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September 24, 2020

The Honorable Luke Torian, Chairman, House Appropriations Committee
The Honorable Janet Howell, Chairman, Senate Finance Committee
The Honorable Keyanna Conner, Secretary of Administration

Subject: Musculoskeletal Bundled Payment Pilot Program

The attached is a follow up report pursuant to Item 475, G.7 of Chapter 1, 2018 Special Session I, Virginia Acts of Assembly.

Please contact me if there are any questions.

Sincerely,

A handwritten signature in cursive script that reads "Emily S. Elliott".

Emily S. Elliott

Enclosures



Commonwealth of Virginia
Musculoskeletal Bundled Payment
Program Pilot and Expansion
Update
7/1/20

Budget Amendment HB5001

Item 475, G.7.

"The Department of Human Resources Management shall develop and implement a pilot program beginning on July 1, 2017 **for a single payment per episode for all services and costs spanning multiple providers across multiple settings for musculoskeletal injury claims to the maximum extent possible.**

The results of this pilot program, to include changes in *return-to-work following injury times and costs of single payment per episode versus traditional payment per visit claim payments*, shall be reported to the Governor, the Chairmen of the House Appropriations Committee and the Senate Finance Committee by August 1, 2018."

REPORTING HISTORY:

1. Report submitted per the budget amendment as requested in August 2018; based on limited time frame and therefore data available was limited.
2. Updated report, based on claims data through December 31, 2019, delivered in August, 2019. Results mixed.



Contents

1. Phase 1 – Incubate: Pilot Genesis

2. Part 2 – Evolve: Build Upon Best Practices and Drive Heightened Value

3. Part 3 – Expand: Scale Statewide to Improve Costs and Quality
 - Deepening Provider Collaborations
 - Expanding Offerings:
 - Orthopedics
 - Women’s Health
 - Cardiology
 - Gastroenterology

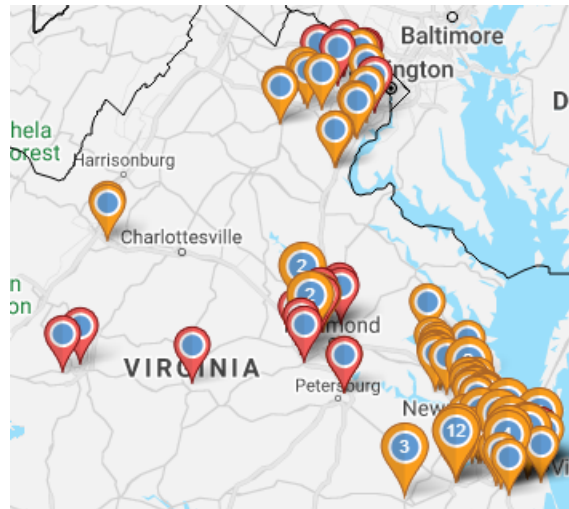
Phase 1. Incubate.

Pilot Genesis



Pilot: Anthem-Physician Collaboration

- For this pilot, Anthem partnered with a prominent orthopedic group that is an expert in orthopedic and therapy care.
- More than 100 physicians, 22 office locations, MRI facilities, outpatient surgery centers and physical therapy clinics were utilized in the pilot program.
- The group is primarily located in Richmond, Lynchburg, and northern Virginia.
- Effective Date: July 1, 2017.



KEY:

Red: Participants, Pilot & Current

Orange: Participants, Effective in 3Q2019 and Beyond

#	Action Item from Last Report, Summer 2019	Status
1	Determine pilot efficacy by studying for longer period of time	COMPLETE
2	Focus on retrospective bundling until conclusive outcomes are determined, costs & quality	COMPLETE
3	Migrate to new retrospective bundles contracts that take advantage of outpatient locations	COMPLETE



Observations, 2019

	Hip Replacement/Revision (HIPRPL aka THR)		Knee Replacement/Revision (KNRPL aka TKR)	
	Count	Costs/Ep.	Count	Costs/Ep.
PRICE TARGET	110	\$ 33,929	135	\$ 35,610
COVA Pilot	33	\$ 37,006	44	\$ 38,111
Vs Target	30%	(2,944)	33%	(2,501)
	Pilot Met or Beat Target	X	Pilot Met or Beat Target	X
COVA Non-Pilot	77	\$ 39,950	91	\$ 37,652
Vs Target	70%	(6,021)	67%	(2,042)
	Non-Pilot Met or Beat Target	X	Non-Pilot Met or Beat Target	X

ANALYSIS:

1. Price Target was not met for any COVA-episode, pilot or non-pilot, in either musculoskeletal category.
2. Pilot Costs/Episode were better than non-pilot costs in HIPRPL, but worse in KNRPL.



