

OUTPATIENT JOINT REPLACEMENT & BUNDLED PAYMENTS

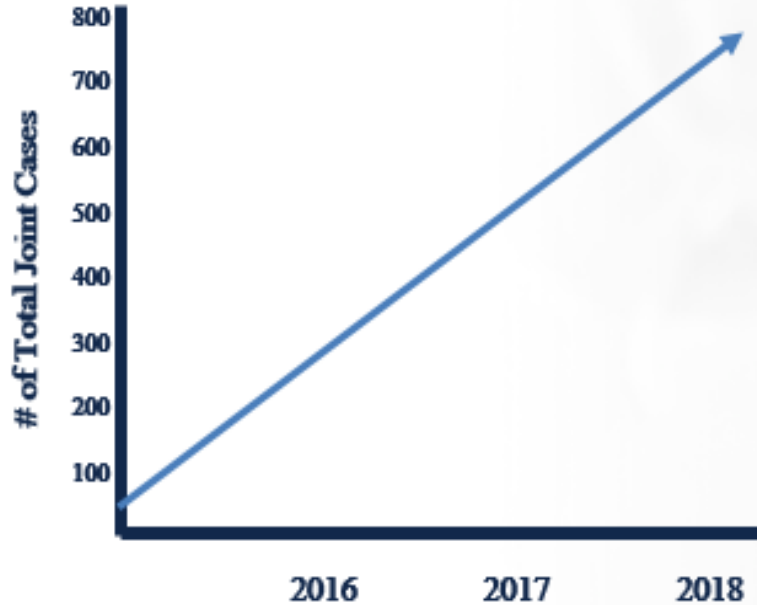
Chris Bishop, CEO
Regent Surgical Health

HISTORY OF JOINTS IN THE OUTPATIENT SETTING



- Initial Headwinds to Change
 - Payors
 - Surgeons
 - Clinical Staff
- Strong leadership was required to overcome challenges

RESULTS OF THE CHANGE



- Quick change in attitudes and volumes
- Regent: 300+% Increase in Total Joints from 2015 to 2016 – Similar growth expected for 2017 and beyond

WHAT DROVE THE CHANGE?

- Clinical Benefits – Ex) ASC A
- Advancements In Technology
- Professional Influence
- Financial Benefits

REGENT PARTNER AMBULATORY SURGERY CENTER				
Year	# of TJ Procedures	# of Transfers	# of Readmissions	# of SSIs
2015	27	0	0	0
2016	63	1	0	0

***Expected to exceed 100 Total Joint Procedures in 2017**

WHAT DROVE THE CHANGE – PATIENT EDUCATION MATERIALS

Patient Education Brochures provide an easy to read tool for patients to understand the benefits of an outpatient joint replacement.



WHAT IS THE DIFFERENCE BETWEEN OUTPATIENT & INPATIENT TOTAL JOINT REPLACEMENT?

The development of less invasive arthroscopic technologies has made it possible to move total joint replacement out of hospitals and into more convenient and cost-effective outpatient facilities. In addition to lowering out-of-pocket costs, the biggest difference a patient will experience is a shorter length of stay. Patients are typically released from the Surgery Center to their home in the first four to six hours after surgery rather than the traditional hospital stay of two to three days. In addition, a shorter acting anesthesia is used when the patient is in surgery which allows for an easier recovery.

A recent American Academy of Orthopaedic Surgeons study showed same-day outcomes were comparable to those of patients admitted to the hospital and staying at least one night following surgery.

Surgical site infection rates, a common complication leading to re-admission, is also much lower at surgery centers. According to The Centers for Disease Control, surgery centers



WHAT ARE THE ADVANTAGES TO HAVING THIS DONE AS AN OUTPATIENT PROCEDURE?

There are several advantages to having this surgery performed on an outpatient basis:

- Less chance of acquiring an infection because patient spends less time in a healthcare environment.
- Less financial burden – outpatient procedures are always less expensive, so depending on the patient's insurance, out-of-pocket costs will be less.
- Recovery will be in the comfort of the patient's home, which means more privacy, their own food and bed.
- Home health care will be pre-arranged, so the patient will know what to expect from the nurse and physical therapy.

