

WHITE PAPER

Successful Bundle Payment White Paper

The traditional fee-for-service reimbursement model has caused a deep-seated mentality that encourages more and more services. In turn, this mentality has contributed to the trend of seemingly unstoppable increases in healthcare costs and insurance premiums for millions of commercially-insured people.

The resulting tension between payers and providers causes each side to approach the other from opposite ends of the healthcare spectrum. Payers and plan benefit sponsors have implemented difficult measures such as increased pre-certifications and higher barriers of authorization along with unit price contract rate reductions. Providers are then incented to do more instead of providing more efficient patient care.

These measures have not yet slowed the increases in healthcare costs, but have only served to increase the ire of the provider community putting them at greater odds with the payer community. Patients are caught in the middle, often exposed to surprise billing and financial harm. They may also experience clinical harm from potentially avoidable procedures.

Value-based care initiatives have attempted to bring these parties back together, united under the same goals to reduce costs and improve patient care. While a few models have succeeded, many have failed because they lacked the right provider and payer engagement plan and ability to execute. However, planned and well-executed prospective bundled payment models can successfully unite payers and providers through common value-based care goals and mutually beneficial outcomes.



CEDARGATE.COM | ©2022 CEDAR GATE TECHNOLOGIES® PROPRIETARY AND CONFIDENTIAL INFORMATION. ALL RIGHTS RESERVED.



Tobin Lassen
Chief Bundled
Solutions Officer

About the Author:

Tobin Lassen is the Chief Bundled Solutions Officer for Cedar Gate Technologies. With more than 25 years in value-based reimbursement, Mr. Lassen directs and oversees the design and operation of value-based bundled payment programs and centers of excellence.

In addition to his role at Cedar Gate, Mr. Lassen currently serves as the President of Cardiovascular Care Providers, Inc. (CVCP) the largest cardiac value-based network in the nation. Mr. Lassen's previous leadership experience includes serving as the Chief Knowledge Officer of Global Healthcare Alliance, the bundled payment solutions provider acquired by Cedar Gate in late 2018. He also served as Vice President and Secretary for CVCP, assistant director of managed care and business development for Hermann Hospital in Houston and vice president of acquisitions for the Sizer Companies.

Mr. Lassen earned his bachelor's from Louisiana State University, his master's in business administration from Tulane University and a master's of public health from the University of Texas – School of Public Health.

One Sound Shore Drive, Suite 300
Greenwich, CT 06830
203.930.5500 | www.cedargate.com

TURNING BATTLES INTO OPPORTUNITIES

Headlines continue about payers and providers in certain markets battling over fee-for-service pricing agreements, only to end up with threatened or actual terminations hurting payers, providers, and patients. Moreover, we are witnessing an increasing use of the media as a battleground. The downstream impact to employers, patients and the community is negative, creating mass confusion and unexpected financial patient responsibility as providers transition to out-of-network status.

Resolving this issue requires strategic change driven by the provider community in concert with the payer community, particularly by physicians who will champion an evolution to value-based care. This very different mindset is an understanding that patient-centric healthcare creates affordable, improved outcomes.

A provider who champions value-based care, willing to go at risk for the healthcare dollar, becomes a natural ally of the payer, united under a common goal to create a mutually-beneficial payment solution. We have determined, through 35 years of developing and operating prospective bundle payment programs, there are specific success factors that create win-win scenarios for payers, providers and patients.

THE ROAD TO VALUE

An effective prospective bundle payment program requires focus and attention on the patient experience. Navigation of a patient along a care pathway of appropriate care is much more than design and implementation a simple, inpatient bundle payment. In fact, a program with a small variety of bundles requires increased volume to spread or mitigate the downside risk from potential catastrophic cases. Furthermore, focusing only on inpatient bundles negates the entire premise of avoiding more expensive procedures.

