

Improving Managed Care, Contracting Results
A Case Study Step by Step Approach

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**Spine Case Study -
The Impact of Changing the Payment
System**



Background Information & Data Collection



Spine Case Study

Background Information – Spine Surgery Center (SSC):

- Large orthopedic and pain management ASC with prominent spine surgeons
- New surgery center in one hospital town
- No other surgery centers providing spine services
- Payors reluctant to do business with new Center
- Hospital does not want spine surgery to move
- Strong spine surgeon support with process
- Strong Administrator involved with process and gate keeping cases



Spine Case Study

Background Information – Spine Surgery Center (SSC):

Casemix:

General Orthopedic	41%
Spine	11%
Pain Management	47%
Other	2%

Payor Mix 20%
Case Volume 11,300 per year



Out of Network Access – Limited

Spine Case Study

History of Negotiation

Initial payor proposal-February

- Medicare groupers
- Spine codes not grouped
- No payment for non grouped codes
- No payment specified for implants
- Multiples at 100/50++

Proposal Value - Avg NR / Case = \$379 / case
Projected total net revenue = \$856,540



Spine Case Study

March

- Payor opening proposal rejected
- Commenced payor education process and data collection
- Discussed carve outs for non grouped codes
- Collected spine codes from physicians
- Submitted spine data to payor
- Payor approved small sample of codes including laminectomy, laminotomy, ACDFs, allograft and arthrodesis codes



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Spine codes approved by payor with volume projections

CPT	Description	Sept. - February Hospital Volume
20931	Allograft for spine surgery only-structural	41
22554	Arthrodesis, anterior interbody technique, including minimal discectomy to prepare interspace (other than for decompression); cervical below C2	74
22845	Anterior instrumentations: 2 to 3 vertebral segments	56
63030	Laminotomy (hemilaminectomy), with decompression of nerve root(s), including partial facetectomy, foraminotomy and/or excision of herniated intervertebral disk, each additional interspace, lumbar (including open or endoscopically-assisted approach)	41
63035	Laminotomy (hemilaminectomy), with decompression of nerve root(s), including partial facetectomy, foraminotomy and/or excision of herniated intervertebral disk, each additional interspace, cervical or lumbar (List separately in addition to code for primary procedure)	3
63047	Laminectomy, facetectomy and foraminotomy (unilateral or bilateral with decompression of spinal cord, cauda equina and/or nerve root(s), (eg, spinal or lateral recess stenosis), single vertebral segment-lumbar	170
63048	Laminectomy, facetectomy and foraminotomy (unilateral or bilateral with decompression of spinal cord, cauda equina and/or nerve root(s), (eg, spinal or lateral recess stenosis), single vertebral segment- each additional segment, cervical, thoracic, or lumbar (List separately in addition to code for primary procedure)	169
63075	Discectomy, anterior, with decompression of spinal cord and/or nerve root(s), including anteriorly placed discal single interspace	74
63076	Discectomy, anterior, with decompression of spinal cord and/or nerve root(s), including osteophylectomy; cervical, each additional interspace (List separately in addition to code for primary procedure)	40



Spine Case Study

April

- Received counter proposal from payor
- 18% increase on all groupers with exception of group 3
- Group 3 proposed at 45% increase due to initial discussions surrounding displacement of orthopedics in grouper methodology
- Payor attempts to work with SSC by offering carve outs for non grouped codes



Spine Case Study

April - We still have a long way to go!!

Medicare Group	Rate
1	\$380.00
2	\$08.00
3	717.00
4	717.00
5	867.00
6	945.00
7	1,133.00
8	1,113.00
9	1,535.00

Payor Opening Proposal Curve Outs	
CPT	Payor Proposal April
02031	\$118.00
02554	\$1,080.00
03845	\$598.00
03030	\$571.00
03035	\$216.00
03047	\$1,080.00
03048	\$216.00
03075	\$1,080.00
03076	\$216.00

Proposal Value - Overall Average NR / Case = \$643
Projected Net Revenue = \$1,453,180
Value to date = \$596,640



