



# Improving your ASC's performance in 2018

The ASC guide to major trends that will impact your practice

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**February 2018**

# Welcome



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# Objectives



- Discuss impact of 2018 healthcare and reimbursement trends
- Explain the 2018 Outpatient Prospective Payment System (OPPS) Final Rule
- Outline CMS initiatives for “Meaningful Measures”
- Reveal the growing impact of patients as consumers
- Outline the changes in alternative payment models
- Review how payers are seeking alternative payment models

# About Cardinal Health



## Recognized leader in healthcare supply chain transformation

- Top ranking for transforming the healthcare value chain to meet new challenges around costs, revenues and outcomes



## Unparalleled understanding of healthcare value chain

- Supplier and leading manufacturer of med/surg products
- Leader in providing supply chain services with 40+ years experience



# Legislative changes that impact ASCs



- **Next wave of health reform, including:**
  - No “repeal and replace”
  - Impact of new tax plan
- **OPPS Final Rule 2018**
- **New payment and risk sharing models**

# Major 2018 trends that will impact your ASC

- 1 Evolving relationship with hospitals and HOPDs**
- 2 ASC reimbursement trends**
- 3 Changing demands for ASCs**
- 4 Private payers seeking alternative payment models**



# Polling Question #1



**Which of the 4 major trends for 2018 do you expect to have the biggest impact on your ASC?**

# **Evolving relationship with hospitals & HOPDs**

- **More hospital acquisitions of ASCs and outpatient centers**
- **More hospital competition**
- **Shift in surgery volume from hospitals/HOPDs to ASCs**



# Evolving relationship with hospitals & HOPDs



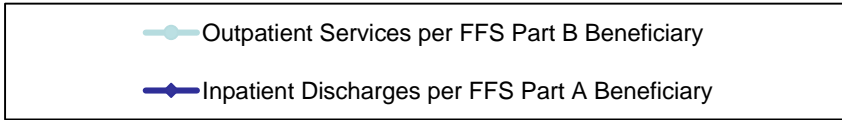
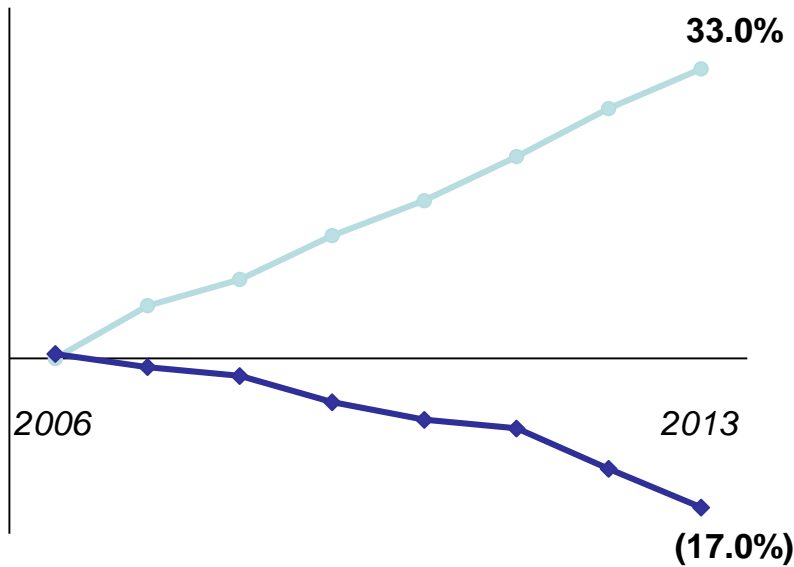
- Outpatient surgery integral to value-based care
- ASCs provide equal or better outcomes at lower cost
- Partner with independent or "splitter" surgeons
- Retain partnerships with key surgeons looking to move
- Challenge: equal pay for same procedures hospitals perform



