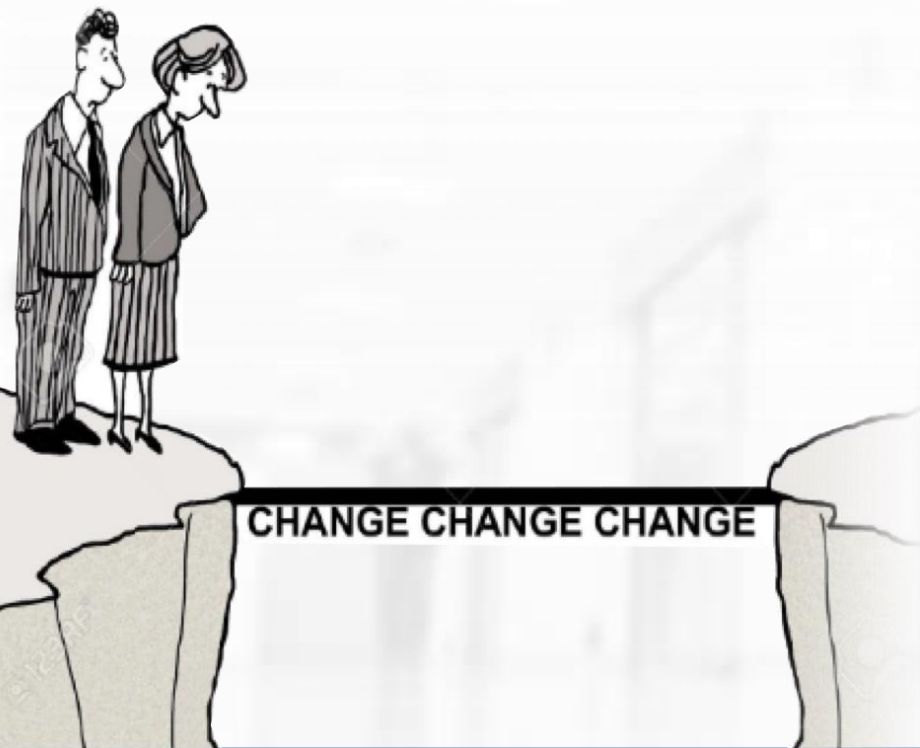




# JOINT REPLACEMENT & OUTPATIENT BUNDLED PAYMENTS

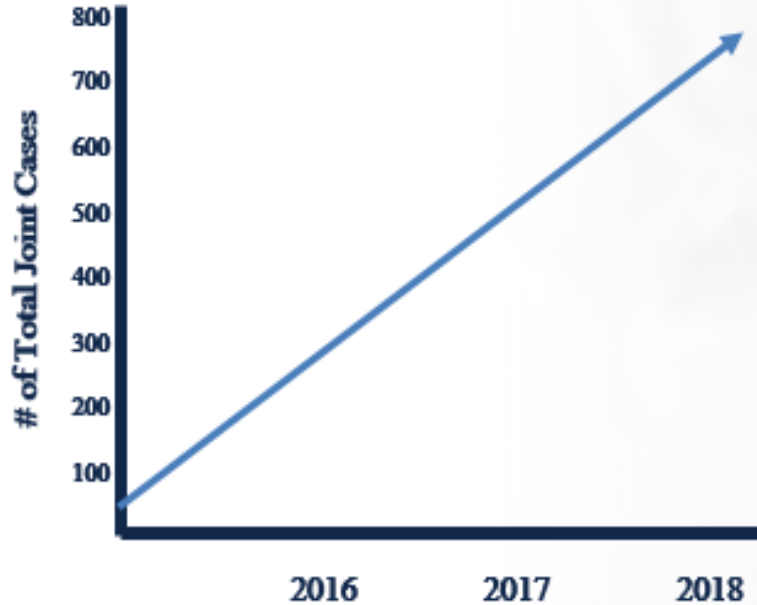
Chris Bishop, CEO  
Regent Surgical Health