DEVELOPING CLINICAL PROTOCOLS FOR OUTPATIENT JOINTS

- PATIENT PROTOCOLS:



- Patient selection criteria
 - ASA I or II
 - BMI < 35
 - No diabetes, cardiac history, or sleep apnea
- Patient Home Assessment
- Pre-Admission visit, education, and testing
- Standardized post-operative follow-up protocols

DEVELOPING CLINICAL PROTOCOLS FOR OUTPATIENT JOINTS

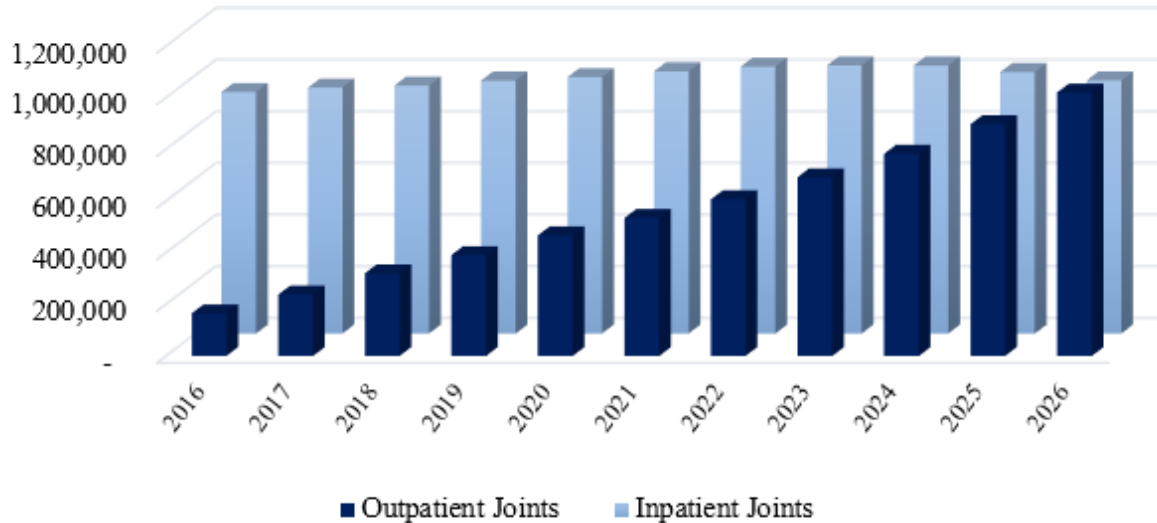
- **PAIN MANAGEMENT PROTOCOLS:**

- ASCs are at an advantage relative to hospitals b/c teams regularly work together creating a seamless process for patients

Phase	Strategy
Pre-operative	Preemptive analgesia (non-opioid)
Intra-operative	Nerve conductor block (Adductor canal block) Standard intravenous medicine <ul style="list-style-type: none">• Fentanyl• Hydromorphone• Optional: Ketamine
Post-operative	Standard intravenous and oral medications <ul style="list-style-type: none">• Fentanyl• Hydromorphone• Percocet

PROJECTED GROWTH IN THE OUTPATIENT SPACE

- SG2 Research projects by 2026, 51% of primary hip and knee joint replacements will be performed in an outpatient setting



OUTPATIENT JOINTS & BUNDLED PAYMENTS

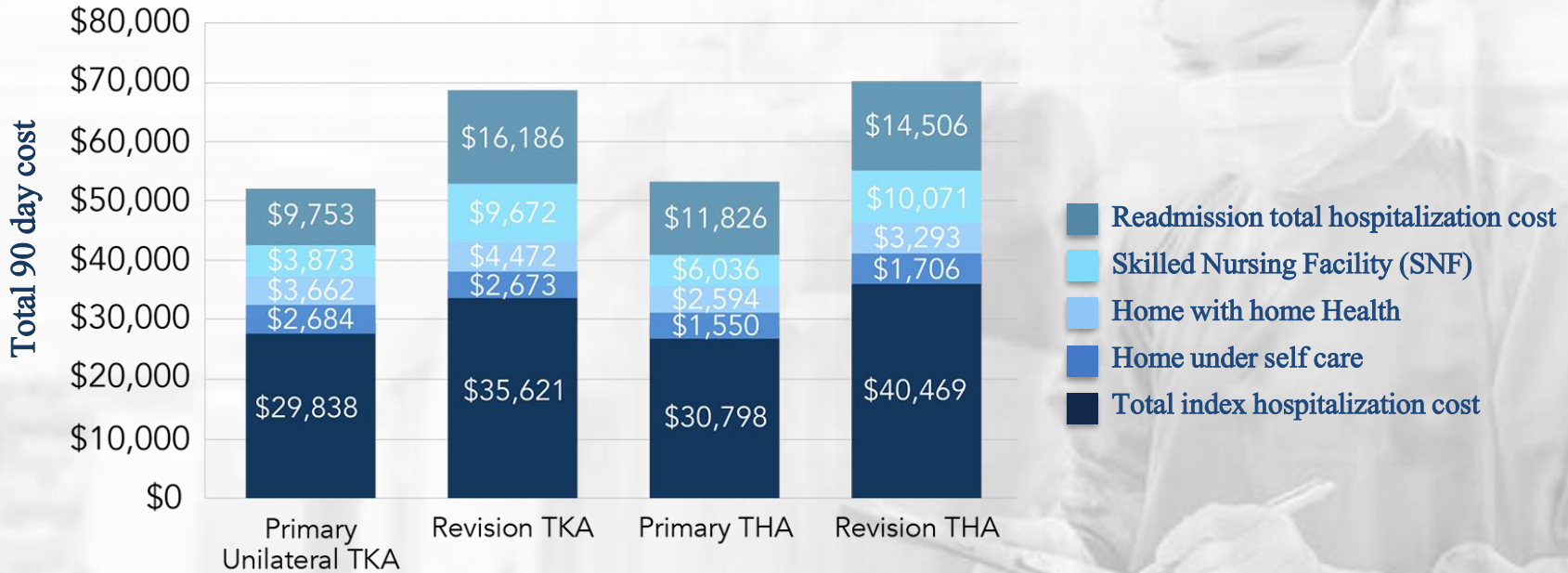
- Outpatient surgery will play an integral role in a value based healthcare system
- ASCs provide equal or better outcomes at a lower cost
 - ASCA study – ASCs = \$38 Billion in Commercial Payor Savings
 - US Berkeley Study – ASCs = \$2.5B in Medicare Savings



