

Pacira BioSciences, Inc.

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

May 22, 2019



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ecgmc.com

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I. Introduction

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I. Introduction

Presenters

Presenters

I. Naya Kehayes, Principal, ECG Management Consultants

Gregory DeConciliis, PA-C, CASC, Boston Out-Patient Surgical Suites (BOSS)

Kevin Dowdy, Regional Director of Managed Care, Envision Healthcare

I. Introduction

Faculty Disclosures

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

I. Introduction

Session One Recap

During the first session on April 15, we focused on the topics below.



Reviewing your contracts to understand key terms and methodologies



Demonstrating value to commercial payers as a result of Medicare reimbursement and ASC rule changes



Utilizing your payer mix and case mix to support your business case



Understanding the most impactful data to collect

I. Introduction

Objectives

We will focus on the key steps to building a business case for successful payer contract negotiations, highlighting considerations for strategy, structure, and communication.

Illustrating the value of building a business case tailored to each payer and your facility's profile

Targeting specific payers and understanding variations in reimbursement methodology

Reviewing the components of an effective business case

Using the business case to successfully negotiate reimbursement changes

II. Value of the Business Case

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II. Value of the Business Case

Overview

Developing a business case is a useful exercise to organize and present material to the payer to support the need for reimbursement.

The business case...

Illustrates the importance of covering the cost of high cost items and EXPAREL® (bupivacaine liposome injectable suspension).



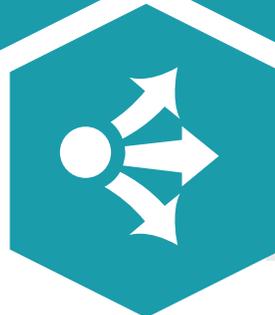
Supports utilization of Medicare as the standard for reimbursement guidelines.

Identifies case types that may experience increased utilization that were previously performed in the hospital representing an opportunity for payers and providers.



Supports payer reimbursement using other payers as an example.

Provides detailed case utilization information.



Illustrates outcomes related to patient satisfaction with EXPAREL.

Data access and availability will impact the type of analysis that can be provided.

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II. Value of the Business Case

Q&A

• QUESTIONS & ANSWERS •

1. Can you describe the key elements needed to develop a business case for the payer?
2. What is the most important data needed to create a business case?

III. Developing a Payer Strategy

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III. Developing a Payer Strategy

Doing Your Homework!

The ASC should understand what payment methodology a payer will follow during negotiations to prepare for discussions with the commercial payers.

Step One: Identify target payers for reimbursement negotiation.

- » Which payers comprise the largest percentage of the facility's case mix?
- » Which payers will the center most benefit from renegotiating with?

Step Two: Review each payer's specific reimbursement methodology and implications for approach and strategy.

Methodology	Considerations
Percentage of Medicare	<ul style="list-style-type: none">» What if the contract currently does not allow adequate reimbursement to cover cost and is based on a percentage of Medicare?» What percentage of Medicare may be reasonable and appropriate for the case?
Outpatient Grouper	<ul style="list-style-type: none">» How are codes paid if they are not on the grouper list, and how often are they updated?» Do you have the complete mapping and list of codes that are in each grouper?
Fixed FS	<ul style="list-style-type: none">» How are codes paid if they are not on the fixed Fee Schedule?» Is the Fee Schedule based wholly or loosely on Medicare?» Is the Fee Schedule automatically updated?» Will payment be based on a percentage of the Fee Schedule?
Carve-Outs	<ul style="list-style-type: none">» Is the payer willing to allow carve-outs for any code?» Will multiple year rate increases (escalators), if negotiated, apply to carve-outs?

III. Developing a Payer Strategy

Doing Your Homework! *(continued)*

It is important for an ASC to understand all aspects of a payer contract in addition to the payment methodology a payer will follow during negotiations.

Step Three: Evaluate the payer's strategy and approach options, keeping the following in mind:

- ➔ What methodology will the payer be using as a basis for negotiations?
- ➔ What historically has been the payer's payment methodology for multiple procedures?
- ➔ Will the payer allow carve-outs?
- ➔ Will the contract be "evergreen" or for a fixed term?
- ➔ If a fixed term, multiyear contract is negotiated, will the payer negotiate escalators?
- ➔ Is the payer willing to renegotiate?

Understanding the methodology and its limitations and/or opportunities will impact the approach on developing an effective business case.

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III. Developing a Payer Strategy

Q&A

QUESTIONS & ANSWERS

1. What are the most effective approaches to developing a payer strategy?

IV. Building the Business Case

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IV. Building the Business Case

Data Collection

The ASC should collect data over a period of time that is long enough to identify trends that will support the business case for payer contract negotiations.