Spine Case Study

April

- Rejected proposal
- Inadequacy of reimbursement on spine and orthopedics- payor lack of understanding evident
- Commencement of aggressive payor education
- Spine surgeons meet with Medical Director at payor
- Payor has inflexibility with grouper methodology
- Payor currently only paying ASCs using HCFA 1500
- Discuss alternative payment systems available using UB billing form
- Surgeons start collecting hospital EOBs from patients



Spine Case Study

SSC Data Collection Provided to Payor:

- Capital Expenditures provided to Payor with Detail:
 - 1) Microscopes = \$150,000
 - 2) Instruments = \$75,000
 - 3) Other (OR Table, Wilson Frame, Headlights) = \$50,000
- Case combinations confirmed with spine surgeons
- Combinations of codes were provided based upon approval of codes by payor and were conservative
- Actual codes billed based on hospital experience included code that were non covered by payor



Spine Case Study (does not reflect 2011 code changes)

Spine Surgery Center Case Combo Scenarios Laminis and ACDFs (1 and 2 levels) Sample			
Cases	CPTs	Description	Sample
1	ACDF 1 Level with allograft		
	20831	Allograft for spine surgery only/structural	
	22554	Arthrodesis, anterior interbody technique, including minimal disk	
	63075	Diskectomy, anterior, with decompression of spinal cord and/or ne	
2	ACDF 2 level with allograft		
	20831	Allograft for spine surgery only/structural	
	22554	Arthrodesis, anterior interbody technique, including minimal disk	
	63075	Diskectomy, anterior, with decompression of spinal cord and/or ne	
3	ACDF 1 Level		
	22554	Arthrodesis, anterior interbody technique, including minimal disk	
4	ACDF 2 Level		
	22554	Arthrodesis, anterior interbody technique, including minimal disk	
5	Laminotomy - 1 Level		
	63030	Laminotomy (hemilaminectomy), with decompression of nerve roc	
6	Laminotomy - 2 Level		
	63030	Laminotomy (hemilaminectomy), with decompression of nerve roc	



Spine Case Study - Implants

1 Level ACDF Implant Table

ACDF - 1 Level (2010 codes)				
22554	Neck spine fusion	25mm plate	\$1,745	1
63075	Neck spine disk surgery	14 mm screws self drilling	\$440	4
20931	Sp bone alarct struct add-on	VG2 Cervical T68 (FR)	\$1,210	2
22845	Insert spine fixation device			
Total				\$5,925
ACDF - 1 Level (2011 codes)				
22551	Neck spine fusion/remove addl	25mm plate	\$1,745	1
20931	Sp bone alarct struct add-on	14 mm screws self drilling	\$440	4
22845	Insert spine fixation device	VG2 Cervical T68 (FR)	\$1,210	2
Total				\$5,925



Spine Case Study - Implants

2 Level ACDF Implant Table

ACDF - 2 Level (2010 codes)				
22554	Neck spine fusion	4x12mm Neo Screw	\$500	2
22554	Additional spinal fusion	24mm 1 Level Plate	\$2,000	1
63075	Neck spine disk surgery	4.8x14mm NEO Screw	\$500	4
63076	Neck spine disk surgery	14x1 160mm Platan Peek Cage	\$3,550	1
20931	Sp bone alarct struct add-on	NEO Locking Tab	\$99	2
22851	Apply spine growth device	Cellular Bone Matrix, Inc	\$575	1
22851	Apply spine growth device	10mm Cervical Spigots	\$5,000	1
22845	Insert spine fixation device	Shipping, Invoice #771		\$20
22849	Reinsert spinal fixation	Embrace Cervical Plate 26mm	\$1,103	1
22850	Explantation of spinal fusion	Bone Screw 4x12mm	\$436	2
Total				\$16,338
ACDF - 2 Level (2011 codes)				
22551	Neck spine fusion/remove addl	4x12mm Neo Screw	\$500	2
22552	Add neck spine fusion	24mm 1 Level Plate	\$2,000	1
20931	Sp bone alarct struct add-on	4.8x14mm NEO Screw	\$500	4
22851	Apply spine growth device	14x1 160mm Platan Peek Cage	\$3,550	1
22851	Apply spine growth device	NEO Locking Tab	\$99	2
22845	Insert spine fixation device	Cellular Bone Matrix, Inc	\$575	1
22849	Reinsert spinal fixation	10mm Cervical Spigots	\$5,000	1
22850	Explantation of spinal fusion	Shipping, Invoice #771		\$20
		Embrace Cervical Plate 26mm	\$1,103	1
		Bone Screw 4x12mm	\$436	2
Total				\$16,338