COST DRIVERS OF A 90 DAY TOTAL JOINT EPISODE

- **Pre-Operative Cost Drivers**
 - Patient decides in-network (\$\$) v. out-of-network (\$\$\$\$\$)
 - Surgeon/Patient Decide Hospital (\$\$\$) v. ASC (\$)
- **Intra-Operative Cost Driver: Surgeon decides implant**
- **Post-Operative Cost Drivers**
 - Surgeon/Patient decide post-discharge care
 - SNF (\$\$\$\$)
 - Home with home care (\$\$\$)
 - Home under self care w/ PT (\$\$)
 - Home under self care w/ digital PT (\$)
 - Readmission

90 DAY COST BREAKDOWN



* Source: Journal of Arthroplasty

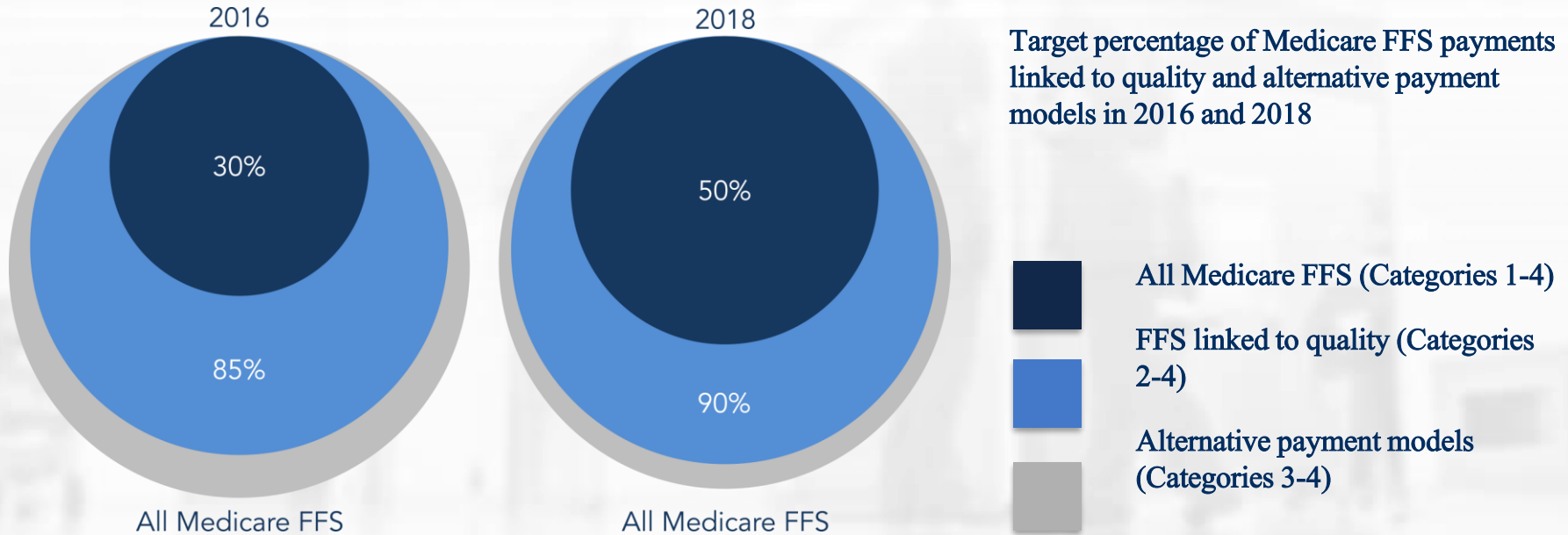
DEVELOPING A BUNDLED PAYMENT STRATEGY



- There is no Surgeon-Centric model that is one size fits all
