

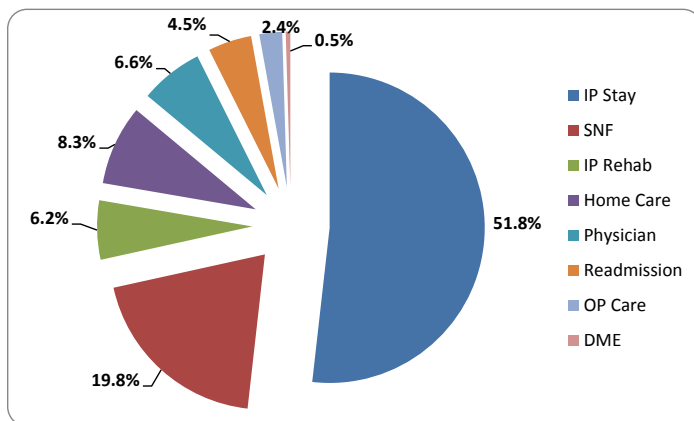
## Bundled Payment for Total Joint Replacement: Why Hospitals Should Think Differently About the *Care Continuum*

By Djamel Bayliche

Comprehensive Care for Joint Replacement (CJR), the new reimbursement model for Medicare patients, shifts the risks and benefits to hospital providers from a hospital stay to the full episode of care. This 'episode' starts at 72 hours prior to admission and ends at 90 days post-discharge...and with very few exceptions, will include all Part A and Part B payments for total hip and knee replacements (DRGs 469 and 470).

The typical bundled payment breaks down as depicted in Figure 1. The chart shows that nearly 50% of the bundle is not directly controlled by the hospital, which is a major change from traditional payment models.

**FIGURE 1: Sample Bundled Payment Breakdown**



Historically, incentives were not aligned among the hospital, physicians, and other providers, a situation complicated by an environment of mistrust that still exists in many organizations today. In a recent survey by PR-Newswire, less than 10% of hospitals were fully prepared for the new Medicare bundled payment model. Corazon believes this situation reveals the lack of preparedness that many hospitals face in times major change...and in this case, being behind the curve of such a significant shift, could have dire consequences for quality of care, patient satisfaction, and the bottom line.

Essentially, CJR is designed to incentivize hospitals and partner providers to improve quality and lower costs. However, this will not happen with analytics and numbers alone, but will instead require win-win provider alignment and deliberate care process redesign.

A proven solution exists...Corazon utilizes the "EDGE", a structured program development methodology that assists

hospitals and their partners in achieving shared savings under a bundled payment model with special focus on:

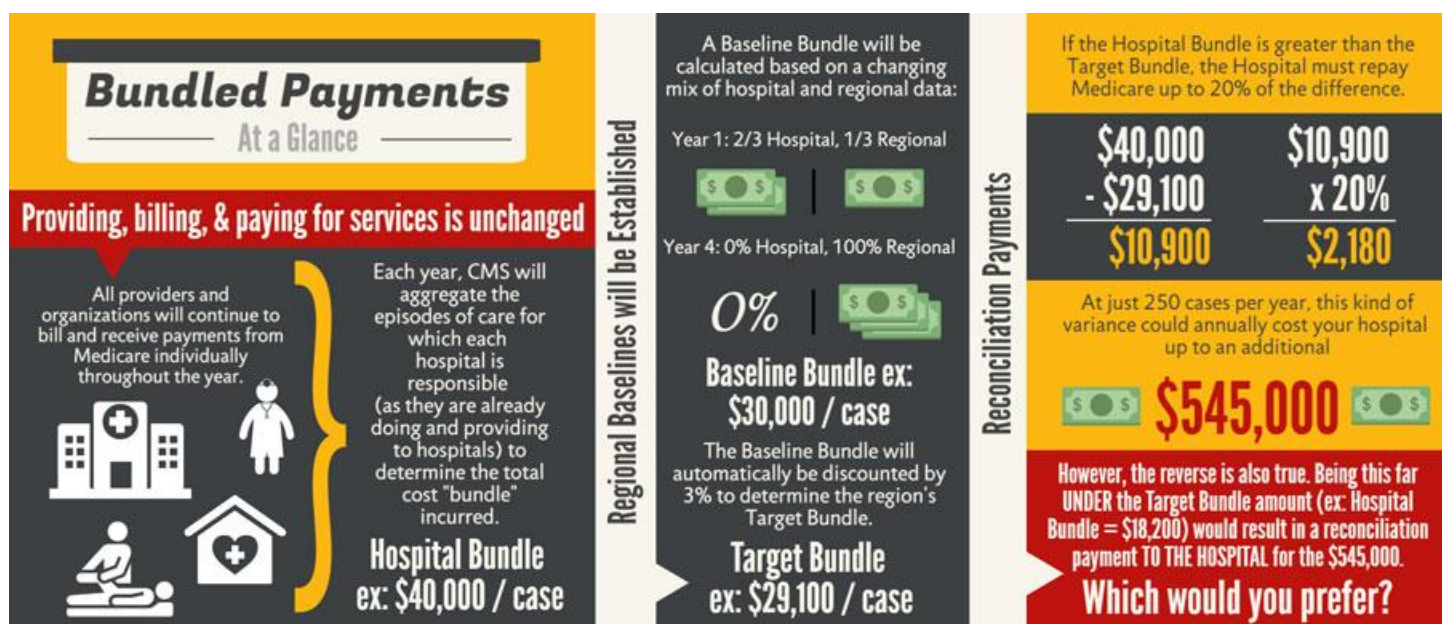
- Creating shared goals for quality, outcomes, and patient care
- Achieving the 'Collective Good' vs. Individual Interests
- Optimizing market capture while managing competition
- Preparing for the new healthcare paradigm
- "Growing the pie" of volumes rather than "dividing it"
- Leveraging partnerships with other providers
- Strengthening relationships with PCP networks and other referral sources