# Surgery volume shifting to outpatient

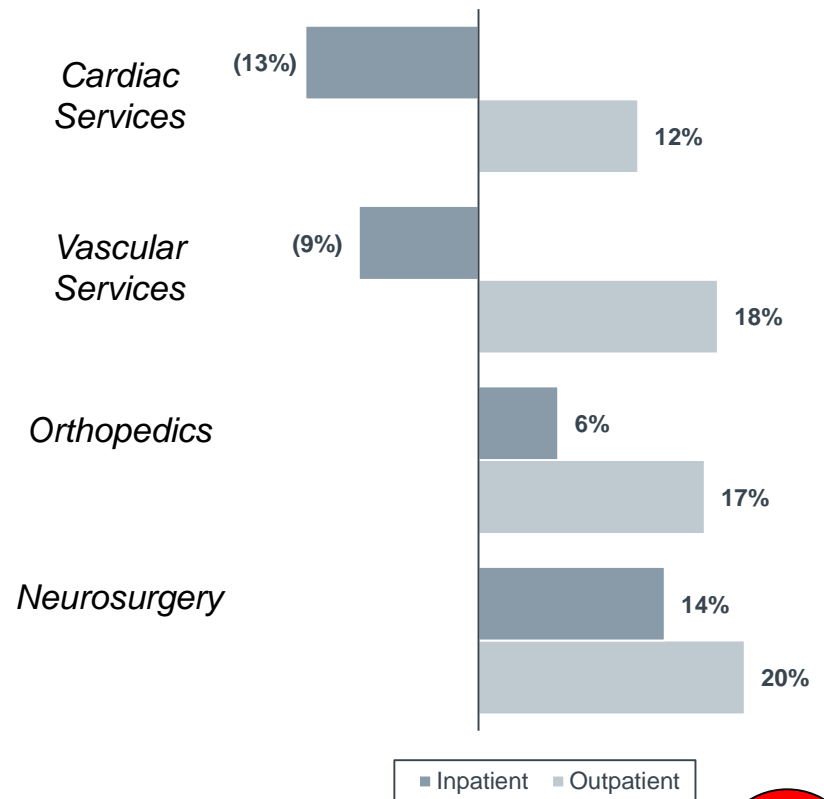
## Medicare volume growth

Cumulative Percent Change



## All payer volume growth projections<sup>1</sup>

2015-2020



Sources: Advisory Board; regentsurgical.health.com



# Polling Question #2



**In which geographic setting is your ASC located – within city limits, suburbs, or rural?**

# ASC reimbursement trends

- **OPPS Final Rule 2018**
- **MACRA here to stay**
- **MIPS may be replaced with Voluntary Value Program**
- **“Meaningful Measures” quality opportunities**
- **New procedure opportunities**

# OPPS Final Rule 2018

- **The Medicare Program: Hospital OPPS and ASC Payment Systems and Quality Reporting Programs final rule** includes updates to payment rates for Medicare services under the hospital OPPS and ASC payment system.
- CMS **delays implementation** of the outpatient and Ambulatory Surgery Center Consumer Assessment of Healthcare Providers and Systems survey-based measures in the **Outpatient Quality Reporting program** until further notice.
- The rule also **removes six quality measures** from the OQR program.
- The MFP **adjustment is 0.5 percent**, resulting in a CY 2018 MFP-adjusted CPI-U update factor of **1.2 percent**.
- CMS estimates that total payments to ASC providers (including beneficiary cost-sharing and estimated changes in enrollment, utilization, and case-mix), for CY 2018 would be approximately **\$4.62 billion**, an **increase** of approximately **\$130 million** compared to estimated CY 2017 ASC payments.

