

Pacira Pharmaceuticals

Payer Contract Negotiations: Key Steps to Prepare and Assess Reimbursement Options for Your ASC

April 15, 2019



**MANAGEMENT
CONSULTANTS**

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I. Introduction

I. Introduction

Presenters

Presenters:

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I. Introduction

Faculty Disclosures

- » The faculty have consulting relationships with Pacira Pharmaceuticals, Inc.
- » The program is not accredited for continuing medical education (CME) and attendees will not received CME credit.
- » This program is sponsored by Pacira Pharmaceuticals Inc.

I. Introduction

Objectives

We will focus on the key steps to preparing for a successful payer contract negotiation, with an emphasis on enabling new business and restructure of contracts.

Compiling all existing contracts to identify key terms and reimbursement methodologies

Demonstrating value to commercial payers (CPs) as a result of Medicare reimbursement and ASC rule changes.

Understanding your ASC's payer mix in relation to existing business and new procedures

Collecting data and effectively approaching payers

II. Background Information

II. Background Information

Q&A

QUESTIONS & ANSWERS

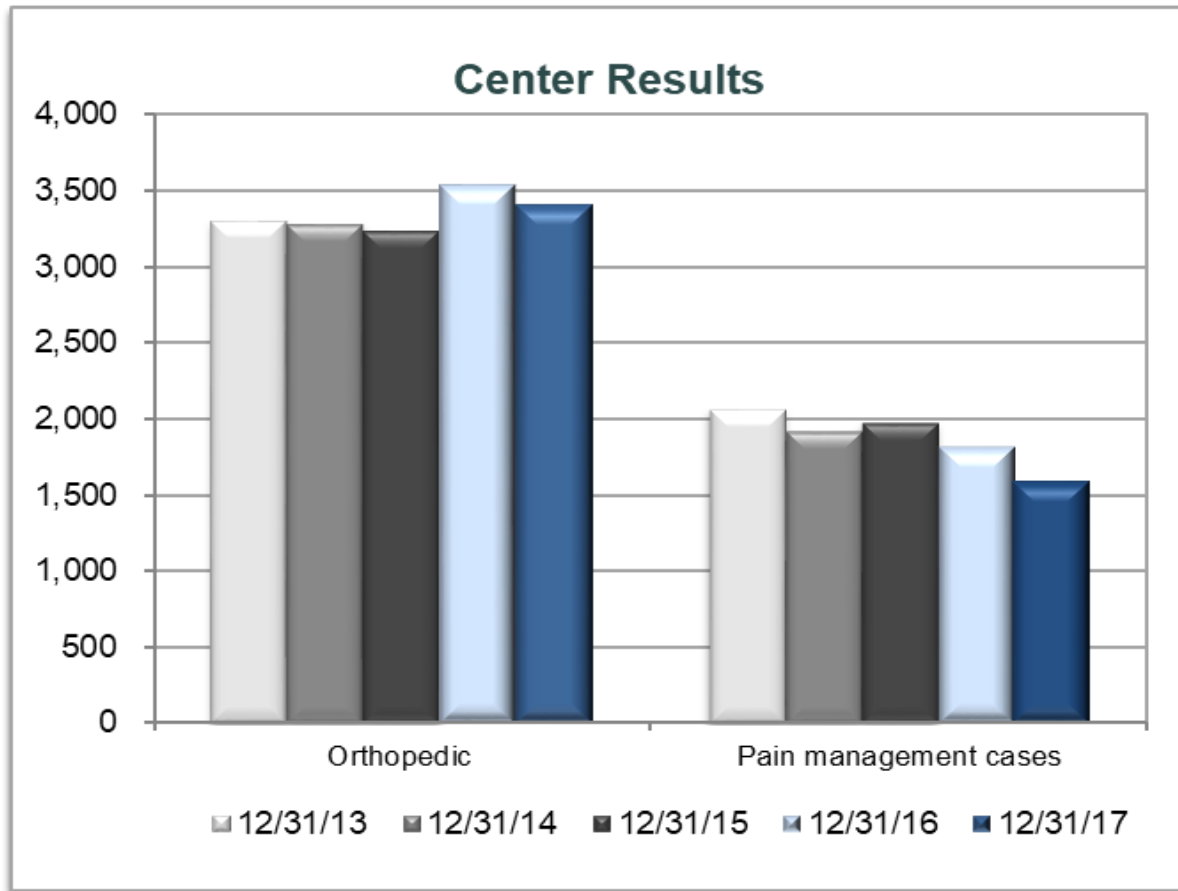
1. Can you tell us about Boston Out-Patient Surgical Suites (BOSS) and the types of surgical services that are provided there, as well as any trends and opportunities in case mix?
2. Are your physicians using EXPAREL[®] at BOSS? If so, what types of cases is EXPAREL[®] being used on?