# 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**

# 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



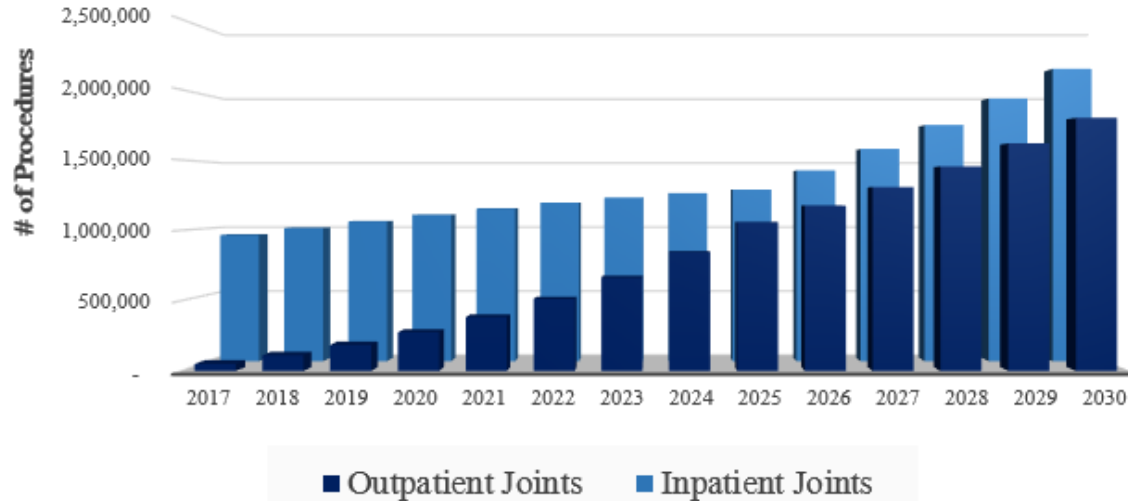
# DEVELOPING CLINICAL PROTOCOLS FOR OUTPATIENT JOINTS

- PAIN MANAGEMENT PROTOCOLS:
  - ASCs are at an advantage relative to hospitals because teams collaborate & create 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"><li>• Fentanyl</li><li>• Hydromorphone</li><li>• Optional: Ketamine</li></ul>
Post-operative	Standard intravenous and oral medications <ul style="list-style-type: none"><li>• Fentanyl</li><li>• Hydromorphone</li><li>• Percocet</li></ul>

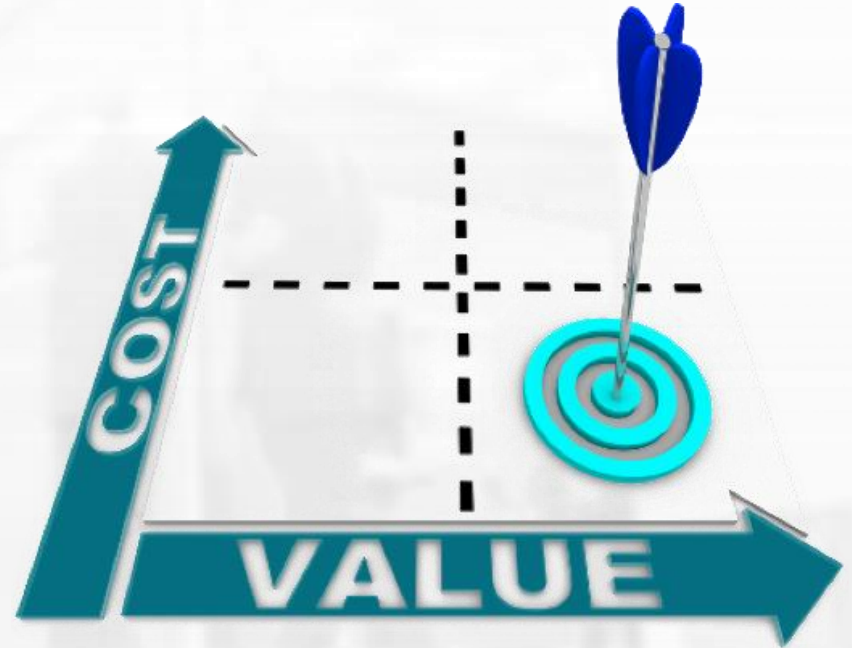
# PROJECTED GROWTH IN THE OUTPATIENT SPACE

- By 2030, annual total hip and knee joint replacements are expected to grow from \$1M to \$4M
- 45% of procedures could be outpatient by 2025



# 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 = \$38B in Commercial Payor Savings
  - US Berkeley Study – ASCs = \$2.5B in Medicare Savings

