Managing Episodes of Care

A Performance Optimization and Growth Strategy

January 2017
Agenda

• The Navvis Perspective
• The Episode Management Imperative
• Post Acute Care Performance in Tennessee
• Formula for Success
We help health systems implement strategies that solve their ability to achieve Growth and Diversification through Value-Based Performance.
Power of And

Instead of forcing a choice between volume and value we align them and enable synergy between them. The result is volume-based growth through value-based performance.
Winning Requires Both

Differentiated Strategy that Drives Growth and Diversification

Operational Execution For World Class Delivery
We are moving past the tipping point of payment reform. The majority of all payments coming from Medicare will be value-based versus fee for service.
No Turning Back, Only Forward

The rewards and penalties are accelerating and requiring health systems and post-acute providers to work together to manage “episodes” of care.

- 1,500 providers (hospitals, PAC providers and physician groups) participating in voluntary CMS bundled payment program.

- 860 hospitals participating in mandatory joint replacement bundles in 67 MSA’s; adding hip and knee fractures in 2017.

- 1,120 hospitals in 98 MSA’s mandated to participate in new and complex cardiac bundles in 2017 (including Memphis and Nashville)

- New voluntary Bundled Payment program opening to qualify physicians for MACRA; accelerating bundles growth.

- Value-based payment programs to increasingly impact PAC Provider reimbursement
Post-Acute Care costs and care models under intense focus. Viewed as key to reducing episode cost and improving outcomes.

- 42% of Medicare patients utilize PAC services post-hospitalization
- $60 billion spent on Medicare PAC
- 74% increase in PAC spending over last decade

Source: Based on analysis of 100% Medicare Standard Analytic Files; 2012-2014 average spend on 48 BPCI episode families; All Other Includes Acute Transfer, IP Psych, Outpatient, DME and Hospice
Improving PAC benefits the Hospitals on Multiple Dimensions

- Reduced Inpatient Costs/LOS
- Physician Alignment
- CMS Bundled Payment Performance
- Higher Patient Satisfaction
- Performance under VBP CMS Metrics (e.g. Readmission Penalties)
- ACO/Medicare Shared Savings Performance
- Patient Relationship Retention
- Medicare Advantage Plan Performance

The Institute of Medicine concluded that variation in post-acute care spending is the single largest factor behind geographic variation in Medicare spending per beneficiary, and substantial savings may be achievable by directing patients to more cost-effective settings — home care rather than institutional care when appropriate, and higher-quality, more efficient facilities when institutional care is required.
The Move to Regional Episode Pricing – The Stakes are High

Must know how you compare to your peers.
Your Individual Episode Profiles Matter

Major Joint Episode Components, National Avg

CHF Episode Components, National Avg

Source: Based on analysis of 100% Medicare Standard Analytic Files; 2013-2015 average spend on select BPCI episode families; All Other Includes Acute Transfer, IP Psych, Outpatient, DME and Hospice
Most Episode Cost Variation Attributed to PAC Placement Decisions - Venue and Provider

Key – Reducing SNF Utilization

Example - **Major Joint Replacement Episodes**
Payments per Episode by Claim Source
Most Episode Cost Variation Attributed to PAC Placement Decisions - Venue and Provider

Key – Reducing Readmissions

Example – Congestive Heart Failure Episodes

Payments per Episode by Claim Source
A View of Tennessee
Overall Observations

1. Large Variation in Hospital Patient Placement Patterns for like-Episodes
2. Large Variation in Performance among Community SNF Providers
3. Significant Care Cost Reduction opportunities across Episodes
Tennessee PAC Utilization

On par with national benchmarks at the aggregate level

% OF MEDICARE EPISODES UTILIZING PAC AS 1ST POST ACUTE SETTING

- **Self-Care**: 54% (Tennessee) vs. 52% (US Average)
- **HHA**: 19% (Tennessee) vs. 20% (US Average)
- **SNF**: 21% (Tennessee) vs. 20% (US Average)
- **Inpatient Rehab**: 4% (Tennessee) vs. 4% (US Average)
- **LTCH**: 0% (Tennessee) vs. 1% (US Average)

Source: Based on analysis of 100% Medicare Standard Analytic Files; 2013-2015
**Significant Savings by moving Tennessee MSA’s to a higher level of episode management performance**