# Surgery relatively well-positioned for MACRA



## Legislation in Brief

- Medicare Access and CHIP Reauthorization Act (MACRA) passed in April 2015, final rule issued October 2016
- Established two new Medicare Part B payment tracks: Merit-Based Incentive Payment System (MIPS) and Advanced Alternative Payment Models (APMs)
- Locks MPFS<sup>1</sup> reimbursement rates at near-zero growth
- Payment adjustments to start on Jan. 1, 2019 based on 2017 performance period
- For more information on MACRA, please visit [Advisory.com](http://Advisory.com)



## MIPS Final Rule 2018

95%

of eligible general surgery providers expected to see a positive or neutral payment adjustment



## Surgery Surpasses Other Service Lines on Common Quality Metrics

30-day readmission rate for surgery is below average for all service lines



## Increased Employment, Alignment of Independent Surgical Specialists

Administrative burden of quality reporting continues to drive independent physicians towards partnership and employment

MPFS: Medicare Physician Fee Schedule.

Source: The Medicare Access and CHIP Reauthorization Act of 2015; "MIPS and APM Incentive under the Physician Fee Schedule, and Criteria for Physician-Focused Payment Models," CMS. Available at: [https://qpp.cms.gov/docs/QPP\\_Executive\\_Summary\\_of\\_Final\\_Rule.pdf](https://qpp.cms.gov/docs/QPP_Executive_Summary_of_Final_Rule.pdf), accessed 3 February 2017; Planning 20/20 research and analysis.

# Payment models pose opportunities and challenges

*Innovation still largely driven by private payers and employers*

## Reference pricing

- Defined contribution by payer towards a service
- Patient bears cost beyond set reference price
- CalPERS<sup>1</sup> implemented reference pricing for colonoscopies in 2012, saving \$7 million across two years



## Private bundles

- Bundles proposed by AGA<sup>2</sup> for endoscopic procedures include consults, lab fees, facility fees, drugs, and follow-up care
- Goal is to improve care coordination, reduce costs
- Horizon BCBS New Jersey introduced retrospective colonoscopy bundle in 2014

## Direct employer contracting

- Employers designate provider of choice for employees' care
- Thus far, limited employer interest due to administrative burden and unclear ROI
- Walmart, Lowe's already contracting for specialty care with providers, such as Cleveland Clinic

## Procedure warranties

- Provider charges higher price for single procedure, but assumes cost of any required repeat procedures and complications
- Signals provider confidence in quality and outcomes
- Current use primarily limited to hip, knee replacements, but colonoscopies, low-acuity surgeries attractive options

1) CalPERS: California Public Employees' Retirement System.

2) AGA: American Gastroenterological Association.

# The shift in total knee arthroplasty

CPT code 27447 (arthroplasty, knee, condyle and plateau; medical and lateral compartments with or without patella resurfacing [total knee arthroplasty]) **removed from the inpatient-only list in 2018.**

The procedure has been assigned to **APC 5115** and status indicator **1** (paid through a comprehensive APC).

## The opportunities for ASCs

- Increase with high acuity cases
- Market access
- Implant pricing
- Revenue cycle management
- Managing care and cost
- New alternative payer models
- Applying lessons from CJR with post-acute care



# Changing demands for ASCs

- **Technology key to measuring & improving quality**
- **Real-world examples from Cardinal Health:**
  - naviHealth™
  - Spend Essentials
- **Focus on care management**
- **Market forces transforming patients into consumers**
- **Expanding network of consumer options**
- **High outpatient growth driven by consumerism and technology**

# What is “healthcare consumerism?”

**“Transforming a health benefit plan into one that puts economic purchasing power—and decision-making—in the hands of participants.”**