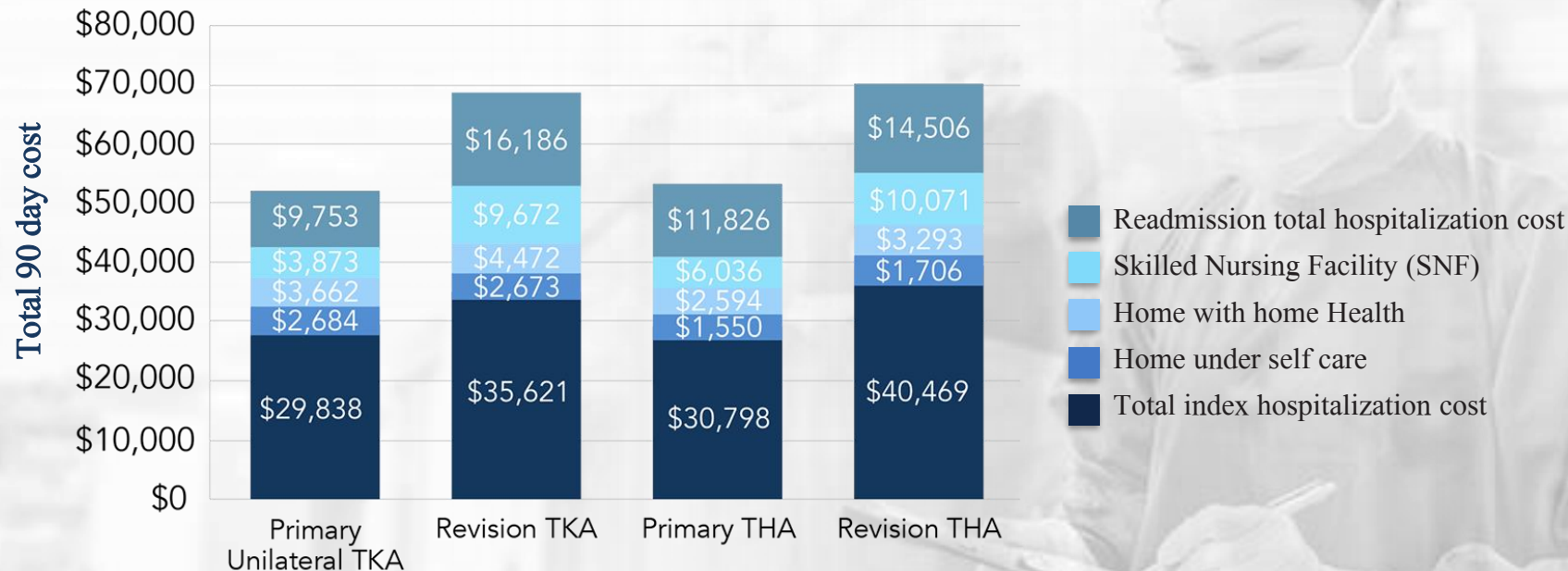




# COST DRIVERS OF A 90 DAY TOTAL JOINT EPISODE

- 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

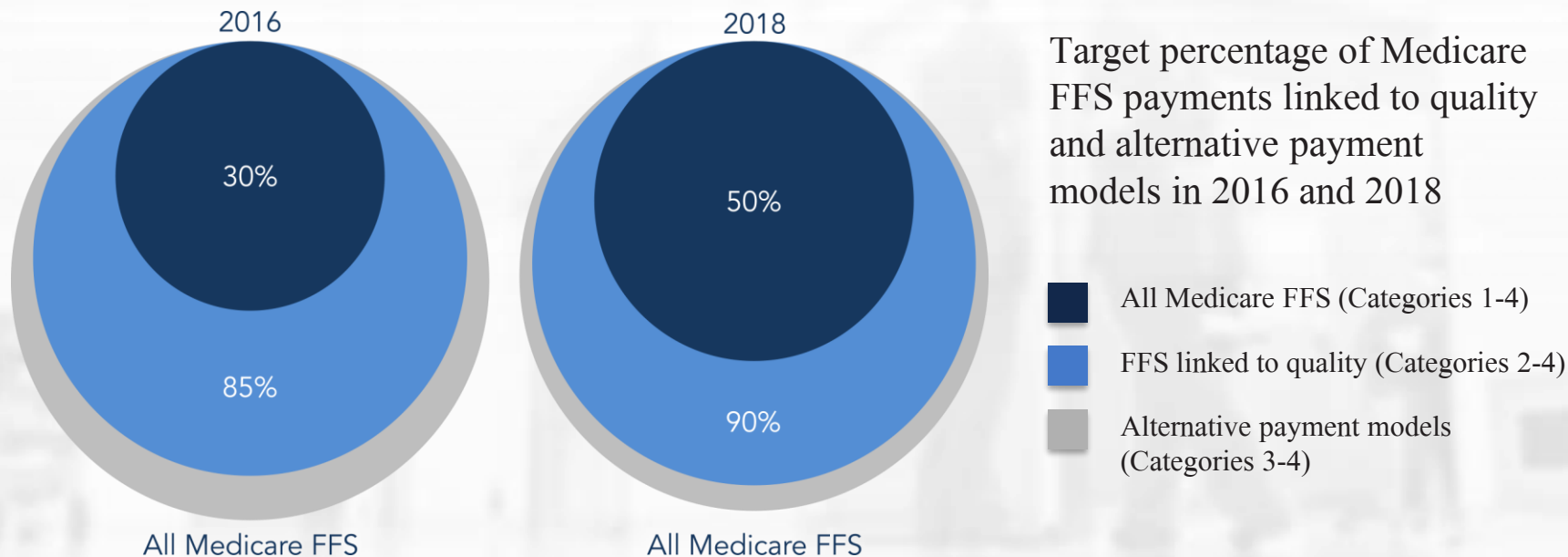


# DEVELOPING A BUNDLED PAYMENT STRATEGY

- 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. Relevant overall market
  2. Key Stakeholders: ASC, Surgeons, Hospital, Other Surgeon Partners
  3. 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