Note: EXPAREL[®] is indicated for single-dose infiltration in adults to produce postsurgical local analgesia and as an interscalene brachial plexus nerve block to produce postsurgical regional analgesia. Safety and efficacy have not been established in other nerve blocks. There are 2 doses: 133 mg and 266 mg.

II. Background Information

BOSS Background

BOSS has seen case volume decline by 4.5% since 2015, driven by a 20% decline in pain procedures. During the same time period, orthopedics has grown 5.4%.



II. Background Information

Market Population Trends

BOSS's service area is projected to grow 3% over the next five years. Seniors 60+ are driving the growth, with projected declines in the 40- to 59-year-old age group.

Age Group	2016 Population	2021 Population	Absolute Change	Percentage Growth	Share of Growth
0 to 4 years	240,400	244,323	3,923	2%	3%
5 to 9 years	261,532	249,013	-12,519	-5%	-8%
10 to 14 years	283,089	273,301	-9,788	-3%	-6%
15 to 17 years	298,269	294,492	-3,777	-1%	-2%
18 to 24 years	320,983	302,612	-18,371	-6%	-12%
25 to 29 years	318,154	338,451	20,297	6%	13%
30 to 34 years	311,290	340,806	29,516	9%	20%
35 to 39 years	286,907	317,335	30,428	11%	20%
40 to 44 years	297,879	297,439	-440	0%	0%
45 to 49 years	318,634	297,099	-21,535	-7%	-14%
50 to 54 years	343,673	322,885	-20,788	-6%	-14%
55 to 59 years	331,875	334,479	2,604	1%	2%
60 to 64 years	283,159	314,781	31,622	11%	21%
65 to 69 years	235,527	264,776	29,249	12%	19%
70 to 74 years	170,104	218,285	48,181	28%	32%
75 to 79 years	120,790	149,793	29,003	24%	19%
80 to 84 years	91,477	99,523	8,046	9%	5%
85 years and over	109,720	115,216	5,496	5%	4%
80 % PSA	4,623,462	4,774,609	151,147	3%	
Massachusetts	6,780,625	7,008,469	227,844	3%	

III. Payer Contract Review

III. Payer Contract Review

Overview

Understand the ASC contract payment methodology, and determine the implications of the methodology on the ASC's business.

Payment Methodology	Description
Outpatient Prospective Payment System (OPPS) (ASC and HOPD Medicare Payment Method)	<ul style="list-style-type: none"> » OPPS is the current payment methodology put in place by Medicare for ASCs and HOPDs. » The Ambulatory Payment Classification (APC) system was established by Medicare as part of OPPS, originally to compensate hospitals for outpatient services, and was recently implemented in ASCs to establish a uniform payment methodology for outpatient surgery regardless of location of service.
Percentage of Medicare	ASC Medicare rates are multiplied by a percentage and are based on the Medicare-approved CPT codes and allowed amounts under OPPS.
Medicare Grouper	The historical CMS prospective payment system for ASCs is based on Medicare-approved, ASC-eligible CPT codes.
Outpatient Grouper (a.k.a. APG or Enhanced Grouper)	Payers may use Medicare groupers as a foundation and modify mappings and/or add new groupers to expand the list of CPT codes that are allowed in an ASC in order to enable more services to be paid in outpatient surgical settings.
Fixed Fee Schedule	<ul style="list-style-type: none"> » Proprietary fee schedules that are developed by commercial payers establish a unique charge for a CPT code. » Fee schedules can be based on a percentage of Medicare or outpatient groupers and may include carve-outs.
Carve-Outs	<ul style="list-style-type: none"> » Carve-outs are CPT codes that have been “carved out” of a payer’s payment methodology and paid at a negotiated rate. » These are used to address high-cost services, high-volume services, CPT codes not eligible for payment under standard methodology, and high-cost drugs/supplies.

III. Payer Contract Review

Identifying Key Terms and Methodologies

In this step, we will review contracts key terms that impact reimbursement rates and structure.

The most common scenarios for implants include at cost or a percentage of charge equivalent to cost.

Multiple procedure logic may be 100/50+, 100/50/25/0, 100/50/0, or 100/0.

If the payment method is proprietary, confirm the payer's mappings and obtain complete fee schedules.