# Market forces transforming patients into consumers

## Characteristics of a Traditional vs. Ambulatory /Retail Market

### Traditional Market

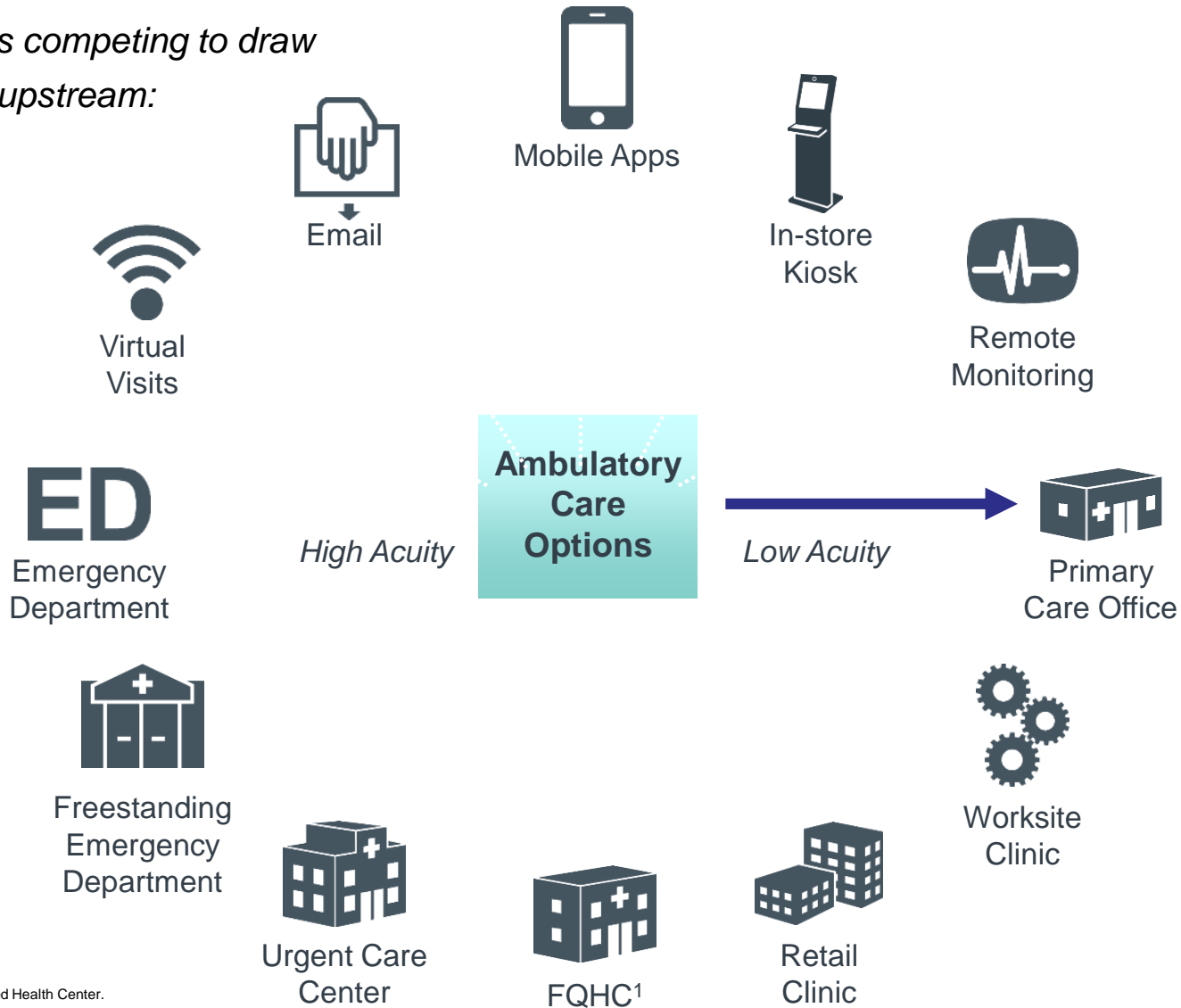
### Ambulatory/Retail Market



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# Expanding network of consumer options

Providers competing to draw patients upstream:



1) Federally Qualified Health Center.