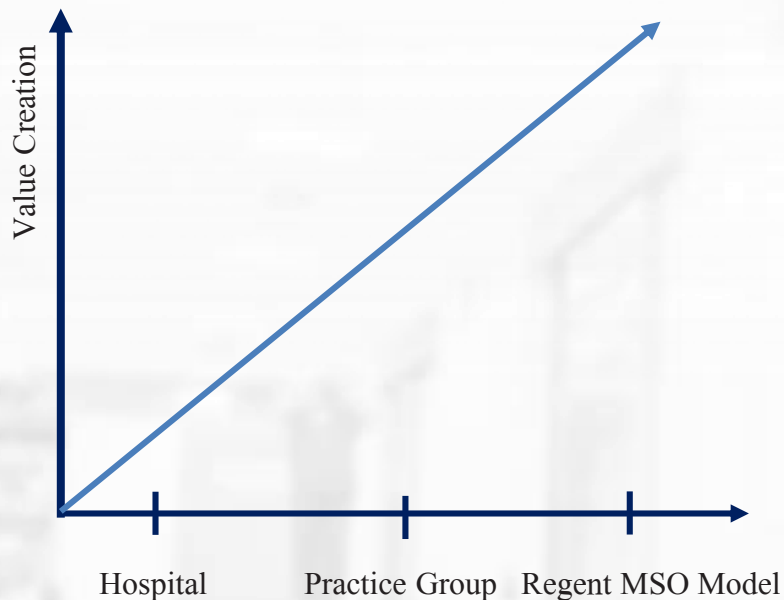
CMS is aggressively pushing to have “Value” replace “Volume”



