



Supply Chain Strategies for Value-based Purchasing and Care in Orthopedics

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With the rapid appearance and evolution of **value-based purchasing and care**, both challenges and opportunities are emerging for Supply Chain and Purchasing professionals to lead and support their hospitals, medical staff and health systems in **managing cost, growing market share and improving quality**.

Using CMS's **CJR initiative (Continuing Care for Joint Replacement)** for mandatory bundled payment as a point of reference, Patrick will present critical information about the 5-year program's impact on cost and quality relative to the role of Supply Chain and Purchasing. CJR impacts over 100 hospitals and their orthopedic physicians across the New York Metro and Northern New Jersey region.

Attendees will understand:

- *The genesis and rationale for CJR,*
- *The operational, clinical and financial implications for Supply Chain and orthopedics,*
- *Common "hidden" costs in joint replacement care and how to decrease cost while improving quality,*
- *Effective strategies for further engaging and aligning with orthopedists.*

Experts in Orthopedic & Spine Care



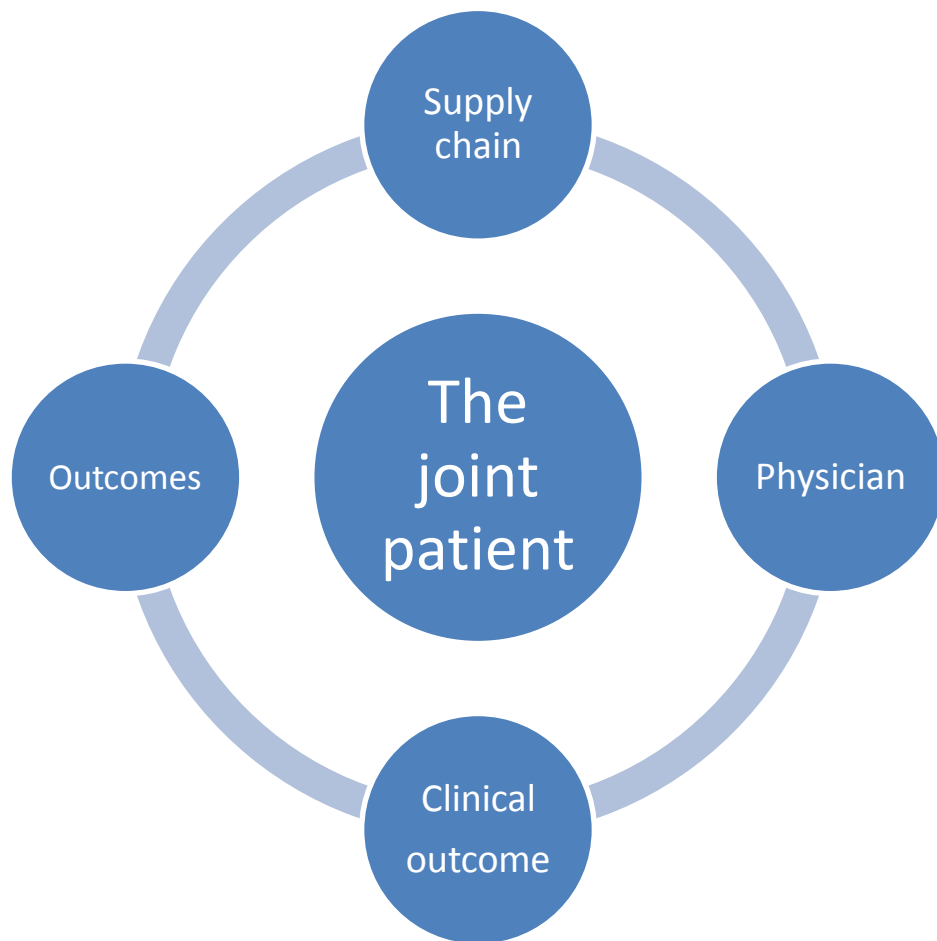
Hospitals, Health Systems, Physician Practices