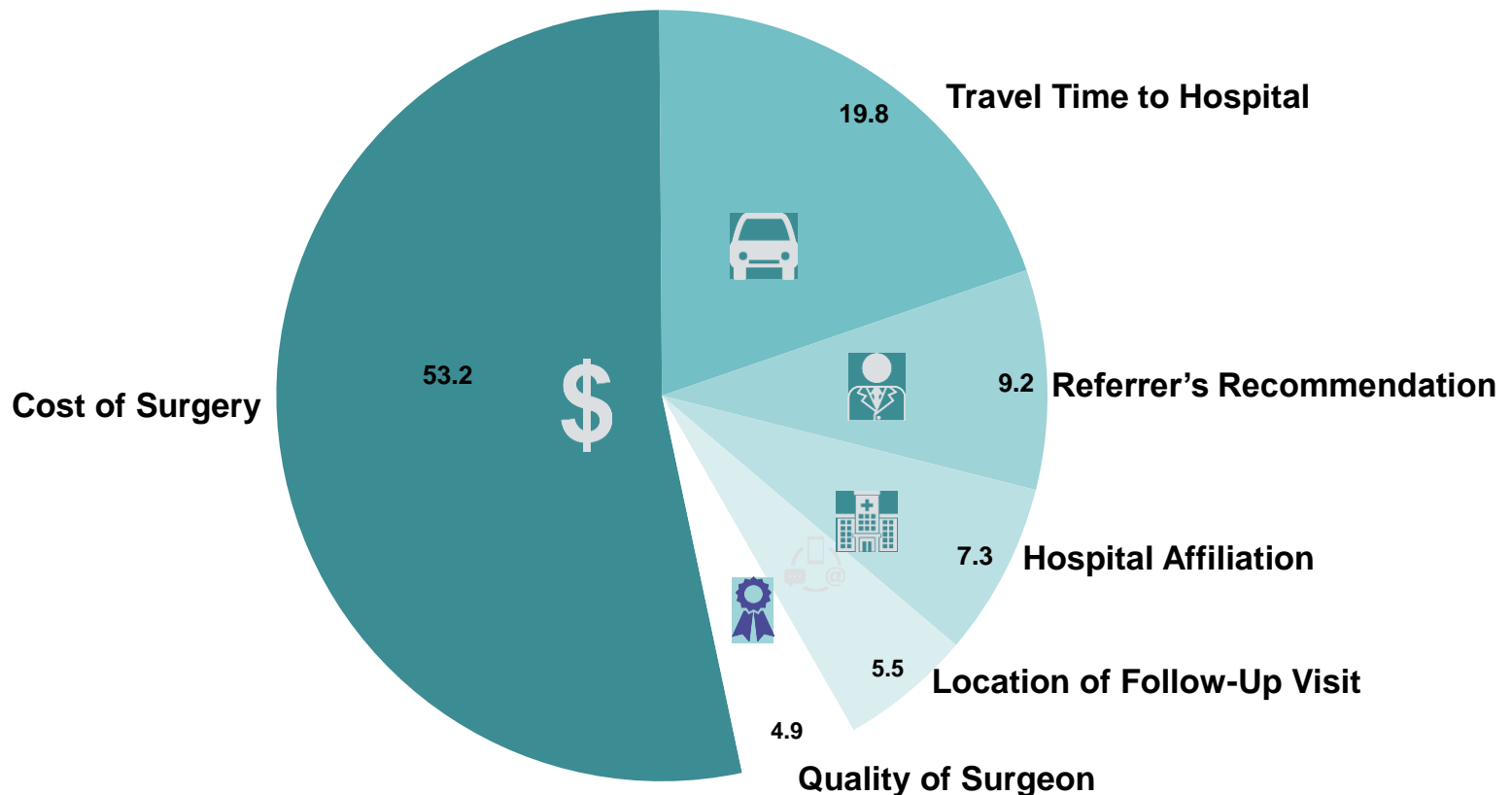
Source: Market Innovation Center interviews and analysis.