- Developing the proper strategy for a market requires a detailed analysis of the following:
 1. The Relevant Overall Market
 2. Key Stakeholders: ASC, Surgeons, Hospital, Other Surgeon Partners
 3. How to effectively align incentives of key stakeholders
- Success depends on the ability to align incentives so key decision makers make the value driven choice

MACRO ENVIRONMENT

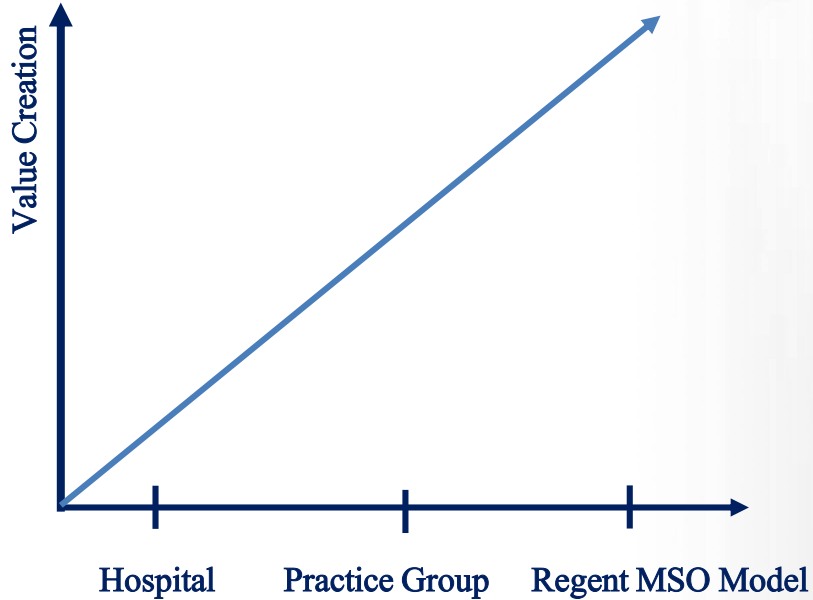
CMS is aggressively pushing to have “Value” replace “Volume”



DEVELOPING A BUNDLED PAYMENT STRATEGY



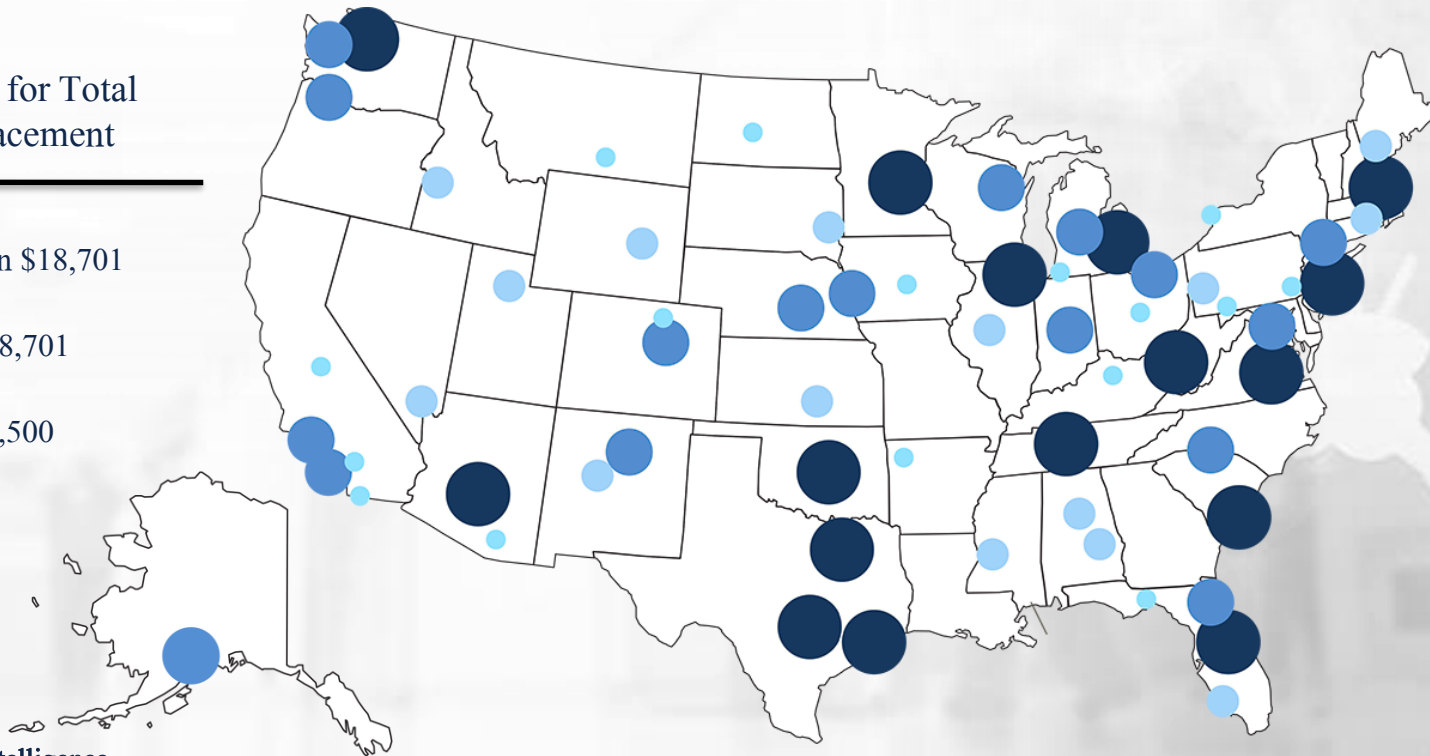
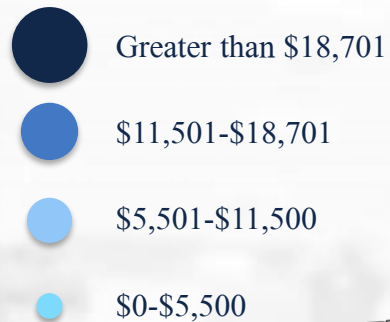
VALUE CREATION BY STRATEGY



