

4 CMS Programs

Affecting Acute Care Facilities

The Centers for Medicare & Medicaid Services (CMS), the federal agency that runs Medicare, is changing the way Medicare pays for hospital care by rewarding hospitals for delivering services of higher quality and higher value. CMS's voluntary and mandatory payment innovation programs are accelerating the transition to accountable payment models.

01



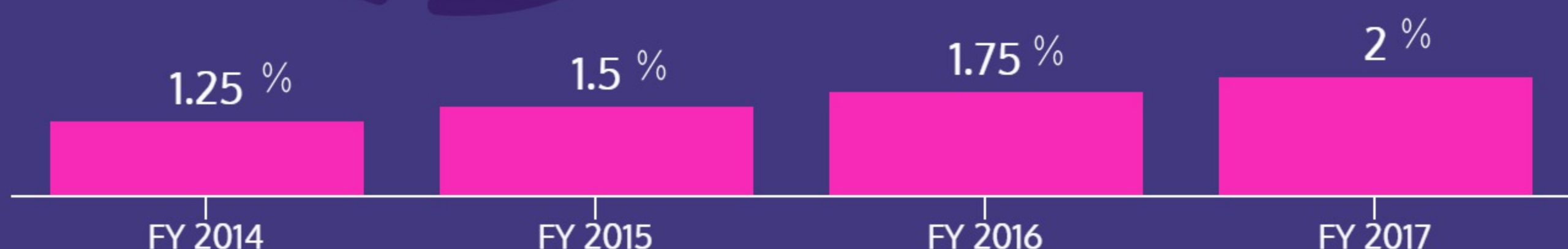
HOSPITAL VALUE-BASED PURCHASING

Adjusts Medicare payments to hospitals based on a pre-set list of quality and efficiency measures. At the end of the fiscal year, high scoring hospitals will see an increase in their Medicare reimbursements, while low-scoring hospitals will be reimbursed at a lower rate.

KEY COMPONENTS

- Pay-for-performance program creating differential hospital inpatient payment rates based on success against patient safety, outcomes, patient satisfaction, and spending efficiency measures
- Holds providers accountable for either absolute success or improvement against established performance measures via withhold/payback structure
- Payment withhold began at 1% in 2013, increases by 0.25% annually until reaching 2% in 2017

MEDICARE PAYMENT WITHHOLDING PERCENTAGES



4 CMS Programs

Affecting Acute Care Facilities

The Centers for Medicare & Medicaid Services (CMS), the federal agency that runs Medicare, is changing the way Medicare pays for hospital care by rewarding hospitals for delivering services of higher quality and higher value. CMS's voluntary and mandatory payment innovation programs are accelerating the transition to accountable payment models.