- Example 90-day episode cost savings for just 4 episodes in 3 Tennessee MSAs

<table>
<thead>
<tr>
<th>Episode Family</th>
<th>Knoxville MSA</th>
<th>Memphis MSA</th>
<th>Nashville MSA</th>
<th>East South Central Region Avg</th>
<th>Top quartile Performers</th>
<th>US Total</th>
<th>Total Savings if $/Episode was at the rate of the US Top Performers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Acute myocardial infarction</strong></td>
<td>$21,174</td>
<td>$22,283</td>
<td>$25,534</td>
<td>$24,478</td>
<td>$18,651</td>
<td>$25,340</td>
<td>$4,061,248</td>
</tr>
<tr>
<td><strong>Coronary artery bypass graft</strong></td>
<td>$42,390</td>
<td>$48,298</td>
<td>$43,586</td>
<td>$44,353</td>
<td>$39,459</td>
<td>$46,859</td>
<td>$4,542,869</td>
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<tr>
<td><strong>Hip &amp; femur procedures except major joint</strong></td>
<td>$42,249</td>
<td>$47,115</td>
<td>$44,217</td>
<td>$44,831</td>
<td>$37,657</td>
<td>$44,565</td>
<td>$11,666,134</td>
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<td><strong>Major joint replacement of the lower extremity</strong></td>
<td>$24,943</td>
<td>$27,222</td>
<td>$25,538</td>
<td>$27,492</td>
<td>$21,323</td>
<td>$26,770</td>
<td>$39,132,298</td>
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</tbody>
</table>

Source: Based on analysis of 100% Medicare Standard Analytic Files; 2013-2015 average spend on select BPCI episode families
**PAC Performance at a Glance**

- Greatest opportunity in reducing SNF LOS in all MSA’s and reducing IRF utilization in Memphis.

<table>
<thead>
<tr>
<th>SNF</th>
<th>All BPCI Episodes</th>
<th>Utilization as 1st PAC</th>
<th>SNF ALOS</th>
<th>Direct Readmit Rate</th>
<th>Avg SNF Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nashville MSA</td>
<td>21%</td>
<td>35.8</td>
<td>13.2%</td>
<td>$17,079</td>
<td></td>
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<tr>
<td>Memphis MSA</td>
<td>14%</td>
<td>40.5</td>
<td>13.9%</td>
<td>$18,938</td>
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<tr>
<td>Knoxville MSA</td>
<td>21%</td>
<td>32.9</td>
<td>10.6%</td>
<td>$15,439</td>
<td></td>
</tr>
<tr>
<td>Tennessee Avg</td>
<td>21%</td>
<td>37.3</td>
<td>13.4%</td>
<td>$17,616</td>
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<td>US Top Performers</td>
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<table>
<thead>
<tr>
<th>IRF</th>
<th>All BPCI Episodes</th>
<th>Utilization as 1st PAC</th>
<th>IRF ALOS</th>
<th>Direct Readmit Rate</th>
<th>Avg IRF Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nashville MSA</td>
<td>4%</td>
<td>13.9</td>
<td>6.9%</td>
<td>$17,757</td>
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<tr>
<td>Memphis MSA</td>
<td>7%</td>
<td>13.4</td>
<td>4.9%</td>
<td>$18,870</td>
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<tr>
<td>Knoxville MSA</td>
<td>2%</td>
<td>15.3</td>
<td>4.6%</td>
<td>$17,934</td>
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<tr>
<td>Tennessee Avg</td>
<td>4%</td>
<td>13.7</td>
<td>5.7%</td>
<td>$18,088</td>
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*Source: Based on analysis of 100% Medicare Standard Analytic Files; 2013-2015*
Opportunity to Elevate Individual SNF Performance

- Among the top volume SNFs in each of the three MSAs, there is significant variation in length of stay, cost per episode, and readmission rate – Example Major Joint Episodes
- Opportunity to standardize care models to reduce spend and variation

Source: Based on analysis of 100 Medicare Standard Analytic Files 2013-2015 average spend on select BPCI episode families
Opportunity to Elevate Individual SNF Performance

Congestive Heart Failure
Average Payment to SNF for CHF

Source: Based on analysis of 100% Medicare Standard Analytic Files; 2013-2015 average spend on select BPCI episode families
### Care Model Variation

**Major Joint Replacement**

- Care models and patient placement varies significantly among acute hospitals in Memphis.