- Key behind value creation is a surgeon centered model – surgeons take risk, and benefit from the upside reward
- Alignment of Incentives!

Cost Variations for Total Knee/Hip Replacement

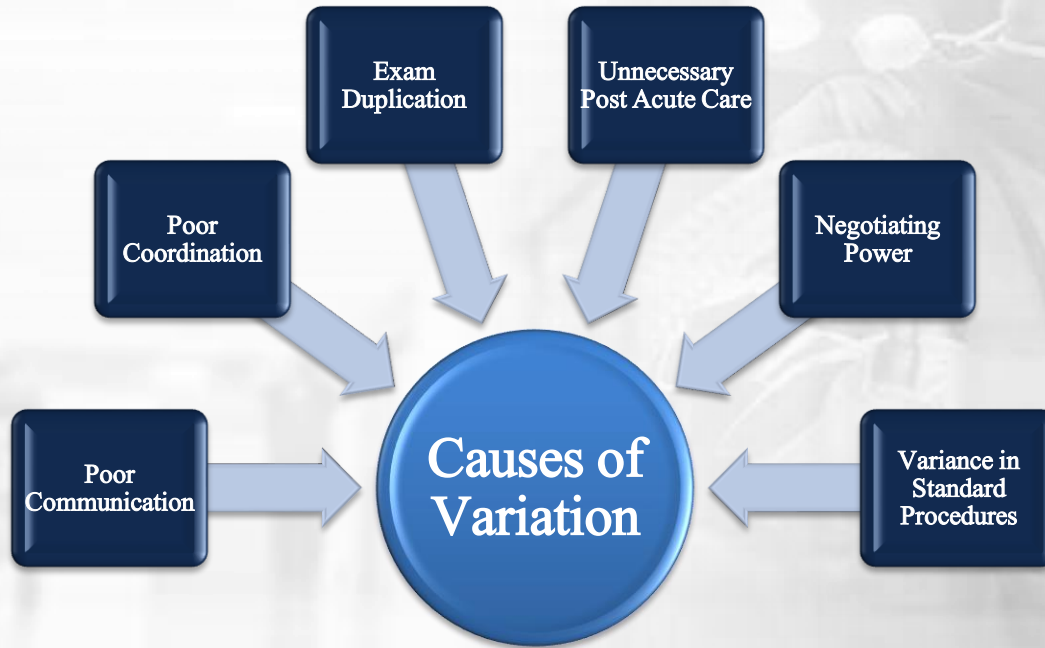
Cost Variations for Total Knee/Hip Replacement