- 1 Contracts with clear incentives and accountability tied to financial success/risk**
- 2 A dedicated, multi-disciplinary value-based care reimbursement team with an executive sponsor**
- 3 A comprehensive internal communications strategy to inform and educate constituents**
- 4 A provider champion and specialist engagement plan that establishes a team approach among all providers devoted to accountability and appropriate patient care**
- 5 A benefit plan design that aligns member benefits to the bundled payment program and provides patients with a seamless, navigated experience**
- 6 Data transparency that delivers insight and opportunities for improvement to all parties**
- 7 A robust, scalable bundle payment claims administration system that ensures downstream providers receive accurate and timely payment and that provider risk pool management creates appropriate changes in provider behavior**
- 8 Actionable analytics software that aligns providers and continuously identifies new ways to improve care, reduce costs and generate an executable operating plan with accountability**

DIAGRAM A PROSPECTIVE BUNDLES CORE BELIEFS

Prospective bundled payment programs have advantages versus traditional fee-for-service and retrospective bundled programs.

BUNDLED PAYMENT PROGRAM

A single payment to all healthcare providers involved in services and treatment of a patient.

Establishes a value-based payment system with **consistent, transparent, predictable pricing** that reduces medical service variation and total cost of care

Aligns the interests of providers with predefined, fixed payments to focus on budget and mitigate the fee-for-service mentality

Educates the delivery system to forecast optimal use of resources to reduce variability and increase cost efficiency

Brings collaboration and accountability among providers (through shared risk) to coordinate care as a multi-disciplinary team

Improves important patient outcomes relative to the costs

Drives economics through bundle portfolios that **emphasize appropriate care settings** and avoidance of unnecessary procedures

In fact, it actually provides the incentive to perform more cases, even if they are not warranted. Therefore, it is critical to design and build “portfolios” of bundles that include both inpatient and outpatient bundles, including conservative treatment bundles that mitigate the need for unwarranted high-cost inpatient bundles. Moreover, it is important to build the portfolio with the patient in mind. We develop the best bundle care pathway in which to navigate an improved patient experience, while allowing the provider treatment options, and improved economics for all.

A transparent, value-based performance analytics system builds vital trust between all parties. It offers the ability to rapidly scale the design and deployment of programs, especially as demand increases for value-based care reimbursement. This system must also be able to parse and segment certain proprietary data of each party while simultaneously reporting those data items needed to make informed, mutually-beneficial decisions critical to successful management of the at-risk bundle program.

Finally, payers and providers need a bundle payment claims platform that attributes claims to the correct bundle definitions with the ability to pay downstream providers and manage the risk pool. This claims platform must also process multiple prospective bundles across various specialties and markets capable of growth at scale. Cedar Gate’s enterprise platform contains both performance-based analytics and bundle claims processing to promote growth and scale for any value-based payer-provider partnership nationwide.



RESULTS BREED LONG-TERM SUCCESS

Cedar Gate operates prospective bundle payment programs following our core beliefs (see diagram a). More specifically, we service several Centers of Excellence (COE) across different healthcare service lines such as cardiology, neurosurgical and orthopedic. These bundle payment programs are all prospective and collaboratively designed with the payers and/or plan sponsors. We have found that our COE providers have witnessed the following results:

THE RESULTS BY CATEGORY

1. RIGHT CARE AT THE RIGHT PLACE AT THE RIGHT TIME:

- > In a Cardiovascular COE bundles program for a large, national employer resulted 93% of professional cardiac services performed in an outpatient/ office setting
- > In a Neurosurgical COE program, only 2% of patients evaluated for spinal surgery were candidates and had inpatient surgery – over 80% did not require service or moved to conservative care treatments like physical therapy and pain management bundles

2. IMPROVED PATIENT OUTCOMES:

- > 0% mortality in high-risk cardiovascular patients studied in Cardiovascular COE
- > 0% patient re-dos for coronary artery bypass grafts within one year of surgery
- > 16% lower than national average in ODI (Oswestry Disability Index) in a Neurosurgical COE
- > Patients returned to work 14% faster than the national average in a Neurosurgical COE