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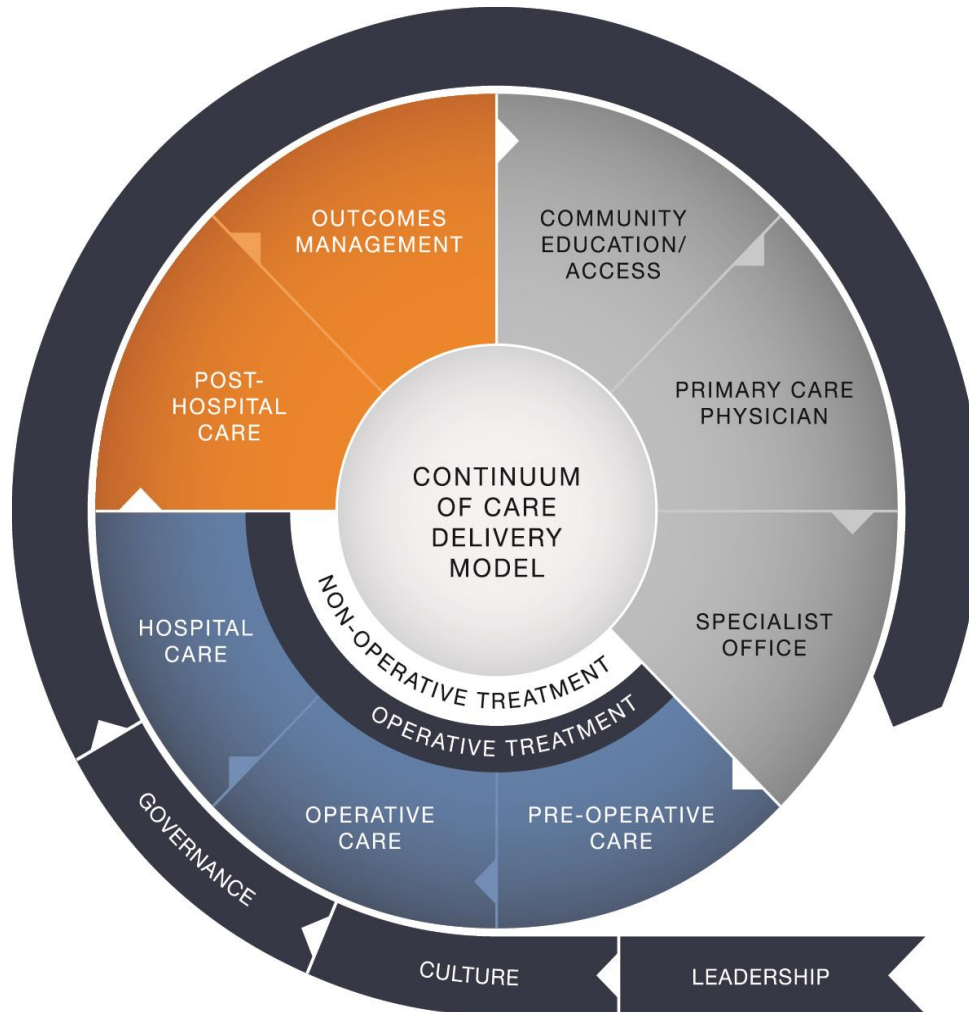
Service Line Development Assessment & Implementation	Joint, Spine, Fracture & Surgical Services Optimization > 350 hospitals assessed > 240 implementations
Alignment/Strategy/Reform	Value-based reimbursement: CJR , ACO's, Bundled Payment, Physician Co-Management
Performance Management	Hospital and Patient Reported Outcomes
Physician Practice Strategies <i>-the <u>business</u> of medicine</i>	Operational Assessment , Redesign & Development

Why CJR is critical to surgeons and hospitals:

- “New York-Newark-Jersey City NY-NJ-PA”, Bundled Payment was voluntary but is now mandatory
- Many hospitals are ill equipped to manage the transitions required to be successful which include: data analysis, managing cost, care redesign (from preadmission to post-hospital care), coordination between physicians and hospitals
- Surgeons and hospitals will need to collaborate like never before. New opportunities will emerge for surgeons and Supply Chain to maximize their respective skills
- Cost and efficiencies will be scrutinized across the whole continuum of care