02



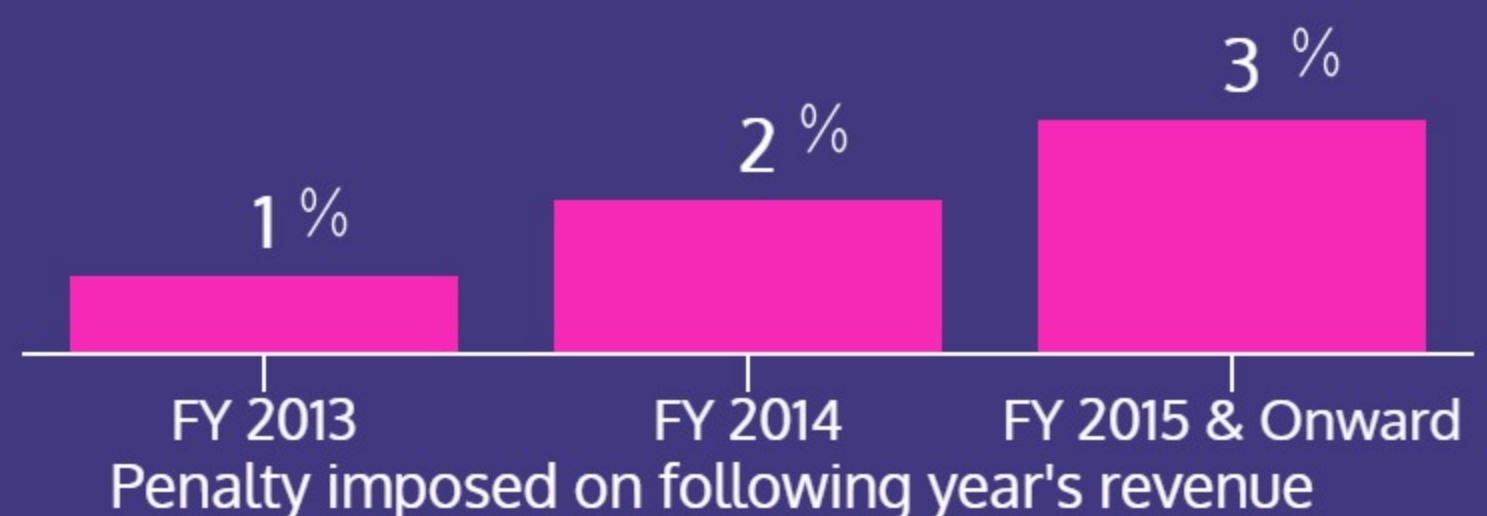
HOSPITAL READMISSIONS REDUCTION

Penalizes hospitals up to 3% of a total inpatient Medicare revenue for having worse-than-average readmissions rates for select conditions. The program will expand to include more conditions in the future.

KEY COMPONENTS

- Reimbursement penalty targeting hospitals with excessive 30-day readmission rates for select clinical conditions
- Penalty based on readmissions for six conditions: heart failure, myocardial infarction, pneumonia, chronic obstructive pulmonary disease, *total hip arthroplasty, and *total knee arthroplasty

Maximum Penalty



30 Day
Readmit

Discharge

4 CMS Programs

Affecting Acute Care Facilities

The Centers for Medicare & Medicaid Services (CMS), the federal agency that runs Medicare, is changing the way Medicare pays for hospital care by rewarding hospitals for delivering services of higher quality and higher value. CMS's voluntary and mandatory payment innovation programs are accelerating the transition to accountable payment models.

03



HOSPITAL-ACQUIRED CONDITIONS REDUCTION

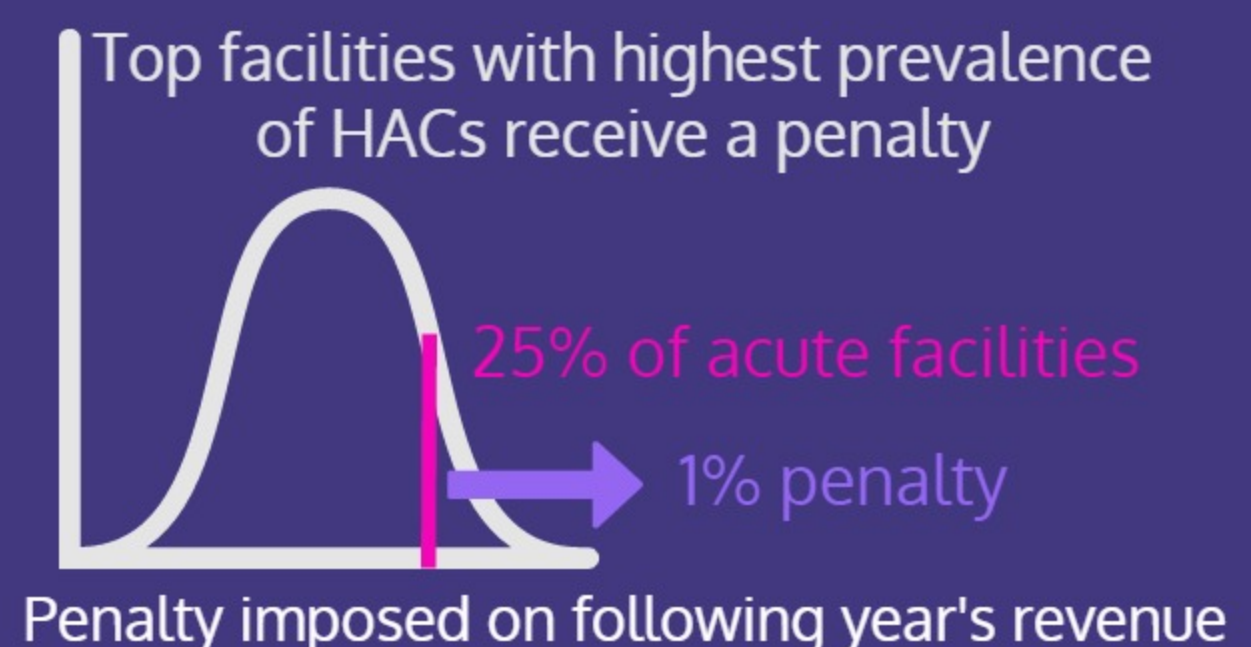
Aims at reducing the incidence of common but avoidable conditions that patients can contract during hospital stays. The HAC program further punishes hospitals with the highest rates of HACs by imposing a 1% penalty on Medicare payments to hospitals ranking in the top quartile for HAC prevalence.