3. PREDICTABLE PRICING AND REDUCED SPEND:

- > Plan Benefit Sponsors in a Cardiovascular COE program experienced 20% to 40% less spend per patient
- > Large, national employer experienced 30–40% cost savings for all coronary artery bypass grafts and 10–20% cost savings for all percutaneous coronary interventions in another Cardiovascular COE

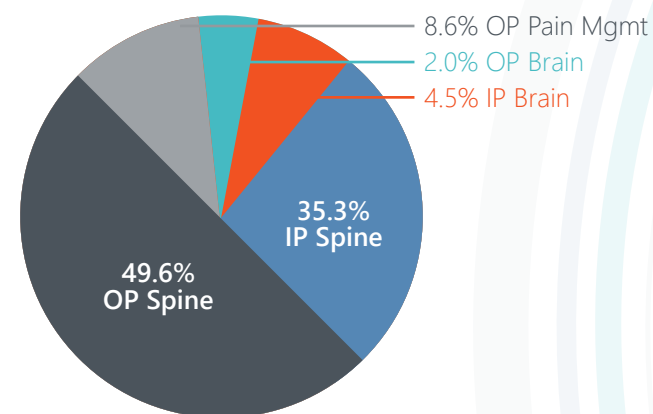
4. BETTER PATIENT EXPERIENCE & IMPROVED SATISFACTION:

- > Patient satisfaction is 11% higher than national average with respect to having their expectations met in a Neurosurgical COE
- > A 20-year sustainable Cardiovascular COE program with patient navigation, concierge services and clinical education and outreach at the job site has demonstrated increasing member growth, and increased member loyalty to the program

DIAGRAM B

BUNDLED PAYMENT PORTFOLIO STRATEGY – PROGRAM ECONOMICS

- > The Provider builds a portfolio of a diversified blend of Inpatient and Outpatient bundles along care pathways to mitigate program downside risk and increase the program size and market share
- > The Employer-Payer drive better bundle economics emphasizing more outpatient, appropriate care settings and surgical avoidance which reduces total cost of care spend



Better patient outcomes and satisfaction, predictable pricing and reduced spend have clearly united payers and providers in a strategic, patient-focused direction. Value-based, prospective bundled payment reimbursement models provide appropriate incentives to change provider behavior, producing improved performance and results. Our experience shows that rewarding the right behavior through a portfolio of prospective bundles, patients truly experience the right care at the right place at the right time and avoid unnecessary procedures. This is good for the patient, the provider and the payer (see diagram b).

SUMMARY

The path to value, while challenging, requires a willingness to pivot and change strategy with the knowledge and comfort that it is truly best for all parties involved. The patient receives more affordable, improved care. The provider improves care performance which attracts more patients and increases loyalty. And the payer enjoys improved economics. The time is now to end the battles between the payers and providers.

We have been fortunate to work with incredible physician champions of value-based care, most importantly the pioneer of bundled payments - the late, world renowned surgeon, Denton A. Cooley, MD. The experience he bestowed on our organization over the past 35 years laid the foundation for our approach to bundle payment programs. He was the best champion of appropriate, affordable and accessible healthcare.

Early on, he taught us that working together with value-based prospective bundle payment programs increase transparency and help providers to successfully go at risk, yielding mutually-beneficial outcomes for both parties.

Prospective bundles teach the delivery system to forecast optimal use of resources to reduce variability and costs. They also align the interests of the providers to focus on the best patient care and mitigate a fee-for-service mentality. This drives accountability to improve important patient outcomes relative to the costs.

We currently work with health systems, payers and employers across the country turning to value-based care strategies. As more successful, patient-centered prospective bundle payment programs emerge, the tipping point will be reached. True strategic change, from fee-for-service reimbursement to value-based care, with the right leadership and execution, will lead the way to a sustainable healthcare foundation with better care and improved costs for all.