



EMILY S. ELLIOTT
DIRECTOR

COMMONWEALTH OF VIRGINIA
Department Of Human Resource Management

James Monroe Building
101 N. 14th Street, 12th Floor
Richmond, Virginia 23219
Tel: (804) 225-2131
(TTY) 711

September 10, 2021

The Honorable Luke Torian, Chairman, House Appropriations Committee
The Honorable Janet Howell, Chairman, Senate Finance Committee
The Honorable Grindly Johnson, 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
Bundled Payment Program for
Musculoskeletal Injuries
Update**

September 10, 2021

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, 2020, delivered in August 2021. Results mixed.



What are Episode Based Payments (EBP)?

- The Episode-Based Payments Program (“EBP” or the “Program”) is a retrospective bundled payment program that promotes coordination and management of care related to a specific condition or medical event.
- Members, employer groups, providers and health plans all benefit from bundled payment arrangements with the potential to improve health and outcomes of employees/Members and lower costs through better care coordination across provider types. This in turn helps reduce overall cost of care. In addition, bundled payment arrangements help promote transparency of health care costs.



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 - Deepening Provider Collaborations
 - Expanding Offerings:
 - Orthopedics
 - Women’s Health
 - Cardiology
 - Gastroenterology

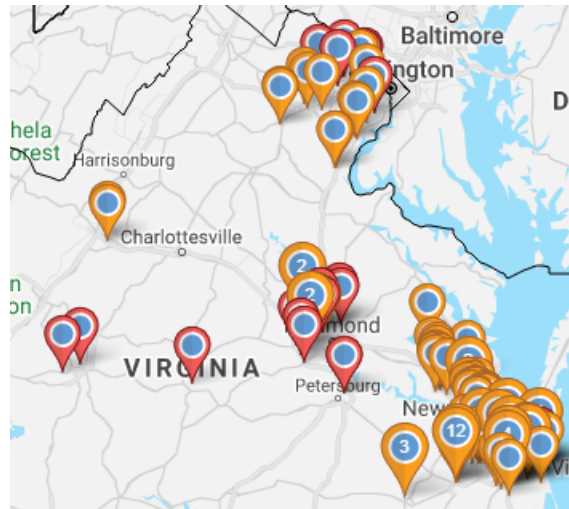
Phase 1. Incubate.

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 3Q2020 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 2020

	Hip Replacement/Revision (HIPRPL aka THR)		Knee Replacement/Revision (KNRPL aka TKR)	
	Count	Costs/Ep.	Count	Costs/Ep.
PRICE TARGET	191	\$27,425	343	\$30,225
COVA Pilot	61	\$26,264	99	\$30,602
Vs Target	32%	1,161	29%	(377)
	Pilot Met or Beat Target	Y	Pilot Met or Beat Target	N
COVA Non-Pilot	130	\$27,970	244	\$30,072
Vs Target	68%	(545)	67%	153
	Non-Pilot Met or Beat Target	N	Non-Pilot Met or Beat Target	Y

ANALYSIS:

1. Price Target is set as average cost for the full population in COVA
2. Pilot group outperformed the population in HIPRPL but marginally missed in KNRPL
3. Overall both groups outperformed prior year's results



Performance 2017-2020

Ep.	Partial Year 2017					Calendar Year 2018					Calendar Year 2019					Calendar Year 2020				
	Count, Non-Pilot	Avg Cost, Non-Pilot	Count, Pilot	Avg Cost, Pilot	Delta	Count, Non-Pilot	Avg Cost, Non-Pilot	Count, Pilot	Avg Cost, Pilot	Delta	Count, Non-Pilot	Avg Cost, Non-Pilot	Count, Pilot	Avg Cost, Pilot	Delta	Count, Non-Pilot	Avg Cost, Non-Pilot	Count, Pilot	Avg Cost, Pilot	Delta
THR	57	36,468	25	35,445	1,023	135	37,443	49	35,548	1,895	77	37,652	33	38,111	-459	130	27,970	61	26,264	1,706
TKR	76	38,117	32	37,175	942	182	35,316	79	36,369	-1,053	91	39,950	44	37,006	2,944	244	30,072	99	30,602	-530

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(2020*)

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 Needed
2		Expanded drivers of success from IP-only to IP/OP and ASC, i.e., Site Neutral	Improvement Made
3	Need to <i>ensure administrative simplicity</i> to remove all barriers to participation and scalability	Changed incentive from a fee schedule increase to a lump sum payment , paid twice/year	Preserved
4		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	Preserved

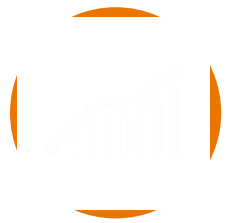
*COVID impacted time period



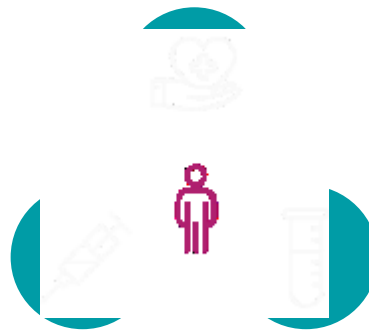
Part 2. Evolve.