Identification of physicians and case types that use EXPAREL® (bupivacaine liposome injectable suspension), as well as cost data on implants and high-cost supplies if applicable

Case volume before and after adoption of EXPAREL for payers that provide adequate reimbursement, so the ASC can demonstrate the impact by way of example

Surgeon volume transition trends from HOPD to ASC with other payers, if they have adequate reimbursement allowing cases to move from the hospital

Patient satisfaction scores

Identification of data that supports favorable outcomes, such as patient satisfaction scores or pain scores, if the ASC has experience with patients who have received EXPAREL.

IV. Building the Business Case

Data Presentation

Organizing data into tables will help identify case types that experience increased utilization and help support Medicare as the standard for reimbursement guidelines.

Table 1: Volume Trends before and after EXPAREL®

Provider	Average Monthly Cases before EXPAREL®	Average Monthly Cases after EXPAREL®	Percentage Change
Dr. A	35	50	43%
Dr. B	25	55	120%
Dr. C	35	35	0%
Dr. D	20	30	50%
Total	115	170	48%

Table 2: EXPAREL® Case Utilization

Case Type	Total Monthly Cases Using EXPAREL®	Total Monthly Cases	Percentage Using EXPAREL®
Rotator Cuff Repair	35	50	70%
Hernia Repair	25	55	45%
Bunionectomy	35	35	100%
Hand Reconstruction	20	30	67%
Total	115	170	68%

Table 3: Value to Payer

Case Type	Hospital Payments at 150% of Medicare HOPD			ASC Payments at 200% of Medicare ASC		ASC Total Payments after EXPAREL®	Payer Cost Savings: ASC Payment after EXPAREL® to Hospital Payment (\$)	Payer Cost Savings: ASC Payment after EXPAREL® to Hospital Payment (%)
	Procedure Rate	EXPAREL® Rate ²	Hospital Total Payments	Procedure Rate	EXPAREL® Rate			
Rotator Cuff Repair (CPT 29827)	\$ 8,549	\$ -	\$ 8,549	\$ 5,489	\$ 325	\$ 5,813	\$ (2,736)	-32%
Hernia Repair (CPT 49505)	\$ 4,421	\$ -	\$ 4,421	\$ 2,687	\$ 649	\$ 3,336	\$ (1,085)	-25%
Bunionectomy (CPT 28296)	\$ 3,935	\$ -	\$ 3,935	\$ 2,514	\$ 649	\$ 3,163	\$ (772)	-20%

¹ Payments in this table are based on 1 procedure for each case type. Payment rate includes a 133 mg dose of EXPAREL® (bupivacaine liposome injectable suspension) for rotator cuff. Hernia repair and bunionectomy include a 266 mg dose of EXPAREL.

² Medicare does not reimburse for EXPAREL in the HOPD setting.

IV. Building the Business Case

Q&A

QUESTIONS & ANSWERS

1. How does BOSS build a strong business case in a situation where minimal or no data is available for a specific procedure?
2. What resources does BOSS use to prepare and analyze data?