# DEVELOPING A BUNDLED PAYMENT STRATEGY

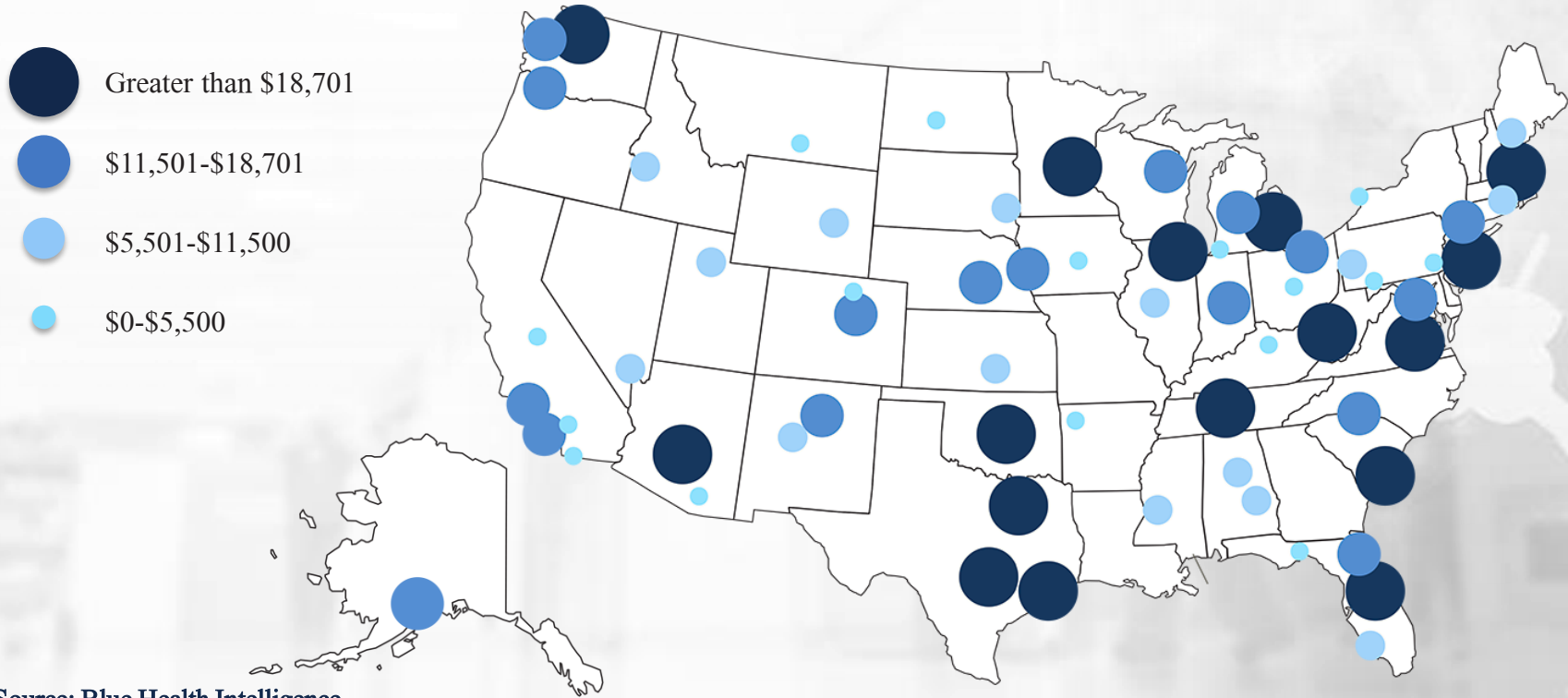


# VALUE CREATION BY STRATEGY



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

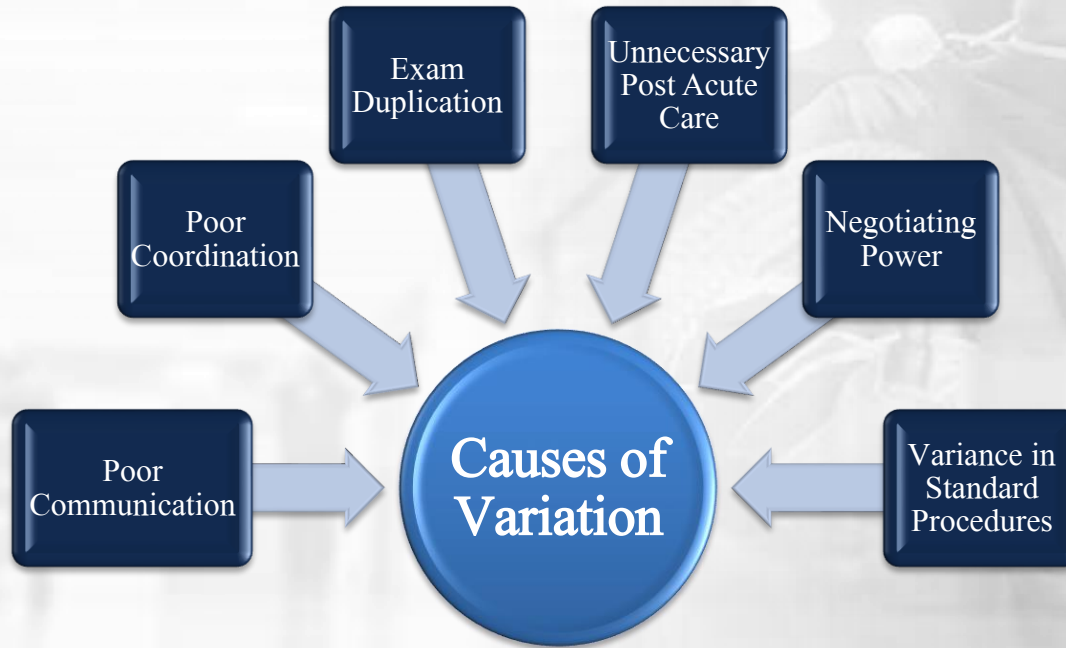
# COST VARIATIONS FOR TOTAL KNEE/HIP REPLACEMENT



Source: Blue Health Intelligence