***Build Upon Best Practices and
Drive Heightened Value***

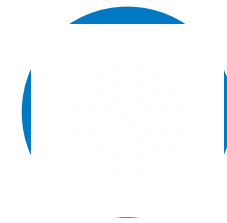
Go Forward Strategy: Deepen Physician Collaborations



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



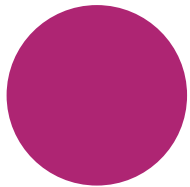
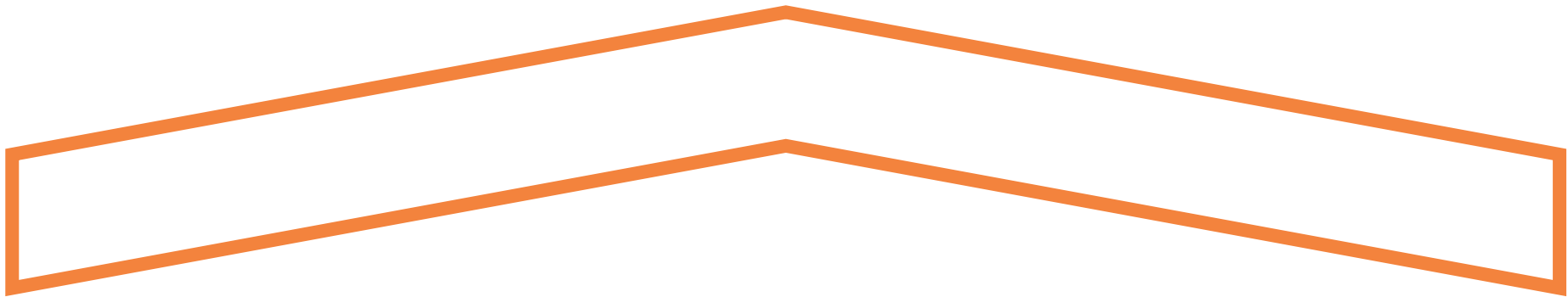
Orthopedic



Cardiology



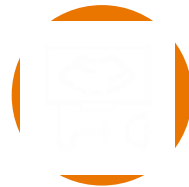
Gastroenterology



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 2020 Experience

60% of EBP Costs driven by 19% of EBP Episodes

Specialty	No	Episode of Care	Count	Spend
Cardiology	1	CABG &/o Valve Procedure	50	6,120,929
	2	Coronary Angioplasty	147	6,924,888
	3	Pacemaker/Defibrillat or	59	3,920,810
Gastro- enterology	4	Bariatric Surgery	103	3,521,498
	5	Colonoscopy	5,644	12,138,894
	6	Gall Bladder Surgery	319	5,365,566
	7	Upper GI Endoscopy	2,570	5,945,119
Orthopedics	8	Hip Replacement and Revision	191	5,238,264
	9	Knee Arthroscopy	420	3,470,914
	10	Knee Replacement and Revision	343	10,367,062
	11	Lumbar Laminectomy	119	2,047,038
	12	Lumbar Spine Fusion	94	10,270,922
Women's Health	13	Hysterectomy	289	5,913,284
	14	Pregnancy	1,217	22,276,815
TOTAL			~11.6K	\$ 103M+

COVA's 2020 POS Experience Across 14 Bundle Categories				
Point of Service	Count	%	Spent	%
Inpatient Hospital	1,838	16%	58,642,877	57%
Outpatient Hospital	4,588	40%	35,074,813	34%
Office	4,616	40%	7,276,336	7%
Ambulatory Surgical Center	521	5%	2,496,399	2%
Emergency Room - Hospital	2	0%	31,578	0%

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

Summary

- The pilot group continues to perform well compared to the entire population. For both knee and hip replacement, procedures are being moved to more cost-efficient sites of service while maintaining or improving quality of care.
- Overall costs have decreased from 2019 to 2020 for the total population through Episode Based Payment program contracting. The most prevalent trend is that overall costs for pilot and non-pilot has decreased year over year by approximately 15-19%. This is due to the proliferation of episode based payments well beyond the pilot group, and is fast becoming an industry standard as contracts renew.