#### Memphis MSA - Major Joint Replacement

**Average Payments per Episode & Claim Source – DRGs 469-470**

<table>
<thead>
<tr>
<th>Hospital</th>
<th>Anchor Admission</th>
<th>IRF</th>
<th>LTCH</th>
<th>DME</th>
<th>Professional</th>
<th>HHA</th>
<th>IP Psych</th>
<th>Hospice</th>
<th>Readmit</th>
<th>SNF</th>
<th>Outpatient</th>
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<tr>
<td>#1</td>
<td>$54,981</td>
<td>$12,000</td>
<td>$32,737</td>
<td>$30,648</td>
<td>$29,089</td>
<td>$29,078</td>
<td>$27,118</td>
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<td>$36,000</td>
<td>$12,000</td>
<td>$30,648</td>
<td>$29,089</td>
<td>$29,078</td>
<td>$27,118</td>
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</tbody>
</table>

**Source:** Based on analysis of 100% Medicare Standard Analytic Files; 2013-2015 average spend on select BPCI episode families
Care Model Variation

Congestive Heart Failure

- Effective readmission reduction programs key to improving episode cost efficiency and patient outcomes.

**Memphis MSA – Congestive Heart Failure**

Average Payments per Episode & Claim Source – DRGs 291, 292, 293

**Source:** Based on analysis of 100% Medicare Standard Analytic Files; 2013-2015 average spend on select BPCI episode families
Changing Landscape of PAC

New Era for Post-Acute Care is Upon us and “Leaders of the PAC” will Emerge

• Post-Acute Care will migrate to lowest cost settings that can produce quality outcomes and standardized care models will become the norm:
  
  – “Commodity” inpatient rehab moves to SNF; catastrophic rehab stays and rehab hospitals consolidate
  – Hospitals discharge patients earlier to SNFs who can handle the higher acuity; SNFs differentiate capabilities to compete
  – Lower acuity SNF patients moves to home care; home care agencies differentiate services to compete
  – CMS continues to liberalize interpretation of patient choice requirement
  – PAC site neutral payments breaks down all silos and – changes everything
How to Elevate Episode Management Performance
Counting the Minutes
Medicare pays nursing homes daily rates for stays based in part on how much therapy they provide. Average 2013 Medicare rate per day:

<table>
<thead>
<tr>
<th>Therapy Level</th>
<th>Minutes per Week</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ultra high</strong></td>
<td>720+</td>
<td>$559</td>
</tr>
<tr>
<td><strong>Very high</strong></td>
<td>500-719</td>
<td>$445</td>
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<tr>
<td><strong>High</strong></td>
<td>325-499</td>
<td>$383</td>
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<tr>
<td><strong>Medium</strong></td>
<td>150-324</td>
<td>$341</td>
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<tr>
<td><strong>Low</strong></td>
<td>45-149</td>
<td>$325</td>
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<tr>
<td><strong>Non Therapy</strong></td>
<td></td>
<td>$337</td>
</tr>
</tbody>
</table>

Source: WSJ analysis of Medicare claims data

Appropriate SNF Utilization
- Huge provider variation in LOS for like conditions
- Excessive ultra high therapy amounts - rose from 6% in 2001 to 54% in 2013
- Lack of protocols for discharging patients home versus to SNF

Decreasing avoidable readmissions
- Every readmission doubles cost of episode
- Coordinated and effective versus More readmission programs

Right Time, Right Place Care Transitions
- Informed Choice – Matching patient needs with Provider Capabilities
- Seamless Patient Transitions
The Key Elements

- Discharging patients to high-performing and accountable (managed) post-acute providers
- Maximizing owned PAC Assets
- Moving Case Managers/Discharge Planners into new episode management paradigm
- Implementing coordinated readmission mitigation programs
- Care Model Standardization and Dynamic monitoring of patient along the continuum
Tiering PAC Providers
Has Made all the Difference
All Boats Rise

Platinum - Leading Edge Quality and Clinical Capabilities

Gold - Meets Baseline Eligibility Requirements

Participating Member - Demonstrates willingness and collaborative IQ to achieve performance levels
Leveraging Value-Based Performance as a Growth Strategy - Roadmap

Medicare Bundles

- Build and adopt through specialists an episode-wide standard of care for high volume episodes
- Improve cost efficiency/outcomes of post-acute through the design and performance alignment of a PAC Network (home health and SNF).
- Leverage high performance in episode management (patient care/gain sharing) to target specialists and PCPS in risk arrangements.

Commercial Health Plan Business

- Offer market leading bundled pricing and superior outcomes to steer Health Plan business
- Deploy dynamic platforms to manage bundled pathways and PAC performance.

Direct to Employers

- Offer bundles pricing discount directly to employers to shift market share away from competitors, with care standards and patient satisfaction performance assurances/fees at risk.

Consumers

- Publish Episode Prices in Business Journal/Community Outlets - Consumerism.