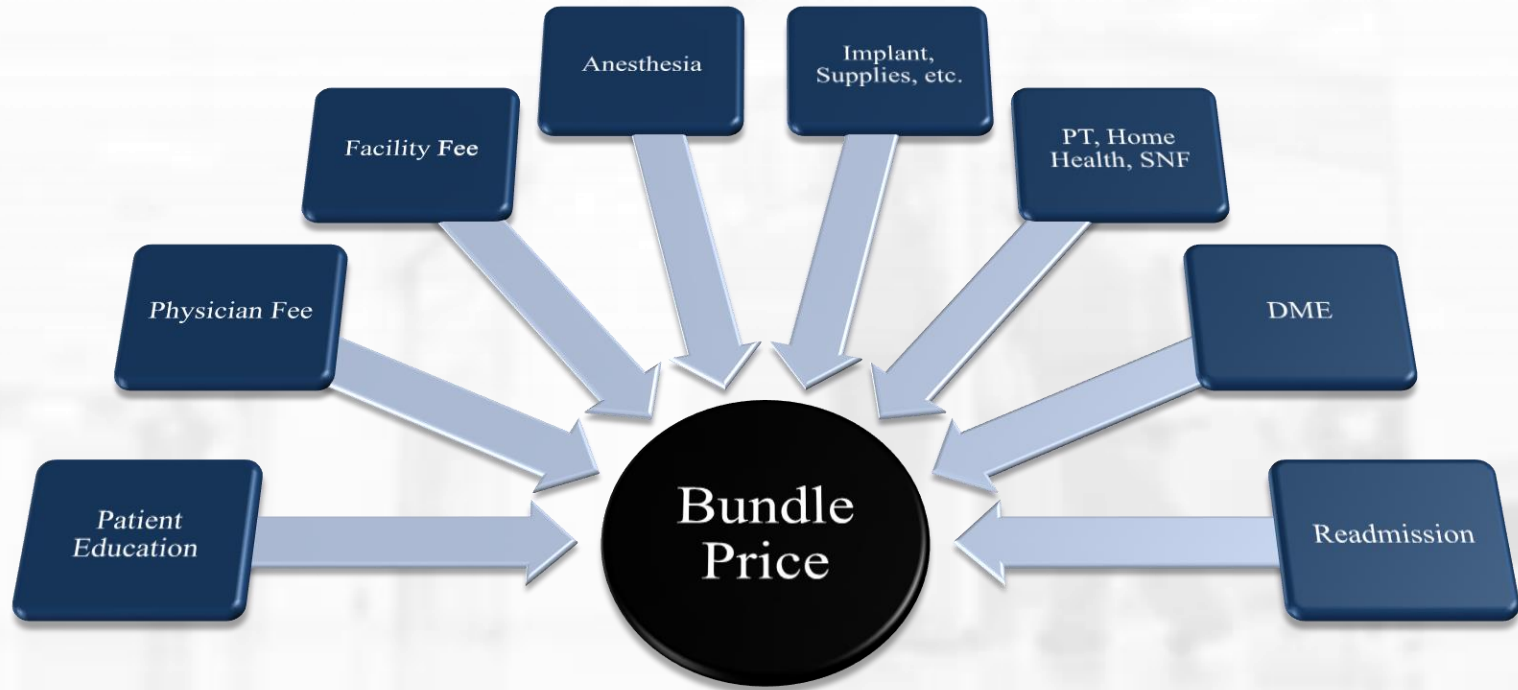
# CAUSES OF VARIATION

A Bundled Payment Strategy Can Address these Issues





# WHAT'S INCLUDED IN THE BUNDLE

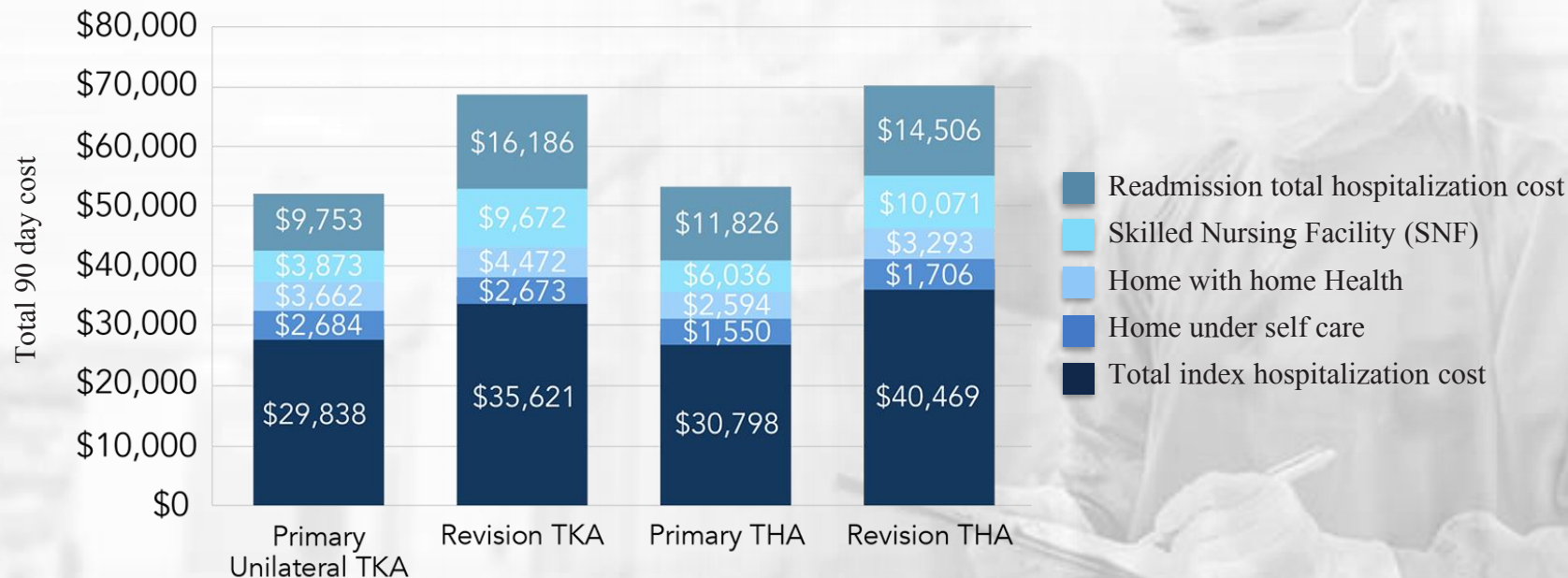


# 4 KEYS TO BUNDLED PAYMENT STRATEGY SUCCESS

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

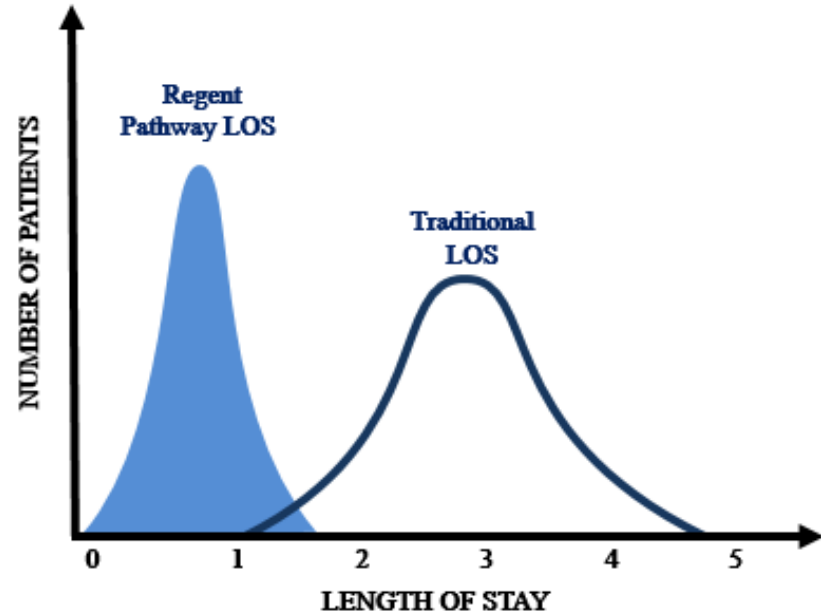