Performance, 2017-2019

Ep.	Partial Year 2017					Calendar Year 2018					Calendar Year 2019				
	Count, Non-Pilot	Non-Pilot Amt	Count, Pilot	Pilot Amt	Delta	Count, Non-Pilot	Non-Pilot	Count, Pilot	Pilot Amt	Delta	Count, Non-Pilot	Non-Pilot	Count, Pilot	Pilot	Value
THR	57	36,468	25	35,445	1,023	135	37,443	49	35,548	1,895	77	37,652	33	38,111	(459)
TKR	76	38,117	32	37,175	942	182	35,316	79	36,369	(1,053)	91	39,950	44	37,006	2,944

Key Observations to Inform Go-Forward Strategy

- | | | | |
|---|--|---|--|
| 1 | Results mixed by episode category and over time | → | Expanding Physician participation and eligible procedures critical to value creation |
| 2 | Low volume as a percentage of total COVA members | → | Cost-transparency with members drives informed decision making and superior consumerism |
| 3 | Inpatient hospital dominant point of service in both musculoskeletal categories | → | Incentives for POS shift across care continuum required deepen engagement and value |



Specific Observations and Programmatic Evolutions

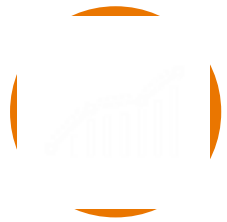
No.	Critical Opportunity	Action Item	Status
1	Need <i>stronger value proposition</i> to accelerate and heighten Physician and Operator engagement	Increased earning potential for Medical Groups, commensurate with heightened accountability for performance	Improvement Made
2		Expanded drivers of success from IP-only to IP/OP and ASC, i.e. Site Neutral	Improvement Made
3		Changed incentive from a fee schedule increase to a lump sum payment , paid twice/year	Improvement Made
4	Need to <i>ensure administrative simplicity</i> to remove all barriers to participation and scalability	No changes to current billings/claims processes/procedures	Preserved
5		No technology infrastructure required	Preserved
6		Adopted industry accepted service-definitions to be included in episode bundles	Improvement Made

Part 2. Evolve.

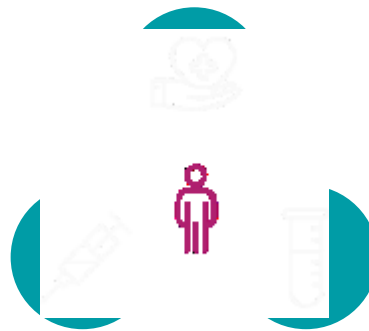
*Build Upon Best Practices and
Drive Heightened Value*



Go Forward Strategy: Deepen Physician Collaborations



Empowers Physicians to *identify and act on opportunities to improve efficiencies in care delivery, while maintaining or improving quality.*



Establishes accountability, shifting emphasis from individual services toward a *coordinated clinical episode.*



Financially rewards Physicians on **value of care delivered and quality.**

Go Forward Strategy: Value Levers Across Expanded Offerings



Women's Health



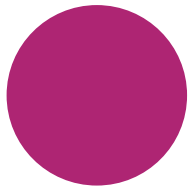
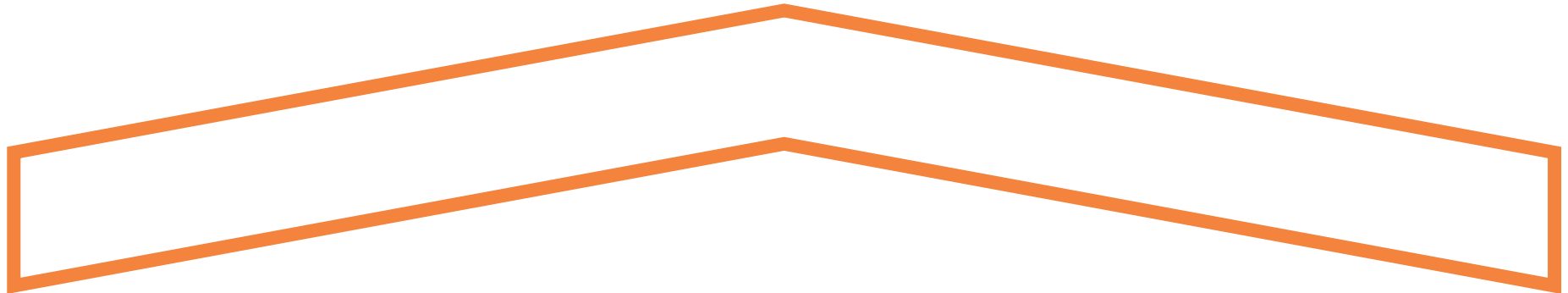
Orthopedic



Cardiology



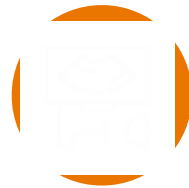
Gastroenterology



Reducing complications



Shifting sites of service



Addressing overutilization



Reduced use of out-of-network providers



Redirecting referrals

Part 3. Expand.