Confirm the payer's complete list of ASC-approved codes.

Determine whether the payer follows Medicare policy, and seek confirmation on whether updates to their contract methodology are in tandem with Medicare updates.

III. Payer Contract Review

Identifying Key Terms and Methodologies for Medicare

If the contract follows Medicare, the key fundamentals include the following:

Medicare does not reimburse separately for implants.

Codes may be packaged, which does not allow for reimbursement for certain add-on codes in multiple positions.

Multiple procedure logic—some codes are not discounted and are paid at 100%, while others are reduced by 50%.

Device-intensive codes impact reimbursement.

Some drugs and biologicals are allowed for separate reimbursement, which includes EXPAREL®. Payment is not reduced when they appear in multiple positions.

If drugs, high-cost supplies, and implants are pursued for coverage, ASCs can seek a carve-out.

III. Payer Contract Review

Q&A

QUESTIONS & ANSWERS

1. How often do you review and negotiate your payer contracts?
2. How many major payers contracted with BOSS have a payment method based on Medicare or follow Medicare policy, and how many use proprietary payment methodologies?
3. For those payers that follow Medicare, are they following all policies, including updates for the 2019 rule change to include separate reimbursement for EXPAREL®?

IV. Data Collection

IV. Data Collection

Doing Your Homework!

The ASC should collect key data points to prepare for discussions with the CPs.

- » Surgeon roster and specialty for existing surgeons
- » New business: List any new surgeons who are interested in coming to the center:
 - › Volume by CPT code, if available, of new surgery business
 - › Case types using implants, high-cost supply items, and EXPAREL®
 - › Place of service (i.e., hospitals and ASCs if applicable) where currently performing surgery
- » Projected new volume if existing surgeon has opportunity to bring new cases
- » Review of total reimbursement per case
 - › Implant reimbursement, if applicable
 - › Multiple procedure logic
- » Understanding cost data relative to reimbursement
 - › If there are cases that are not adequately reimbursed, compile cost data to demonstrate losses.
 - › Review implant cost, high-cost supplies and drugs, and other items such as laser use fees.
- » Medicare reimbursement and in ASC and HOPD setting

IV. Data Collection

Q&A

QUESTIONS & ANSWERS

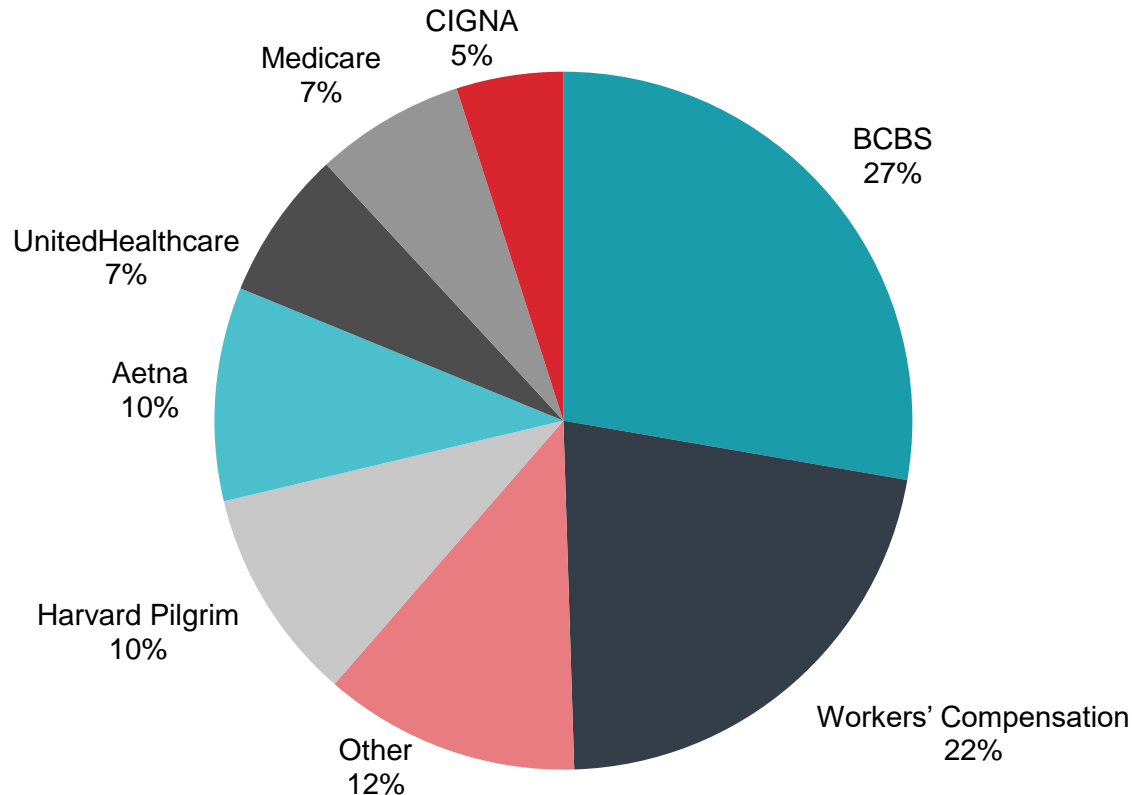
1. What data have you used to demonstrate the value of the center?
2. Can you tell us about your payer mix and any patterns you see related to the types of surgery you do at BOSS?

