

OUTPATIENT JOINT REPLACEMENT & BUNDLED PAYMENTS

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AGENDA

1. **Regent Introduction**
2. **Value Based Care Trends (Govt., Commercial, and Alternatives)**
3. **Models for Managing Bundle Payment Opportunities**
4. **Determining what's appropriate to include in a bundle**
5. **Regent Case Study I (Commercial Bundles) – Oregon Surgical Select**
6. **Regent Case Study II (Direct to Employer) – Surgical Select Network**

State of Value Based Care – CMS and Commercials

- **Growth in BPCI, continuation of CJR**
 - Over 1.5M patients went through original BPCI program – primary savings achieved through shifting post-operative care to home and standardization of supplies/implants
 - BPCI Advanced – 29 Inpatient Episodes, 3 Outpatient Episodes
 - CJR – will likely continue through 2020 and has been one of the most successful
- **Commercial insurers have surpassed government in adoption and innovation around value based care, but progress is still slow***
 - Less than 21% are capable of putting together a new episode of care program in 3-6 months, and most will need 1 year to 24 months to get it implemented
 - 66% of commercial payors have invested in administrative staff to support these programs
 - 58% of commercial payors have a prospective bundled payment strategy, but have not fully implemented the model

*Source: Change Healthcare, State of Value Based Care in 2018 Research Report

Rise of Alternative Options

Employers and Individuals upset with the current system have begun looking for alternative options to the traditional model

- **Employers**

- Willis Towers Watson Survey – 6% currently doing direct contracting, 22% are considering for 2019
- Berkshire/J.P. Morgan/Amazon – looking for ways to bend the cost curve for employees
- Apple establishing their own clinics for employees

- **Individuals**

- Religious cost sharing plans increased membership by 74% between 2014 – 2016*
- Trump administration has lifted regulations around short-term plans and pulled away mandate

*Source: IRS reporting

What does this mean for ASCs

ASCs and their associated partners are in a prime position to capitalize on both commercial and alternative arrangements by offering a bundled rate for regularly performed procedures

- **Commercial Insurers**

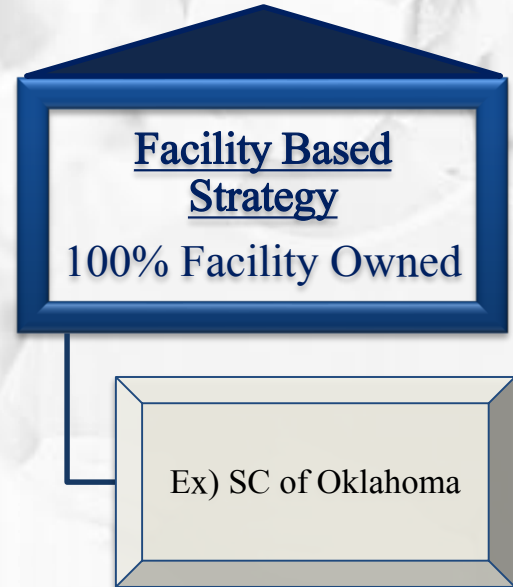
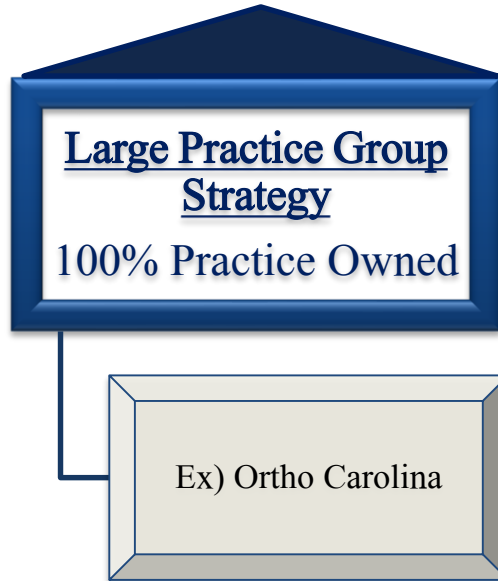
- Opportunity to participate in a value based care initiatives insurers are putting together
- Growth in these arrangements are expected to take off as successful pilots and initiatives begin to show savings
- Focus will be on high volume, high cost procedures – i.e. Total Joint Replacements

- **Direct to Employers**

- Marketing the value of your ASC and offering a single transparent price directly to an employer can drive volume to the surgery center and its Surgeon partners
- Opportunities to partner with other ASCs will allow you to expand your value proposition

Strategic Options for Managing Bundles

Determining the appropriate entity to “own the bundle”