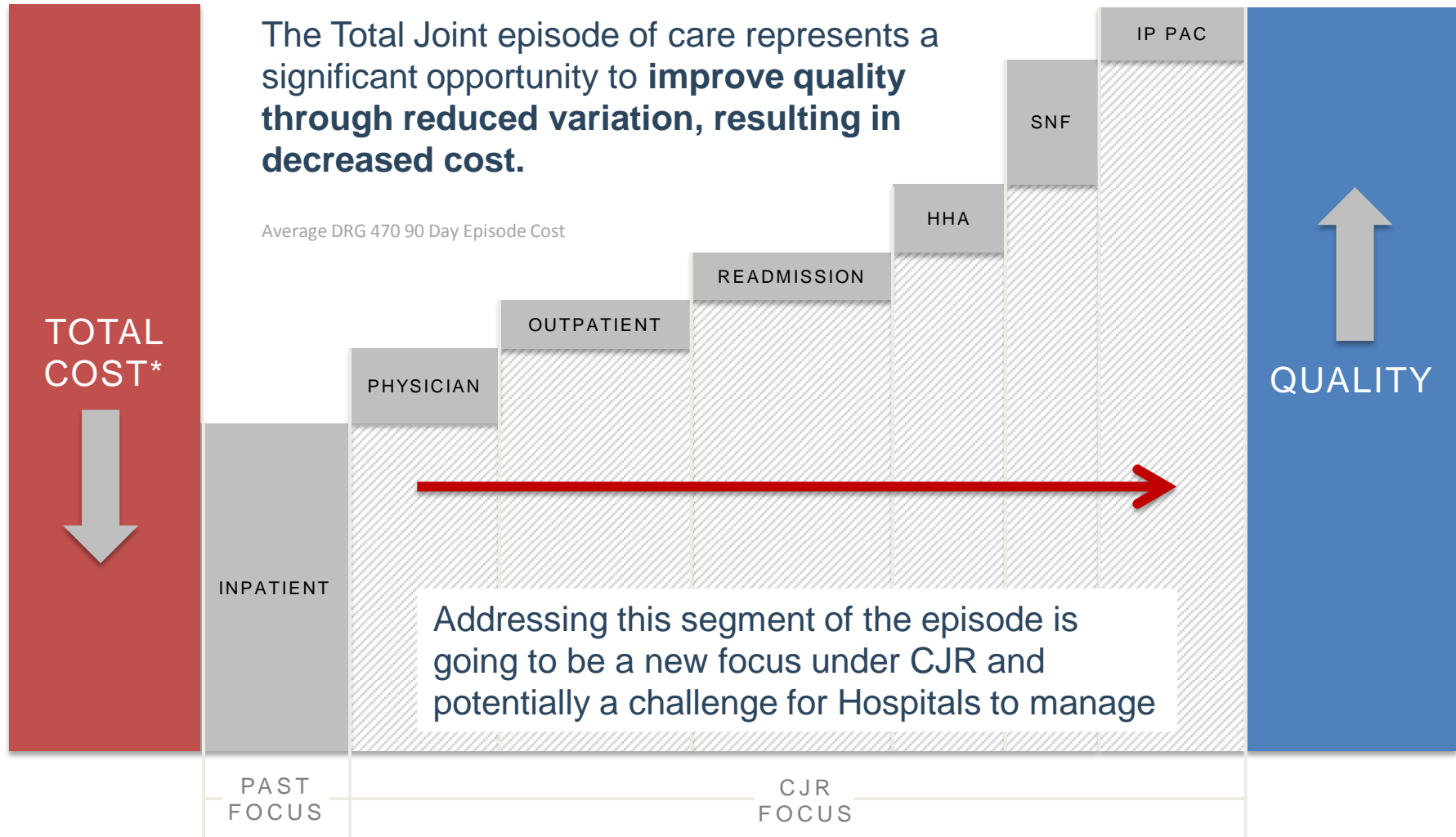
- Often clinical value & outcome is not visible to the supply chain professional and cost has not been visible to the physician champion
- Both professionals need to collaborate need to be value partners



Redesign care across the Joint episode to:

- Deliver care to differentiate your hospital from those in your Region
- Standardize care delivery process/protocols
- Align/engage administration, staff and providers
- Reduce cost drivers and improve quality metrics and patient satisfaction through outcomes management
- Focus on post-acute utilization/efficiency to control episode spend and readmissions