Changing the Payment System



Spine Case Study

May - June

- Payor agrees to consider APC based methodology or Groupers with Carve outs
- Payor provided with physician information to confirm hospital utilization of billing spine codes

July - August

- Weights confirmed with payor under APC based methodology
- Multiple procedure logic confirmed at 100/50+++
- Discussion pertaining to additional payment on implants vs. all inclusive rates

August

- 3 proposal options presented

Proposal Option 1: Groupers with carve outs at CPT level

Proposal Option 2: Groupers with combined carve outs at CPT level and development of new group to re-assign displaced codes

Proposal Option 3: APC based proposal at 80% of HOPD area adjusted rates with carve outs



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Proposal 1:

Option 1: Medicare Groupers with Carve Outs

Medicare Groups	Grouper Rate
1	\$485.00
2	600.00
3	1,100.00
4	1,600.00
5	975.00
6	1,125.00
7	2,100.00
8	1,167.60
9	1,900.00
Non-grouped	80% of billed charges

Carve outs to follow



Spine Case Study

Proposal 1:

Carveout Codes - Option 1	
CPT	Carve Out Rate
20931	\$8,500.00
22554	\$8,500.00
22845	\$8,500.00
23412	\$2,800.00
26055	\$1,250.00
29826	\$3,750.00
29827	\$3,750.00
29880	\$1,800.00
29881	\$1,800.00
29888	\$3,750.00
29889	\$3,750.00
63030	\$5,000.00
63035	\$5,000.00
63047	\$8,500.00
63048	\$8,500.00
63075	\$8,500.00
63076	\$8,500.00
64721	\$1,100.00

Multiple procedures to be paid at 100% of the .
allowed rate for the procedure with the highest allowed rate
and 50% of the allowed rate for all subsequent procedures.

Prosthetics and implants paid separately at cost plus 10%.



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Proposal 2:

Option 2: Modified Medicare Groupers with Carve outs & Group 10	
Medicare Groups	Scenario 2 Group 10: Addl Carveouts
1	\$484.34
2	\$648.69
3	\$741.78
4	\$916.32
5	\$1,042.86
6	\$1,208.22
7	\$1,447.20
8	\$1,422.03
9	\$1,947.54
Group 10	\$2,000.00
Non-grouped	80% of billed charges

The following CPT Codes will be moved to Group 10, and reimbursement at the specified rate for Group 10	
29805-29807	
29819-29825	
29830, 29834-29838	
29840, 29843-29847	
29850-229852, 29855-29856	
29860-29863, 29866-29868	
29870-29871, 29873-29877	
29879, 29882-29887	
29891-29895, 29897-29902	

Carve outs to follow



Spine Case Study

Proposal 2:

Carveout Codes	
CPT	Carve Out Rate
20931	\$8,500.00
22554	\$8,500.00
22845	\$8,500.00
23412	\$2,800.00
26055	\$1,250.00
29826	\$3,750.00
29827	\$3,750.00
29880	\$1,800.00
29881	\$1,800.00
29888	\$3,750.00
29889	\$3,750.00
63030	\$5,000.00
63035	\$5,000.00
63047	\$8,500.00
63048	\$8,500.00
63075	\$8,500.00
63076	\$8,500.00
64721	\$1,100.00

Multiple procedures to be paid at 100% of the .
allowed rate for the procedure with the highest allowed rate
and 50% of the allowed rate for all subsequent procedures.

Prosthetics and implants paid separately at cost plus 10%.