The EDGE program lays the foundation for the new model of orthopedics care within the era of bundled payment. The vision ultimately facilitates a new culture at the hospital – one that creates an environment for:

1. **Teamwork** ... and the need for healthcare providers to work together in a programmatic approach to integrate the care continuum, standardize care, improve quality, and increase efficiency. This can be achieved by:
  - Establishing a shared governance structure between the hospital and physicians
  - Clarifying roles and responsibilities
  - Creating a common vision for the program
  - Incentivizing the physicians to share in the success of the program
2. **Integration** ... within the whole continuum of care, with deliberate care process redesign and special emphasis on:
  - The patient selection process to ensure qualified candidates for surgery
  - Pre-operative patient optimization to minimize comorbidities and manage pre-existing conditions
  - Case navigation and management to move patients smoothly along the continuum of care
  - Patient social support and home assessment to maximize the likelihood of discharge to home
  - Discharge planning and disposition protocol to minimize overutilization of post-acute resources
  - Pre-operative education of patient and family to establish the appropriate expectations

- Clinical care standards, pathways, protocols, and order sets to improve quality of care and efficiency
  - Perioperative - day of surgery (OR) to improve throughput and optimize resources
  - Post-acute care to ensure consistent quality and patient experience throughout the continuum of care
  - Clinical and functional outcomes to ensure procedure efficacy and ongoing improvements in care quality
  - Staff education and competency to improve care quality and enhance staff satisfaction
3. **Differentiation** ... of the patient experience by:
- Adopting a patient and family focused care environment to create permanent ambassadors for the program
4. **Performance Goals** ... for the program that are quantifiable and able to be tracked by:
- Developing and sharing dashboards transparently
  - Including relevant metrics to track clinical quality, operational efficiency, and financial performance

**FIGURE 2: Summary of Bundled Payment Impact**



CJR and other bundled payment models are changing the healthcare landscape and creating new opportunities that involve both significant incentives AND significant risks. For orthopedics, this starts within total joint replacement, where a comprehensive approach for the continuum-of-care is becoming ever-more critical, while focusing on the individual surgical hospital stay is quickly transitioning into a model of the past. Corazon believes that this trend toward moving the bundled payment model to other orthopedic procedures, such as spine, is on the horizon in the not-too-distant future.

It is critical that hospitals take a programmatic approach to the management of joint replacement patients and the creation of integrated care continuums to survive in the new healthcare environment. Only then will they be better prepared as these reimbursement models are applied more extensively to orthopedics and beyond. CJR and bundled payment models will force hospitals to improve care quality, consistency, and efficiency, or struggle to survive as competitors surge ahead.



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