OPTIMIZING THE ORTHOPEDIC VALUE CHAIN

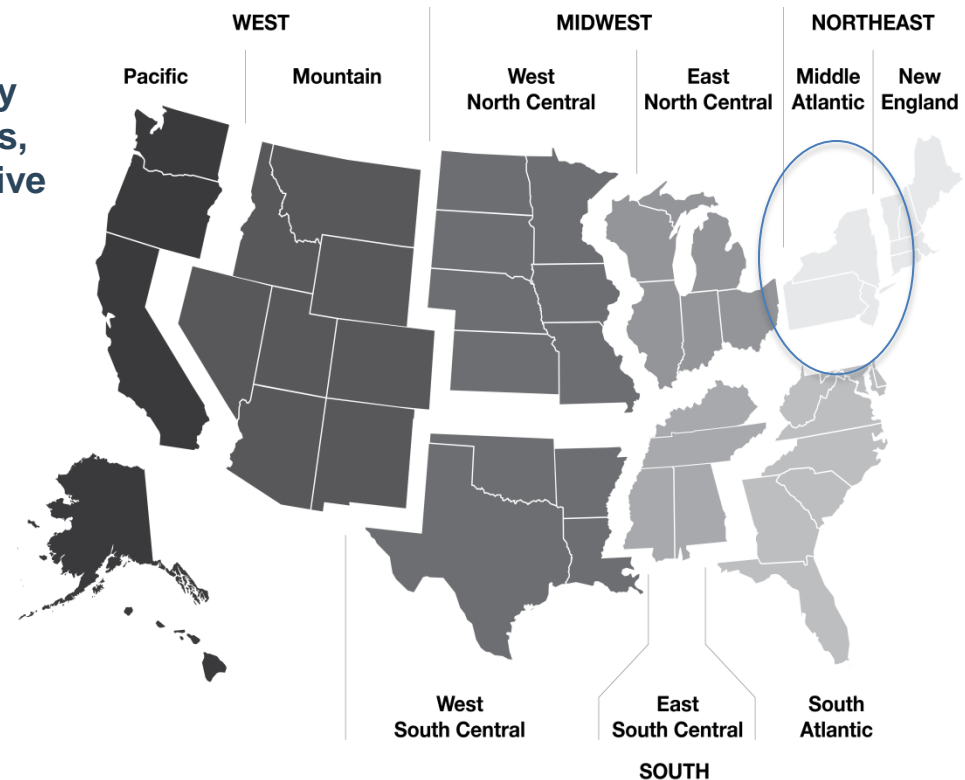


* Cost to Medicare

Hospitals will be pressured to improve their baseline episode performance to outpace the rest of their region





Regional markets will become increasingly competitive as bundled payment programs, including BPCI, continue to evolve and drive target prices down