V. Payer Mix and Volume

V. Payer Mix and Volume

Evaluate Your Payer Mix and Case Mix

The ASC should review its payer mix and understand how it relates to its procedural volume.



Shoulder arthroscopy, knee arthroscopy, and other orthopedic procedures made up 74% of total volume at BOSS in 2018.

V. Payer Mix and Volume

Q&A

QUESTIONS & ANSWERS

1. Does case mix change periodically, and what are the biggest opportunities?
2. Have you reviewed your contracts based upon payer mix of the new services to ensure adequate reimbursement for adding the new service?

VI. Demonstrating Value to Payers

VI. Demonstrating Value to Payers

Information Needs

Here the ASC should utilize Medicare reimbursement policy and trends to demonstrate the value of EXPAREL® to the CP. The information below is critical to demonstrating value.

Review total reimbursement at the case level.

Ensure multiple procedure logic and implants are factored into reimbursement logic, as applicable.

Compare current-year Medicare reimbursement to the previous year.

Evaluate if the contract updates automatically for annual Medicare updates.

VI. Demonstrating Value to Payers

ACL Example

The example illustrates the CP may have a payment rate greater than Medicare at 125% of Medicare. Multiple procedures are paid at 100/50/25, and implants are included. Overall reimbursement results in 120% of Medicare in 2018 and 94% of Medicare in 2019 when the device-intensive code methodology is in place.

Medicare Case Pricing for Selected CPT Combos: ACL Repair

CPT	CPT Description	2018 Medicare Area-Adj ASC Rates ¹					2019 Medicare Area-Adj ASC Rates ^{1,2}					% Change
		Payment Indicator	CPT Rate	Subject to Mcare ASC MultPx Adj	MultPx Adj	ProjNR	Payment Indicator	CPT Rate ²	Subject to Mcare ASC MultPx Adj	MultPx Adj	ProjNR	
29888	Knee arthroscopy/surgery	A2	\$2,721	Y	100%	\$2,721	J8	\$3,697	Y	100%	\$3,697	35%
29881	Knee arthroscopy/surgery	A2	\$1,280	Y	50%	640	A2	\$1,257	Y	50%	628	-.02%
Implant						0					0	n/a
EXPAREL ^{®4}						0					324	n/a
Case Total						\$3,361					\$4,649	38.3%

Commercial Example Case Pricing for Selected CPT Combos: ACL Repair

CPT	CPT Description	2018 Medicare Area-Adj ASC Rates ¹					2019 Medicare Area-Adj ASC Rates ^{1,2}					% Change
		Payment Indicator	CPT Rate	Subject to Mcare ASC MultPx Adj	MultPx Adj	ProjNR	Payment Indicator	CPT Rate ²	Subject to Mcare ASC MultPx Adj	MultPx Adj	ProjNR	
29888	Knee arthroscopy/surgery	A2	\$2,721	Y	125%	\$3,402	J8	\$3,697	Y	125%	\$3,402	0%
29881	Knee arthroscopy/surgery	A2	\$1,280	Y	50%	640	A2	\$1,257	Y	50%	628	-.02%
Implant						0					0	n/a
EXPAREL ^{®4}						0					324	n/a
Case Total						\$4,042					\$4,354	7.7%
Percentage of Medicare						120%					94%	

¹ Medicare does not pay separately for implants.

² The 2019 Medicare ASC rates by CPT are reflective of Medicare's ASC CN2 rates posted as of December 21, 2018.

³ This list is not exhaustive and only includes some of the most commonly billed case combinations. Actual coding experience may vary.

⁴ Reimbursement assumes a 20 ml dose.

