Practice Unit
- Access to “at risk” dollars
Supreme drivers:
Physicians

- Opportunity
- Autonomy
- Mastery
- Purpose
“Under value based healthcare, there is no reason why Arthroplasty surgeons should not be able to maintain or increase their revenues and income.”

Potential obstacles

- Absence of any of the readiness criteria
- Fear of the unknown
- Current transition from FFS to VBHC
- Negotiating with post-acute providers
- Is the market really ready?
- Who has benefitted by these efforts thus far?
Bundled Payment plans: Pitfalls and risks

1. Unclear definitions and time frames
2. Imperfect risk adjustments
3. Financial loss related to risk bearing
4. Administrative burden > anticipated
5. What are we going to do with the excess capacity?
Keynote address by noted healthcare strategy expert and economist Michael E. Porter, PhD.

Special Event!

AAOS Shifting from Volume to Value: Preparing Your Practice for Healthcare Reform
Course #3042
Kevin J. Bozic, MD, MBA, Course Director
Anthony M. DiGioia, III, MD, Course Co-Director

"This is one of the most relevant and useful courses I have attended in years. The topics were timely, and the faculty all well-versed in the issues. This was a unique and effective educational experience that I will recommend highly to my colleagues."
- 2013 course participant

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Washington, DC
Do your due diligence
Be prepared
Have the data
It’s worth the effort
Thanks for your attention!

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