THE RISING BAR OF CJR



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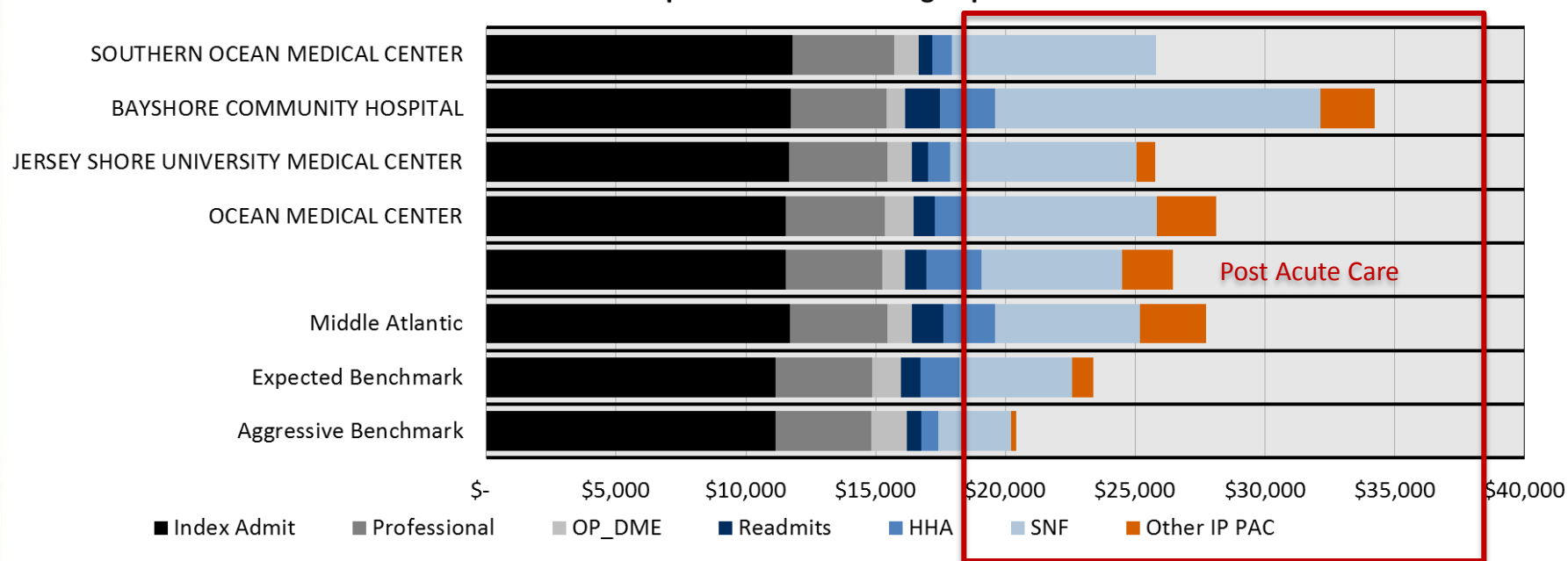
	 HISTORICAL HOSPITAL PERFORMANCE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	HISTORICAL REGIONAL PERFORMANCE 
Risk Model		Upside potential only	Upside only; Limited downside	Full upside and limited downside risk	Full upside and downside risk	Full upside and downside risk	
Historical HOSPITAL Performance Weighting		66.6%	66.6%	33.3%	0%	0%	
Historical REGIONAL Performance Weighting		33.3%	33.3%	66.6%	100%	100%	
Range for Discount used for Repayment Amount Reconciliation; Determined by Composite Quality Score		N/A	0.5%–2%	0.5%–2%	1.5%–3%	1.5%–3%	
Loss/Gain Cap		No loss 5% gain cap	5% loss cap 5% gain cap	10% loss cap 10% gain cap	20% loss cap 20% gain cap	20% loss cap 20% gain cap	

90-DAY EPISODE COSTS- BASED ON 2013 DATA



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Meridian 5-hospitals DRG 470 Average Episode Cost



FOR HOSPITALS WHO CAN'T COMPETE, WE EXPECT TO SEE:



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- Joint programs marginalized
- Unprofitability
- Hospitals that cannot manage cost, quality and efficiency will stop joint replacement
- Consolidation of joint replacement at high-quality / lower cost providers



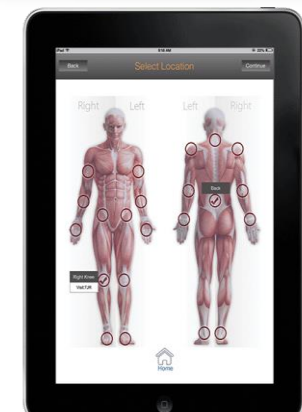
Internal Data Collection and Analytics Hospital Reported Outcomes

Dashboards that track and benchmark hospital performance

- Patient clinical, functional and satisfaction outcomes
- Maximize key opportunities for CMS payments
- Gainsharing metric reviews
 - Especially useful when gainsharing on internal cost savings, normally complicated and contentious calculations

Performance analyst quarterly data reviews

- Review key metrics that impact internal costs and quality
- Build/adjust care redesign program using expert data analysis



-VISIBLE TO HOSPITALS, BUT
RARELY REPORTED AT THE
JOINT SERVICES LEVEL NOR
TO SURGEONS

CJR requires achievement of certain levels of performance to receive any annual cost savings

DESTINATION CENTERS OF SUPERIOR PERFORMANCE: JOINT REPLACEMENT



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Clinical

- Discharge Home
- Complication Rate
- Blood Transfusions
- Readmissions
- Flexion/Extension
- Distance Walked

Operating Room

- Case Duration
- Scheduling Accuracy
- Prep Time
- Surgery Time
- Exit Time
- PACU Time

Operational

- Volume
- Length of Stay
- Discharge Disposition

Financial

- Reimbursement
- Contribution Margin
- Commercial Payor (%)
- Direct Cost
- Implant Cost

Satisfaction

- Patient Satisfaction
- Likely to Refer



CJR CRITICAL SUCCESS FACTORS: UNDERSTAND YOUR DATA



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External Claims Data Bundled Payment Analytics