VI. Demonstrating Value to Payers

Q&A

QUESTIONS & ANSWERS

1. How has BOSS utilized Medicare methodology to support the case to a CP? What was the outcome?
2. Have you contacted your payers that do follow Medicare, and have they provided a timeline for 2019 updates?
3. With regard to payers that do not pay separately for implants and other high-cost items, what has been your approach with payers in the past for demonstrating the value of the center to the payers' network?

VI. Demonstrating Value to Payers

Scenarios

The approach with the payers will vary depending on the type of methodology payments are based on. BOSS experienced the following scenarios over the last year:

Scenario
1

Payer follows HOPD Medicare.

Scenario
2

Payer follows ASC Medicare with caveats.

Scenario
3

Payer follows a proprietary fee schedule.

Tailoring the approach and the data to each scenario is critical to success.

EXPAREL[®] (bupivacaine liposome injectable suspension)

Indication and Important Safety Information

Indication

EXPAREL is indicated for single-dose infiltration in adults to produce postsurgical local analgesia and as an interscalene brachial plexus nerve block to produce postsurgical regional analgesia. Safety and efficacy have not been established in other nerve blocks.

Important Safety Information

EXPAREL is contraindicated in obstetrical paracervical block anesthesia.

Adverse reactions reported with an incidence greater than or equal to 10% following EXPAREL administration via infiltration were nausea, constipation, and vomiting; adverse reactions reported with an incidence greater than or equal to 10% following EXPAREL administration via interscalene brachial plexus nerve block were nausea, pyrexia, and constipation.

If EXPAREL and other non-bupivacaine local anesthetics, including lidocaine, are administered at the same site, there may be an immediate release of bupivacaine from EXPAREL. Therefore, EXPAREL may be administered to the same site 20 minutes after injecting lidocaine.

EXPAREL is not recommended to be used in the following patient population: patients <18 years old and/or pregnant patients.

Because amide-type local anesthetics, such as bupivacaine, are metabolized by the liver, EXPAREL should be used cautiously in patients with hepatic disease.

EXPAREL[®] (bupivacaine liposome injectable suspension)

Important Safety Information, cont

Warnings and Precautions Specific to EXPAREL

Avoid additional use of local anesthetics within 96 hours following administration of EXPAREL.

EXPAREL is not recommended for the following types or routes of administration: epidural, intrathecal, regional nerve blocks **other than interscalene brachial plexus nerve block**, or intravascular or intra-articular use.

The potential sensory and/or motor loss with EXPAREL is temporary and varies in degree and duration depending on the site of injection and dosage administered and may last for up to 5 days, as seen in clinical trials.

Warnings and Precautions for Bupivacaine-Containing Products

Central Nervous System (CNS) Reactions: There have been reports of adverse neurologic reactions with the use of local anesthetics. These include persistent anesthesia and paresthesia. CNS reactions are characterized by excitation and/or depression.

Cardiovascular System Reactions: Toxic blood concentrations depress cardiac conductivity and excitability which may lead to dysrhythmias, sometimes leading to death.

Allergic Reactions: Allergic-type reactions (eg, anaphylaxis and angioedema) are rare and may occur as a result of hypersensitivity to the local anesthetic or to other formulation ingredients.

Chondrolysis: There have been reports of chondrolysis (mostly in the shoulder joint) following intra-articular infusion of local anesthetics, which is an unapproved use.

Methemoglobinemia: Cases of methemoglobinemia have been reported with local anesthetic use.

Questions & Answers



Coming Up

Payer Contract Negotiations: Developing a Business Case to Optimize Reimbursement Options

Wednesday, May 22, 2019 | 11:00 a.m. to Noon, CT

This webinar is the second of the Payer Contract Negotiation series aimed at preparing and optimizing payer contract negotiations. The session will focus on the importance of developing and presenting a business case to your payer in order to optimize reimbursement options for products and supplies used in surgical procedures in your ASC.

Key elements of the webinar include:

- » Understanding the need and value of developing a business case.
- » Developing a payer strategy and approach.
- » Building the business case.
- » Presenting the business case to your payer.

Panelist

ASC Administrator

Moderator

Naya Kehayes, Principal, ECG

How Can I Learn More?

EXPAREL®

(bupivacaine liposome injectable suspension)

Resources

Pacira Pharmaceuticals has resources available regarding the new rule and the reimbursement process.

- » Your local representative
- » www.EXPAREL.com/reimbursement
- » reimbursement@pacira.com
- » 1-855-RX-EXPAREL