TAILORING THE BUNDLED PAYMENT

Types of Bundled Payment Options

Day of Surgery 90 Days of Risk



Timing of the Payment

Prospective Retrospective annual reconciliation



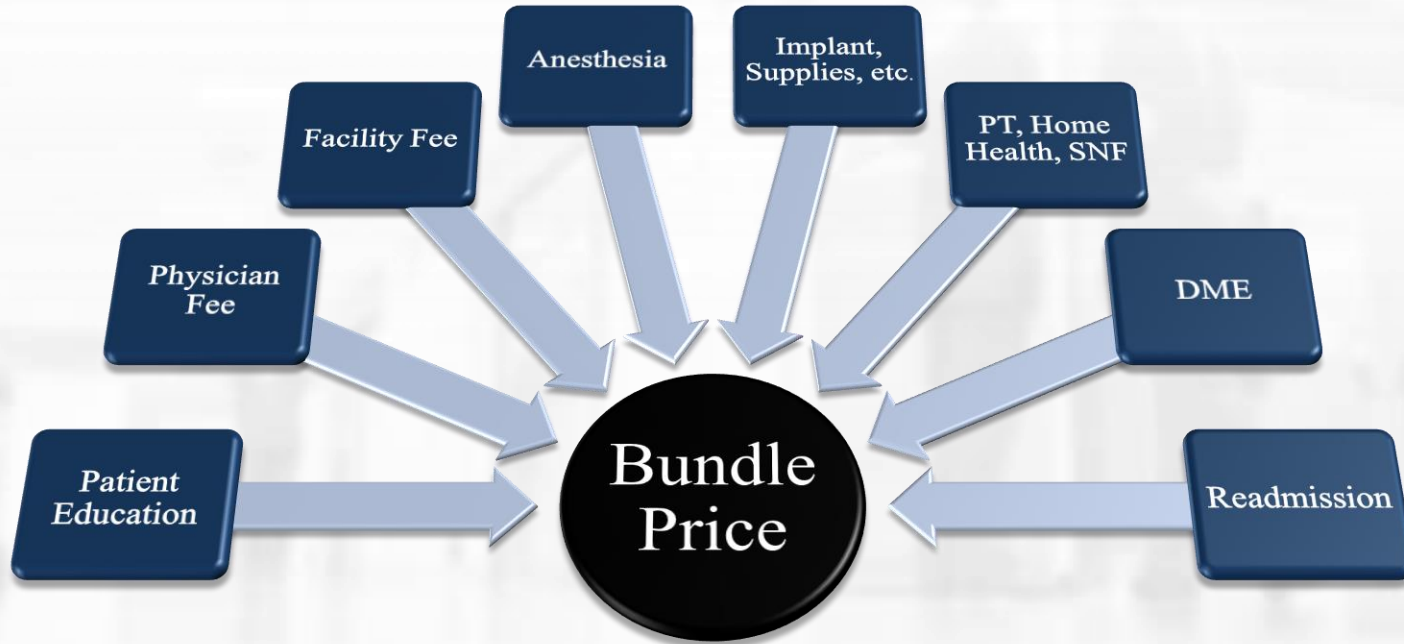
Patient Selection Criteria

Only outpatient qualified Any Patient w/ a designated index DRG or CPT



What to Include in the Bundle

What services to include will depend heavily on who will be paying the bundle, and who “owns the bundle”



Case Study I (Commercial Insurance) – Oregon Surgical Select

BACKGROUND

- Regent partnered with 10 joint surgeons in the Portland, OR area to contract with insurers
- Surgeons come from 8 different practice groups and perform cases at 2 different ASCs
- Currently contracting with all major insurance carriers in the Portland market for bundled rates – expected to have bundled rate contracts with all or most in 2019
- Collectively the surgeons have come together to collaborate on care pathways and better manage episodes of care

RESULTS

- Saw a massive shift in joint replacements move to the ASC – one performed over 40 joint replacements before managed care contracts were even in place
- In 2019 it is projected that the 2 ASCs will perform well over 300 outpatient joint replacements saving health plans over \$4 million dollars

Case Study II (Direct to Employer) – Surgical Select Network

BACKGROUND

- Regent partnered with 3 other management companies to create a larger network of ASCs to offer bundled case rates for commonly performed procedures
- Partnership allows for each to combine resources and centralize the management of the bundle – it was very difficult to justify the economics with a single center or small number of centers
- Will expand to include additional high quality sites to further deliver value for employers

RESULTS

- Currently working with 8 different companies contracting employers, Christian Cost Sharing groups, and directly with employers to direct surgical patients to our Providers
- Our ability to leverage our extensive ASC payor/cost data and articulate the value of the ASC allows for considerable growth in this market as employers and individuals look for alternatives to traditional insurance models