## Hospitalization = High Cost Option

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

## Regent Pathway

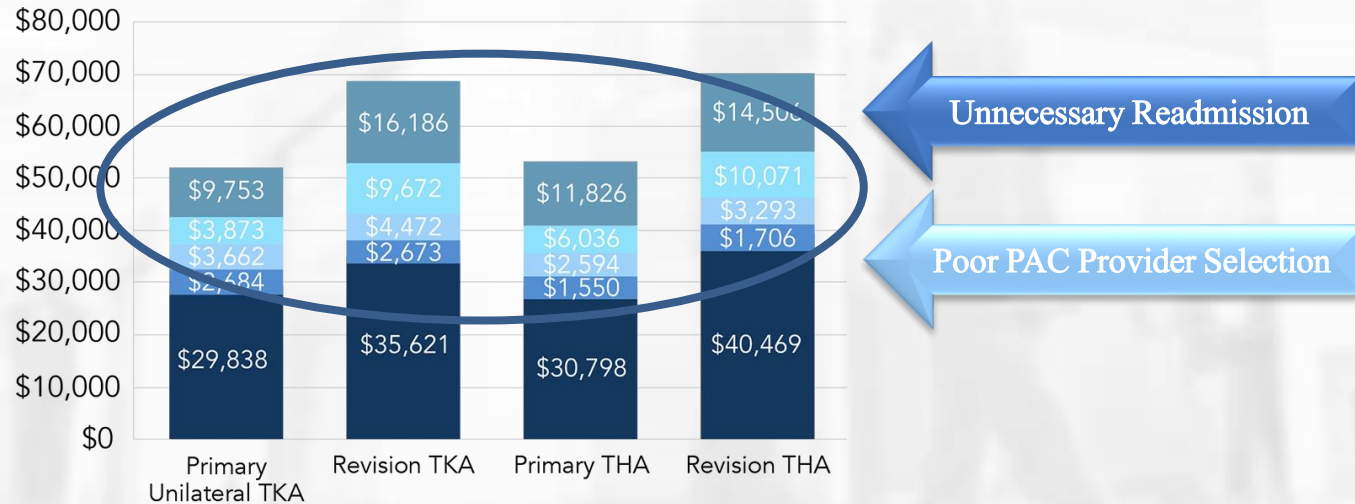
- Good Patient Selection for Same Day Procedures
- Operational efficiencies that lower cost
- Early and Effective Patient Education
- Higher Patient Satisfaction