# Polling Question #3

**Aside from the cost of surgery, what do you think is the second most important factor that surgery shoppers consider when choosing a provider?**

# Surgery shoppers focus on cost

Average Relative Importance<sup>1</sup> of Six Surgical Care Attributes



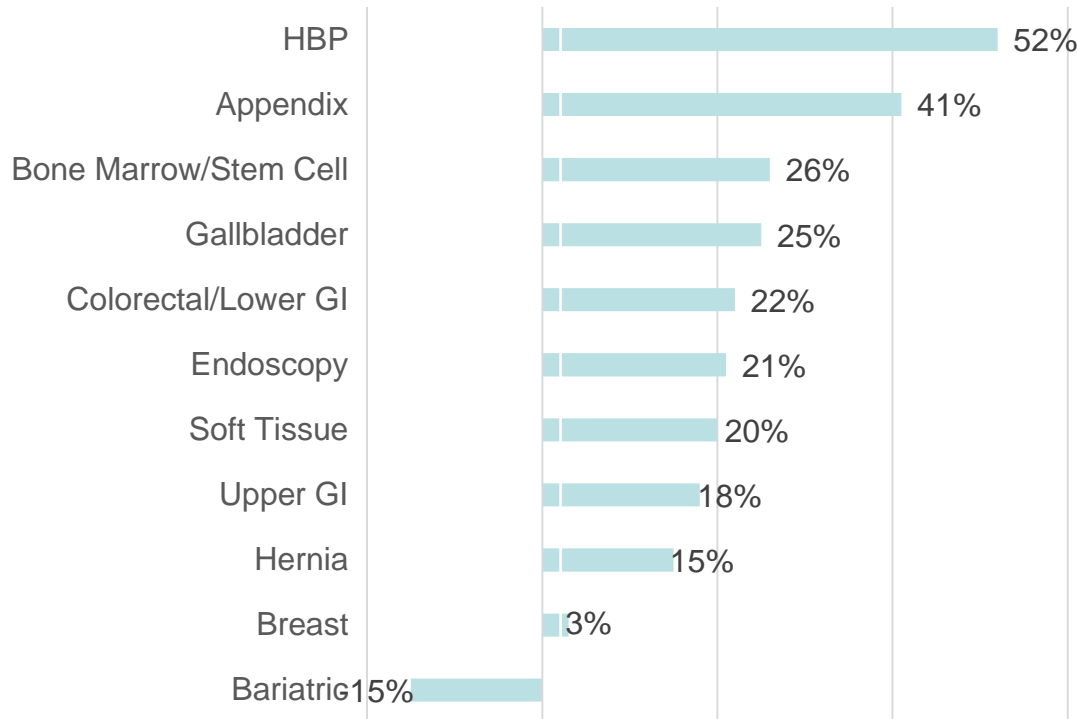
1) Relative importance depicts how much difference each attribute could make in the total utility of a product. That difference is the range of factors. We calculate percentages from relative ranges, obtaining a set of attribute importance values that add to 100 percent.

2) Includes cost of care and travel

# High outpatient growth driven by consumerism and technology

## National General Surgery Volume Growth Projections, by Subservice Line

Outpatient, 2016-2021



### Site of Care Volume Growth

2016-2021

**11%**

Projected HOPD<sup>3</sup> Volume Growth

**28%**

Projected ASC Volume Growth

**31%**

Projected Endoscopy Center Volume Growth

3

Source: Advisory Board Market Scenario Planner; Planning 20/20 research and analysis.

# Private payers seeking alternative payment models

- **Private payers and employers leading innovation**
  - Preference pricing
  - Direct employer contracting
  - Private bundles
  - Procedure warranties
- **Rewarding ASCs for handling hospital cases**
- **ASC/private payer collaboration improves network access**
- **Use payer data to target employers**
  - Get exclusive agreements
  - Drive volume and revenue
  - Demonstrate quality outcomes



# Key takeaways

- **OPPS Final Rule & MACRA are an opportunity**
- **Consumerism and private payer collaboration are even bigger opportunities**
- **Facilitate cost effective growth strategies**
- **Use data analytics to target employers and patients**
- **Utilize technology to coordinate care and differentiate your ASC and it's services**



# Taking the next step



- **Cardinal Health Center of Excellence**
- **Developing ASC opportunities:**
  - Private payer/employer collaboration
  - Healthcare consumerism
- **Data analytics key to evaluation**
- **Operate efficiently to take advantage of trends**

# Q&A

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