Detailed financial and actuarial analysis on CMS claims data

- Manipulate, validate and interpret your data for variation and opportunity assessment
- Reconcile your CMS claims data to ensure you're maximizing payment
- Validate your target prices
- Benchmark your performance vs. your history, your region and best practice

CJR dashboard and reporting

- Volume and episode cost analysis
- Post-acute analysis
- Readmissions
- Preliminary estimated NPRA

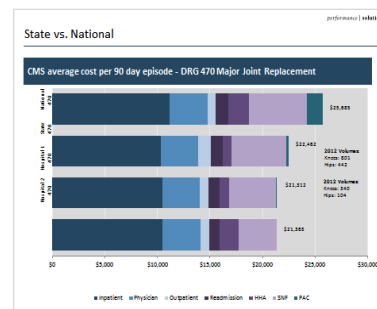
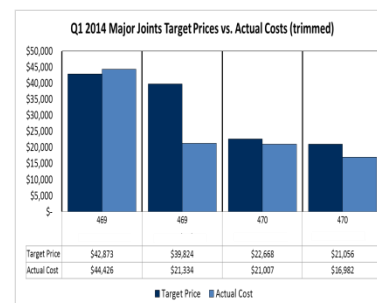
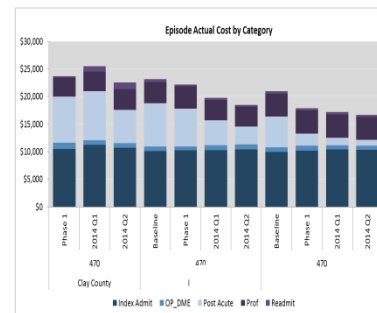
Gainsharing structuring and calculations

- Use CMS claims and quality data to help you structure and drive your program

CJR requires achievement of certain level
to receive any annual cost savings

NOT HISTORICALLY VISIBLE
NOR HOSPITALS & PHYSICIANS

score in order



COST

- Awareness, transparency, management of costs across full 90-day episode
- Reduction in length of stay
- Post acute care- discharge disposition
- Grow surgical volume due to patient experience

QUALITY

- Proven better clinical outcomes: mobility, pain, return to work
- Reductions: readmissions, SSI, complications, transfusions
- Dashboards with real-time data; operational, financial, OR, clinical, patient satisfaction, patient-reported functional outcomes

EFFICIENCY

- Increased surgical capacity
- Elimination of waste in time, processes and resources (CPM)
- Coordination of care
- Predictable course of care
- Use of standardized processes, orders and best practices



Real time data that identifies critical gaps, opportunities, and provides evidence of quality to manage your business

CJR CRITICAL SUCCESS FACTORS: ALIGN YOUR PROVIDERS



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Drive provider engagement that...

- Fully complies with CJR compliance regulations
- Fosters **collaboration** with select, proven-value providers (surgeons and post-acute providers)
- Incentivizes providers to **change practice patterns**
- **Utilizes data and targets** to drive fair and compliant gainsharing



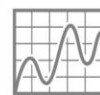
Care Coordination is critical, but designing an *Alignment Strategy* that incentivizes provider engagement will drive success under CJR.

NOTE: All gainsharing structures must be independently evaluated by the client and their legal counsel for compliance with legal and regulatory gainsharing requirements. Stryker Performance Solutions does not provide legal advice.

CJR CRITICAL SUCCESS FACTORS

Episode Data Collection and Analytics

Understand where you are, where you need to focus and how your results are emerging



Understand
Data

Provider Alignment

Creating the right formal/informal agreements to drive provider alignment through impactful engagements that improve care and reduce cost under the bundle



Align
Providers

Care Redesign Implementation

Episode-focused care redesign that improves quality care, reduces variation and decreases cost across the continuum



Redesign
Care

- Speak the language of value: Q/Cost, know both...
- Get physicians to the table early and throughout the episode & service line to create allies and advocates
- Know your costs across the episode, not just materials and device
- In addition to discrete costs, start to think in service line (joints, spine) episodic costs
- Create a structure for advancing bundled payment; task force, working group comprised of Administration, Supply Chain, Medical Staff, Key Departmental Leadership
- Seek vendors and partners that will go at risk for their performance

- Service line assessment & review
- CJR & Bundled Payment; core elements and implications
- Physician alignment strategies
- Hospital & CMS analytics
- Best practices for care redesign