V. Presenting the Business Case

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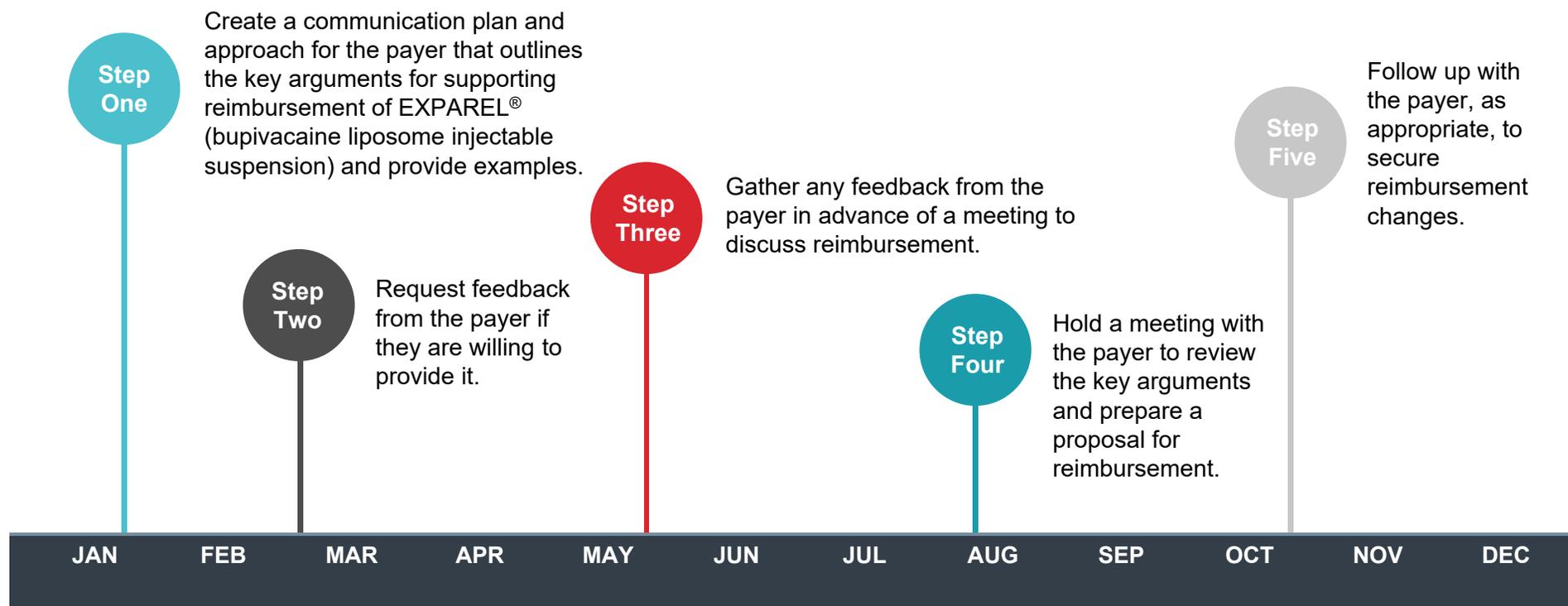
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V. Presenting the Business Case

Communication and Timeline

Payer negotiations typically take 6 to 12 months or more to complete, so it is important to set realistic timeline expectations for achieving final contracted rates.



The time between the steps listed above will vary based on the contracting specifics of each center.

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V. Presenting the Business Case

Case Study: Total Knee Arthroplasty



Scenario

- » The ASC is trying to negotiate rates for total knee arthroplasties (TKAs) (CPT 27447).
- » Approximately 100 cases of TKA volume are eligible to move from the hospital to the ASC setting.
- » Approximately six surgeons are interested in performing TKA surgery in the ASC.
- » The ASC initially approached the five major players in the market.



Pre-Negotiation

- » Communicate face-to-face with internal stakeholders prior to negotiations (surgeon, anesthesia, managers, nursing staff).
- » Review the clinical pathway and patient selection.
- » Gather data to support negotiations.
 - › Know your costs (direct: supplies, implants, overhead; indirect/other: increased OR utilization, marketing).
 - › Understand your risk with your most expensive case.
 - › Know what the hospital is getting paid.

V. Presenting the Business Case

Case Study: TKA *(continued)*

Approach payers with the goal of negotiating a win-win scenario, with the value proposition being the shift of high-cost hospital cases to a lower-cost facility.

Hospital Benchmarking

Benchmark	Payment	Note
Hospital Inpatient TKA Payment ¹	\$31,125	Payment range: \$31,125 to \$69,654
National Medicare 2019 HOPD Payment	\$10,714	

The current ASC contract allows TKA, but reimbursement is set at only \$7,500, while hospital reimbursement is \$31,125 on the low end.

TKA reimbursement in the ASC at a rate of \$20,000 represents savings to the commercial payers ranging from \$11,125 to \$49,654 per case, or \$1.1 million to \$4.9 million total, and also covers the cost of the TKA being performed at the ASC.

¹ A Study of Cost Variations for Knee & Hip Replacement Surgeries in the U.S., BCBS & Health of America Report, January 21, 2015.

If the ASC is in-network with the payer, consider adding TKA reimbursements to the Fee Schedule, and work on bundled payments at a later date.

V. Presenting the Business Case

Q&A

QUESTIONS & ANSWERS

1. How long have contract negotiations or renegotiations taken at BOSS? Is there any way to speed up the process?
2. What factors seem to influence the duration of negotiations the most?

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)

Indication and Important Safety Information (*continued*)

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 five 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



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How Can I Learn More?

EXPAREL®

(bupivacaine liposome injectable suspension)

Resources

Pacira BioSciences, Inc. has resources available regarding the new CMS rule and the reimbursement process.

Your local representative

www.EXPAREL.com/reimbursement

reimbursement@pacira.com

1-855-RX-EXPAREL