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Proposal 3:

Option 3: Reimbursement at 80% of HOPD APC
with carve outs

CPT Code	Reimbursement Rates
20680	1,275
20931	8,500
21254	8,500
22845	8,500
23412	3,200
23555	2,750
29807	1,800
29822	1,800
29823	1,800
29824	1,800
29826	3,750
29827	3,750
29848	1,900
29877	1,900
29880	1,800
29881	1,800
29888	3,750
29889	3,750
62773	425
63310	425
63311	425
63319	425
63030	5,000
63035	5,000
63047	8,500
63048	8,500
63075	8,500
63076	8,500

Carve outs continued



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Proposal 3:

CPT Code	Reimbursement Rates
64420	425
64421	425
64470	425
64472	425
64475	425
64479	425
64480	425
64483	425
64484	425
64510	425
64721	1,115

Multiple procedures to be paid at 100% of the ,
allowed rate for the procedure with the highest allowed rate
and 50% of the allowed rate for all subsequent procedures.

Prosthetics and implants paid separately at cost plus 10%.



Spine Case Study

August

- Compile Hospital EOBs from patients

Report Results: Hospital cost to payor

- Laminectomy hospital payments \$12,000 - \$21,000
- ACDF -1 Level hospital payments \$34,000 - \$47,000
- ACDF - 2 Level hospital payments \$52,000 - \$78,000+

September

- Set up live meeting with payor to present EOBs
- Key spine surgeons present / exercise physician group leverage
- Present cost savings to payor
- By end of day, payor submitted counter proposal with substantial increases



Spine Case Study

September – Round 3 Proposal from Payor

- 68% of Area Adjusted HOPD APCs
- Prosthetics and Implants paid at cost greater than \$1000
- Multiple procedures 100/50+++
- Carve outs



Spine Case Study

September – Round 3 Proposed Carve Outs from Payor

CPT	Carveout Rate
20630	1,275
20931	8,000
22554	8,000
22845	8,000
23412	3,200
23455	2,750
29807	1,800
29822	1,800
29823	1,800
29824	1,800
29826	3,750
29827	3,750
29848	1,900
29877	1,900
29880	1,800
29881	1,800
29888	3,750
29889	3,750
63030	5,000
63035	5,000
63047	8,000
63048	8,000
63075	8,000
63076	8,000



Spine Case Study

September – Round 3 Proposed Carve Outs from Payor

CPT	Carveout Rate
64721	1,115
62273	350
62310	350
62311	350
62319	350
64420	350
64421	350
64470	350
64472	350
64475	350
64479	350
64480	350
64483	350
64484	350
64510	350



Spine Case Study

September – Final agreement to payment terms

- Agreed to all terms with the exception of implants
- Negotiated implant threshold down to \$500 on aggregate cost
- Final contract effective November



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Value of Final Contract:

Total Projected Revenue = \$3,365,140

Percent Change over Initial Payor Prop = 293%

Revenue Gain (Value) of negotiation = \$2,508,600

Duration of Negotiation = 10 months



Spine Case Study

Value of Final Contract – Spine Examples:

<u>Case Type</u>	<u>Payor Initial Proposal (1)</u>	<u>Final Rates</u>	<u>Savings to Payor (2)</u>
ACDF 1	\$1,679	\$18,888	\$15,112
ACDF 2	\$1,787	\$23,295	\$23,705
Lami 1	\$1080	\$8,000	\$6,000
Lami 2	\$1,188	\$12,000	\$9,000

Notes:

(1) Projected net revenue based upon codes approved by payor applicable to specified case

(2) Savings to payor = difference between the final rates negotiated and average minimum savings expected based upon EOB collected data



Spine Case Study

Overall outcome of negotiations:

- Total duration of time to negotiate contract focused on high dollar orthopedics and spine = 10 months
- Center is also doing uni knees- HOPD APC based system enabled expansion of orthopedic services
- Change to APC methodology with carve outs enables center to restructure contract for spine and enhance opportunity with orthopedics
- Carve out strategy modified due to high volume of pain management which was dictated by the change to APC based methodology