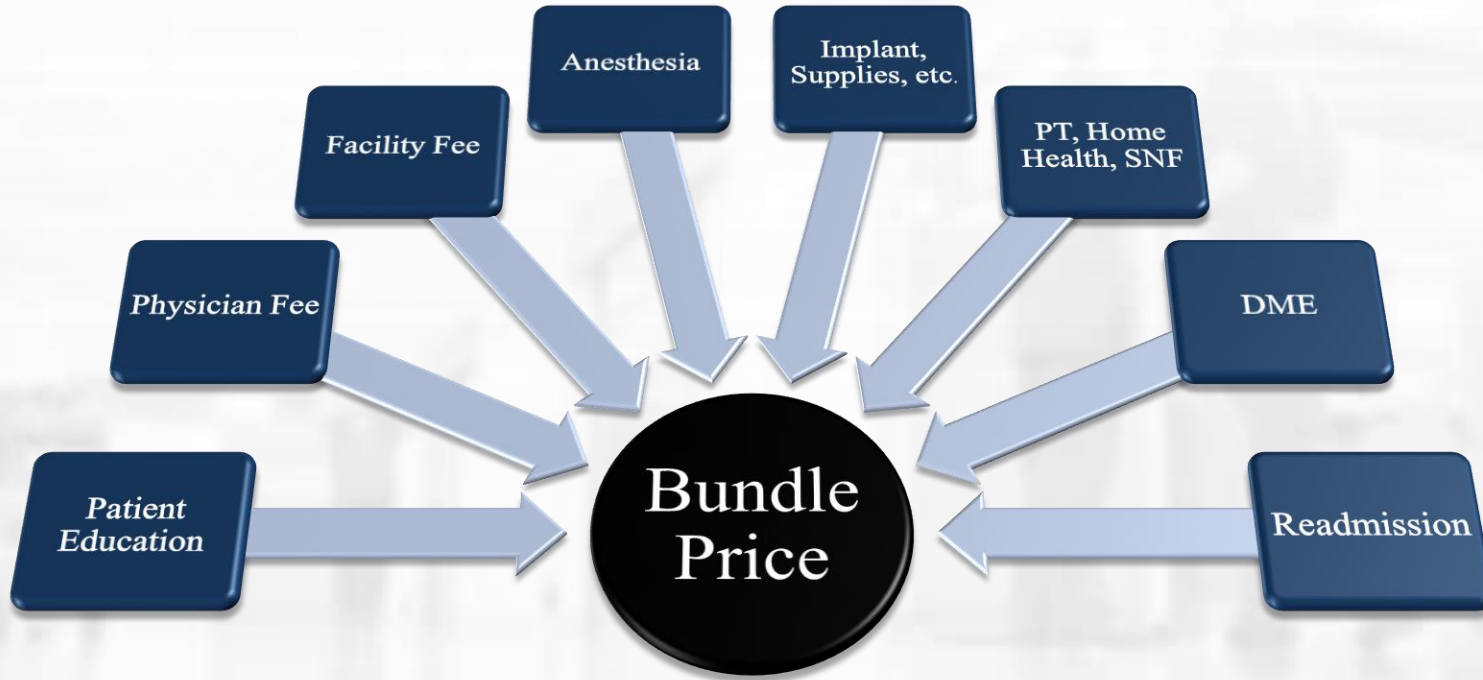
Source: Blue Health Intelligence

Causes of Variation

A Bundled Payment Strategy Can Address these Issues



WHAT'S INCLUDED IN THE BUNDLE



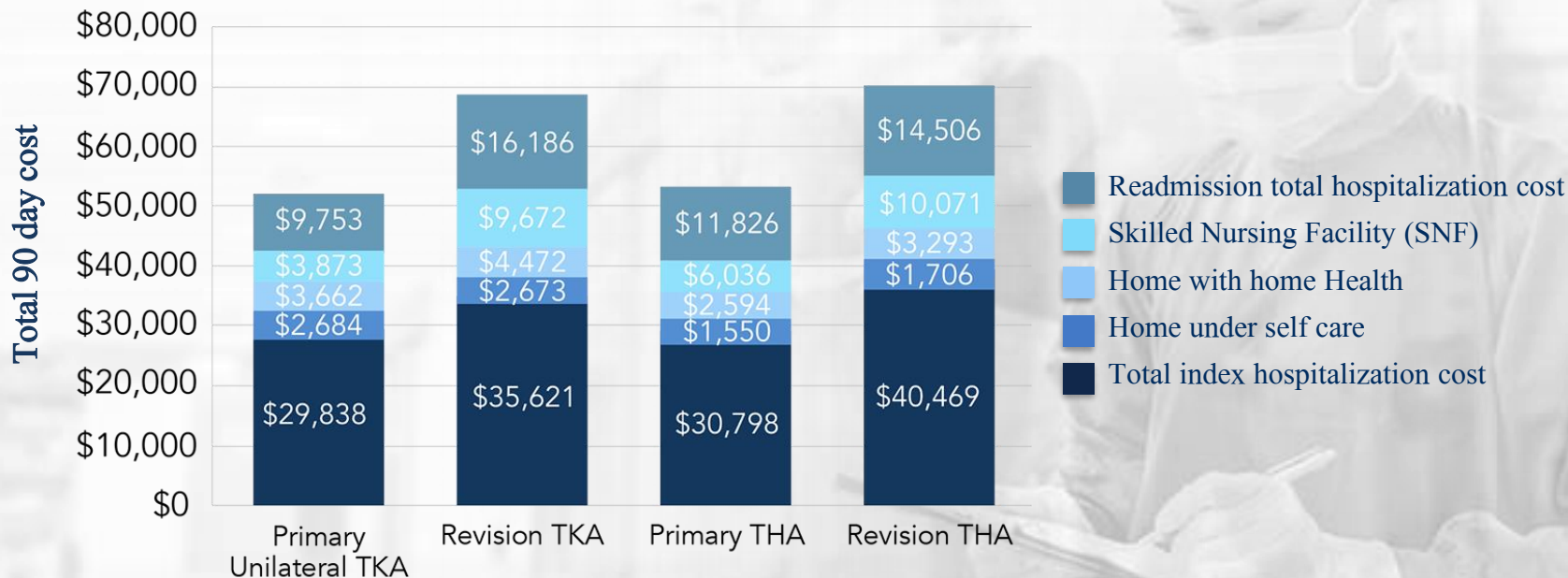
KEYS TO SUCCESS

4 Keys to Success of the Bundled Payment Strategy

1. Cost Containment
2. Risk Mitigation
3. Effective Patient Coordination/Communication