KEY COMPONENTS

- Reimbursement penalty targeting hospitals with comparatively more frequent hospital-acquired conditions and infections
- Penalty based on performance in two domains: patient safety and hospital-acquired infections
- Imposes 1% reimbursement penalty on hospitals in the top quartile of patients with hospital acquired conditions

Metrics	FY 2015	FY 2016	FY 2017
CLABSI	✓	✓	✓
CAUTI		✓	✓
*SSI - Colon		✓	✓
*SSI - Abdominal Hysterectomy			✓
MRSA			✓
C. Difficile			

Maximum Penalty



4 CMS Programs

Affecting Acute Care Facilities

The Centers for Medicare & Medicaid Services (CMS), the federal agency that runs Medicare, is changing the way Medicare pays for hospital care by rewarding hospitals for delivering services of higher quality and higher value. CMS's voluntary and mandatory payment innovation programs are accelerating the transition to accountable payment models.

04



BUNDLED PAYMENTS

Under a bundled payments model, a payer issues a lump sum, or a “bundled” payment, to the providers involved in delivering an episode of care during a specific time period, which may include physicians, hospitals, and post-acute care providers. Providers can only succeed by reducing inpatient costs and delivering a more efficient episode of care.

KEY COMPONENTS

Applicable to 48 DRGs Across Multiple Service Lines



Bundled Payments for Care Improvement Initiative

- Center for Medicare and Medicaid Innovation (CMMI) program offering providers four bundled payment models for treating Medicare fee-for service beneficiaries
- Models vary by scope of service included, duration, minimum discount required, and use of either prospective or retrospective bundling methodology
- All four models enable hospitals to gain share with physician

Applicable to DRGs 469 and 470



Comprehensive Care for Joint Replacement Model

- CMMI program creating mandatory bundled payments with up to 3% episode discount for lower extremity joint replacement procedures in 67 select markets
- Retrospective bundled payment model holds hospitals accountable for episodes of care extending 90 days post-discharge; bundle includes all related Part A and Part B services
- Hospitals may enter into financial arrangements with other providers— including physicians and post-acute care providers—to share downside risk and/or upside rewards

PROVIDER-SUPPLIER IMPACTS

How might these programs impact provider-supplier sales relationships?



HOSPITAL VALUE-BASED PURCHASING

Care Standardization

Providers may look to implement clinical decision support tools that promote standardization of best practices. These will ensure clinical process of care measures are met. For example, given a certain diagnosis, electronic medical records could be utilized to confirm that patients receive appropriate care measures.

Improvement of Patient Experience

Products and services that improve patient experience will become more coveted. Patient Experience of Care will make up between 25 – 30% of TPS scores through FY 2016. Products that help with communication between patients and staff, pain management, or noise reduction will be at a premium.

Proof of Value

Vendors and service providers that provide case studies or statistics to prove their worth will gain an advantage in the market if they can demonstrate how they are helping hospitals improve their TPS scores.

HOSPITAL READMISSION REDUCTION

Readmissions-Reducing Products Command a Premium

Vendors can develop internal data capabilities or partner with insurers to demonstrate how their products reduce readmissions. Implantable medical device companies in particular have an excellent opportunity to partner if their products reduce readmissions.

Patient Compliance Carries Greater Weight

Suppliers can focus their natural business acumen and marketing skills to assist hospitals in promoting patient education, coordination across sites of care, and medication compliance.

Prime Opportunity for Supplier-Provider Risk-Sharing

Because RRP penalties put a dollar value on each readmission, vendors willing to stake part of their contract on product performance can differentiate themselves while helping their hospital customers.

HOSPITAL ACQUIRED CONDITIONS

Innovative technology and medicine

Suppliers who produce materials that passively fight infections, medicines that fight drug-resistant infections, anti-microbial facility design elements, or other innovative features will be in high demand.

Enhanced training and care standardization

Providers may be interested in products that can supply staff education or standardization support. Examples include online courses about proper central line insertion or checklists that ensure maintenance staff thoroughly sanitize hospital equipment.

Focus on hygienic practices

Increasing hand washing compliance can vastly decrease HAC occurrence. Hospitals may add sinks, antibacterial solution dispensers, or non-irritating soaps in order to ensure staff maintain proper hygiene protocols. Some institutions may be interested in using IT services to compile and analyze hygiene practices.

*Indicates metrics which Acelity products have the potential to impact.