Scale Statewide to Improve Cost and Quality



COVA's 2019 Experience

62% of EBP Costs driven by 17% of EBP Episodes

Specialty	No	Episode of Care	Count	Spend
Cardiology	1	CABG &/o Valve Procedure	64	8,777,360
	2	Coronary Angioplasty	208	9,998,516
	3	Pacemaker/Defibrillat or	62	4,552,438
Gastro- enterology	4	Bariatric Surgery	136	4,562,261
	5	Colonoscopy	7,452	15,742,425
	6	Gall Bladder Surgery	427	7,089,580
	7	Upper GI Endoscopy	3,302	9,258,276
Orthopedics	8	Hip Replacement and Revision	221	8,069,939
	9	Knee Arthroscopy	488	3,554,801
	10	Knee Replacement and Revision	343	11,739,617
	11	Lumbar Laminectomy	168	3,125,252
Women's Health	12	Lumbar Spine Fusion	109	11,146,706
	13	Hysterectomy	336	5,946,792
	14	Pregnancy	1,322	22,939,214
TOTAL			> 14K	\$ 126M+

COVA's 2019 POS Experience Across 14 Bundle Categories					
Point of Service	Count	%	Spent	%	
Inpatient Hospital	2,473	17%	78,280,446	62%	
Outpatient Hospital	6,174	42%	38,800,800	31%	
Ambulatory Surgical Center	231	2%	788,880	1%	
Office-based Suites	5,760	39%	8,633,049	7%	
TOTAL	14,638	100%	\$ 126,503,175	100%	

VARIABLES REQUIRED TO ACHIEVE SAVINGS:

1. Medical Group Participation
2. Market Access to Alternative Levels of Care
3. Number of COVA Employee-Patients Captured
4. Patients' Clinical Eligibility for Alternative Levels of Care





Retrospective Bundle Pilot Program

Commonwealth of Virginia

Calendar Year 2019 Observation Period

Total Knee Replacement (TKR) Cost Summary

BUNDLED: COVA members whose orthopedic surgical provider is in Anthem Episode Bundle Payment (EBP) Program – TKR			
Time Period	Actual Allowed	Actual Avg Allowed	Case Count
01/01/19 - 06/30/19	\$ 605,370	\$ 635,540	17
07/01/19 -12/31/19	\$ 961,470	\$ 1,041,338	27
YEAR TO DATE	\$ 1,566,840	\$ 1,676,878	44

NON-BUNDLED: COVA members whose orthopedic surgical provider is NOT in Anthem EBP Program – TKR			
Time Period	Actual Allowed	Actual Avg Allowed	Case Count
01/01/2019 - 06/30/2019	\$ 1,175,130	\$ 1,226,215	33
07/01/2019 -12/31/2019	\$ 2,065,380	\$ 2,200,118	58
YEAR TO DATE	\$ 3,240,510	\$ 3,426,333	91

Actual Allowed: The allowed amount by Anthem that was paid to a provider for health care services.

Actual Avg Allowed: The average of the actual allowed charges per episode.



Total Hip Replacement (THR) Cost Summary

BUNDLED:

COVA members whose orthopedic surgical provider is in Anthem EBP Program – THR

Time Period	Bundle Target	Actual Allowed Avg	Case Count
01/01/2019-06/30/2019	\$ 678,580	\$ 745,327	20
07/01/2019-12/31/2019	\$ 441,077	\$ 475,866	13
YEAR TO DATE	\$ 1,119,657	\$ 1,221,193	33

NON-BUNDLED:

COVA members whose orthopedic surgical provider is NOT in Anthem EBP Program – THR

Time Period	Bundle Target	Actual Allowed Avg	Case Count
01/01/2019 -06/30/2019	\$ 916,083	\$ 1,095,909	27
07/01/2019 -12/31/2019	\$ 1,696,450	\$ 1,980,223	50
2019	\$ 2,612,533	\$ 3,076,132	77

Actual Allowed: The allowed amount by Anthem that was paid to a provider for health care services.

Actual Avg Allowed: The average of the actual allowed charges per episode.





Retrospective Bundle Pilot Program

Commonwealth of Virginia *Bundles Overview*

What are Bundled Payments?

- Single payments per episode for all services and costs spanning multiple providers across multiple settings are typically referred to as bundled payments.
- These entail a holistic approach to reimbursement for a member's care.
 - For this pilot, a specialist serves as the “Quarterback.”
 - Quality & Cost Focus - All the care related to a specific condition or procedure comes into play –this pilot includes knee and hip replacements.
 - Because the Quarterback has an incentive and the necessary line of sight to focus on key factors (e.g., comprehensive care plan; site of services; and high quality, low cost providers), bundled payments may provide a better approach to improve quality and lower costs.