4. Surgeon Leadership

Keys to Success: Cost Containment

90 Day Cost Breakdown



* Source: Journal of Arthroplasty

Keys to Success: Cost Containment

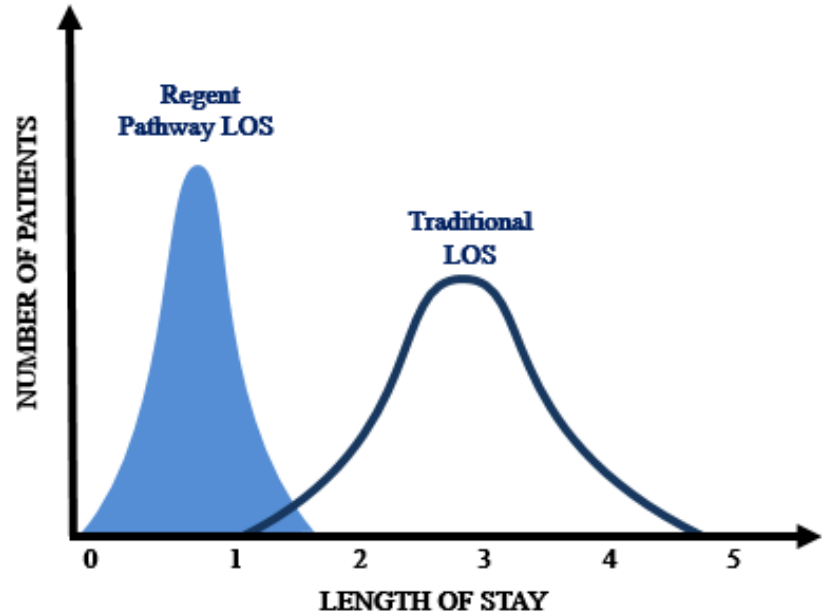
Hospitalization = High Cost Option

- Traditional Procedure has an average LOS of 3-4 Days
- Redundant & Unnecessary Testing
- Lower Patient Satisfaction

Regent Pathway

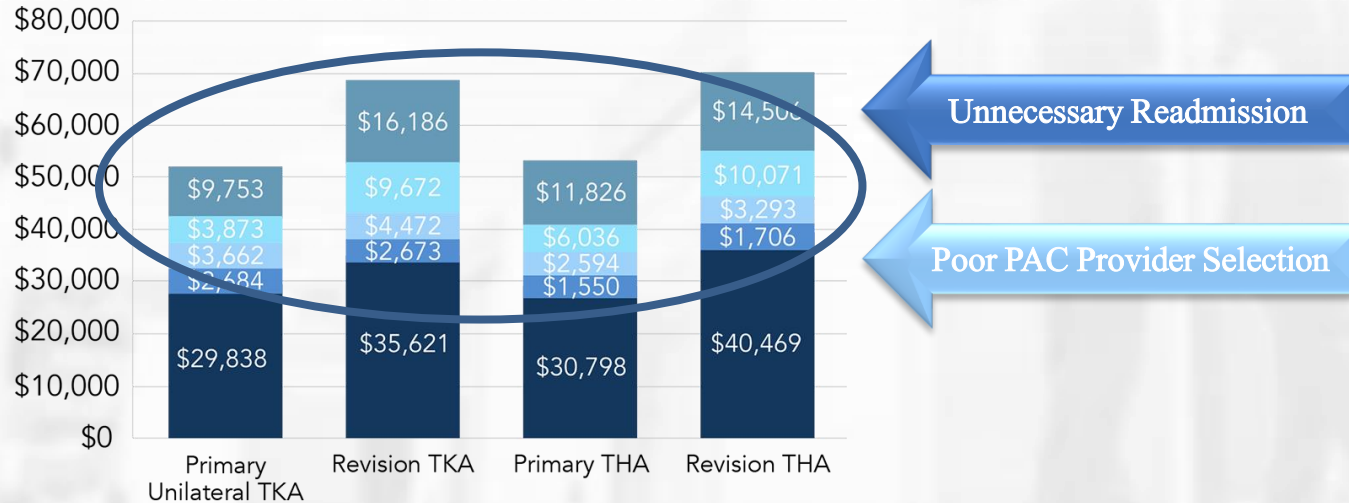
- Good Patient Selection for Same Day Procedures
- Operational efficiencies that lower cost
- Early and Effective Patient Education
- Higher Patient Satisfaction

Result = Average LOS < 1 day / No Cost Redundancies



Keys to Success: Cost Containment

90 Day Episode Cost Drivers



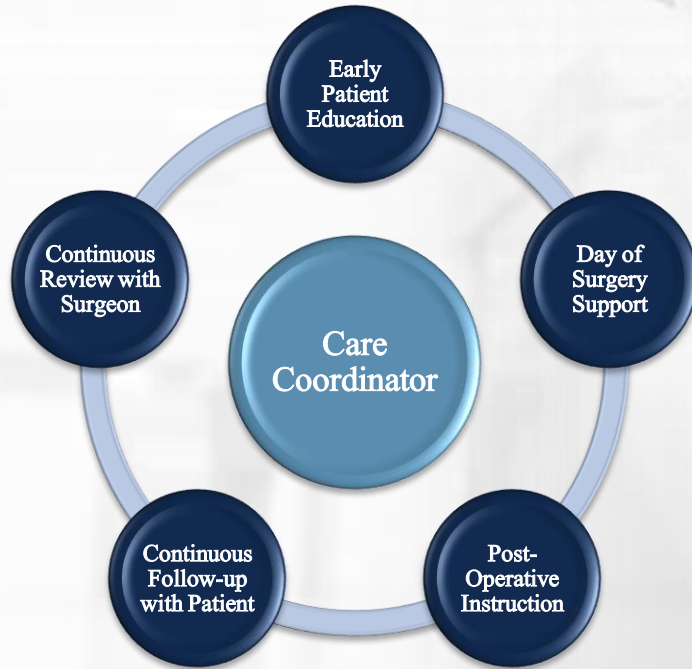
KEYS TO SUCCESS: RISK MITIGATION



- **Re-Insurance**
- **Negotiated Stop Loss or Risk Corridor with Payers**
- **Inclusion/Exclusion Criteria for the Episode**

KEYS TO SUCCESS: PATIENT COORDINATION/COMMUNICATION

Dedicated Care Coordinator to Guide the Patient through the Episode



KEYS TO SUCCESS: PATIENT COORDINATION/COMMUNICATION

Technology Based Mobile Communication System to Connect Patient, Surgeon, & Care Coordinator



- Patient navigation platforms have assisted in:
 - ❖ Increased Patient Compliance
 - ❖ Increased Patient Satisfaction
 - ❖ Decreased Readmissions

KEYS TO SUCCESS: SURGEON LEADERSHIP

Surgeon involvement & leadership through entire process



KEYS TO SUCCESS: CONCLUSION

Bundled Payments align incentives the way they should be – it is truly a win-win-win!

- 1. Patients:** Receive better more involved care at a good value.
Increased involvement and coordination by Providers.
Increased outcomes and patient satisfaction
- 2. Regent/Physician Partners:** Greater financial returns through increased success, higher patient volumes being funneled to the bundle, and higher payer contract rates. First Mover Advantage!
- 3. Payers:** Decreased overall payments per patient

Bundled Payments: Early Adoption = Future Market Leader