Result = Average LOS < 1 day / No Cost Redundancies



# KEYS TO SUCCESS: COST CONTAINMENT

## 90 Day Episode Cost Drivers

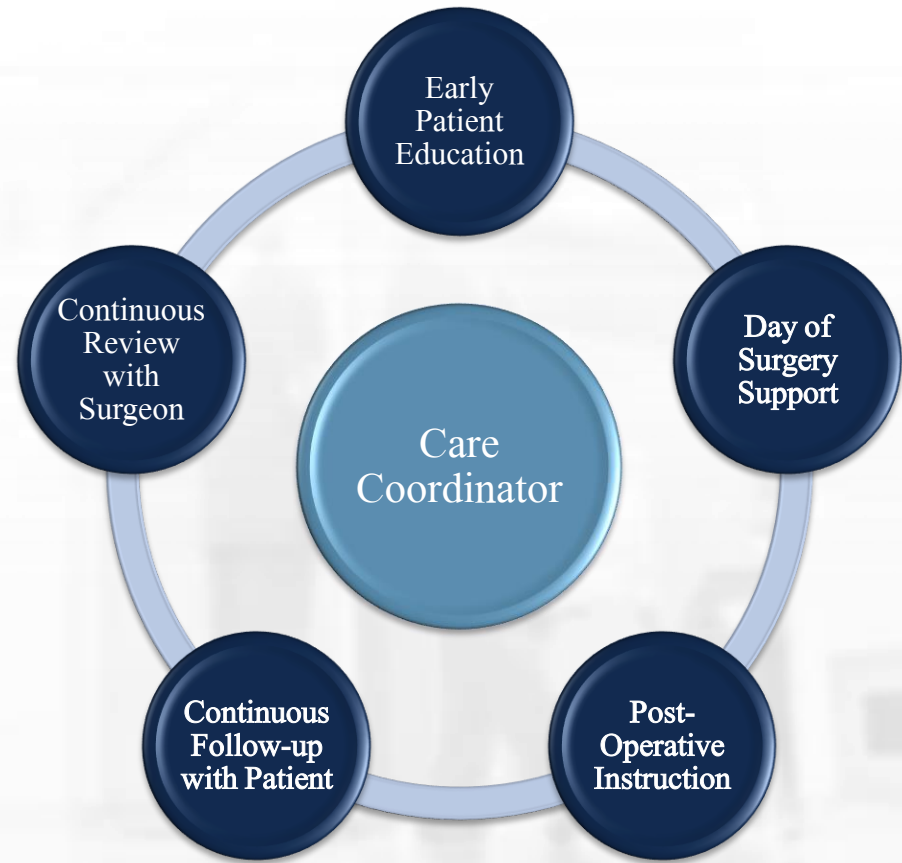


# KEYS TO SUCCESS: RISK MITIGATION

- 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 Communication System to Connect Patient, Surgeon, & Care Coordinator

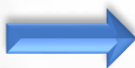






# KEYS TO SUCCESS: SURGEON LEADERSHIP

Surgeon involvement & leadership through entire process



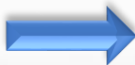
## PRE-OP

- Patient Education
- Surgeon Visits
- Care Coordinator Visits



## INTRA-OP

- Payor Negotiations
- Anesthesia
- Supply & Implant Standardization



## POST-OP

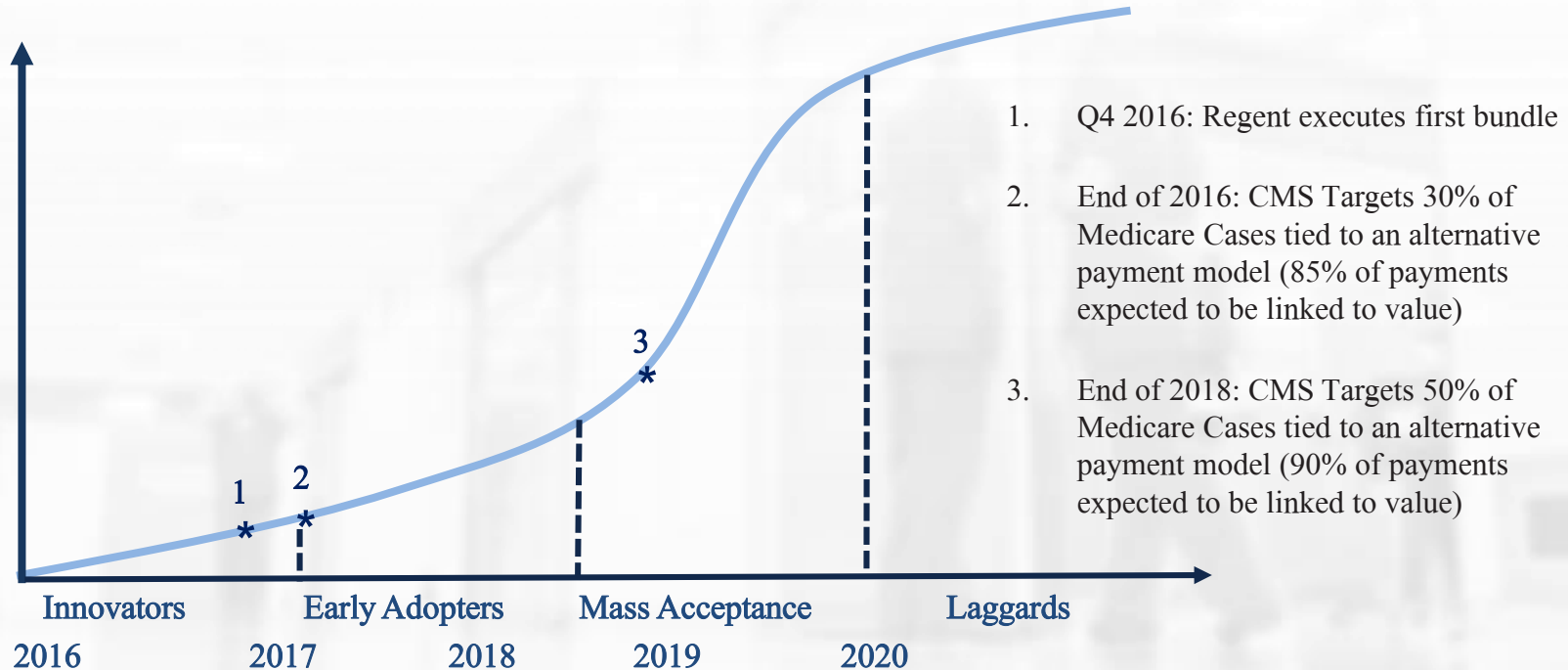
- PT, Home Health
- Care Coordination
- Patient Communication & Compliance

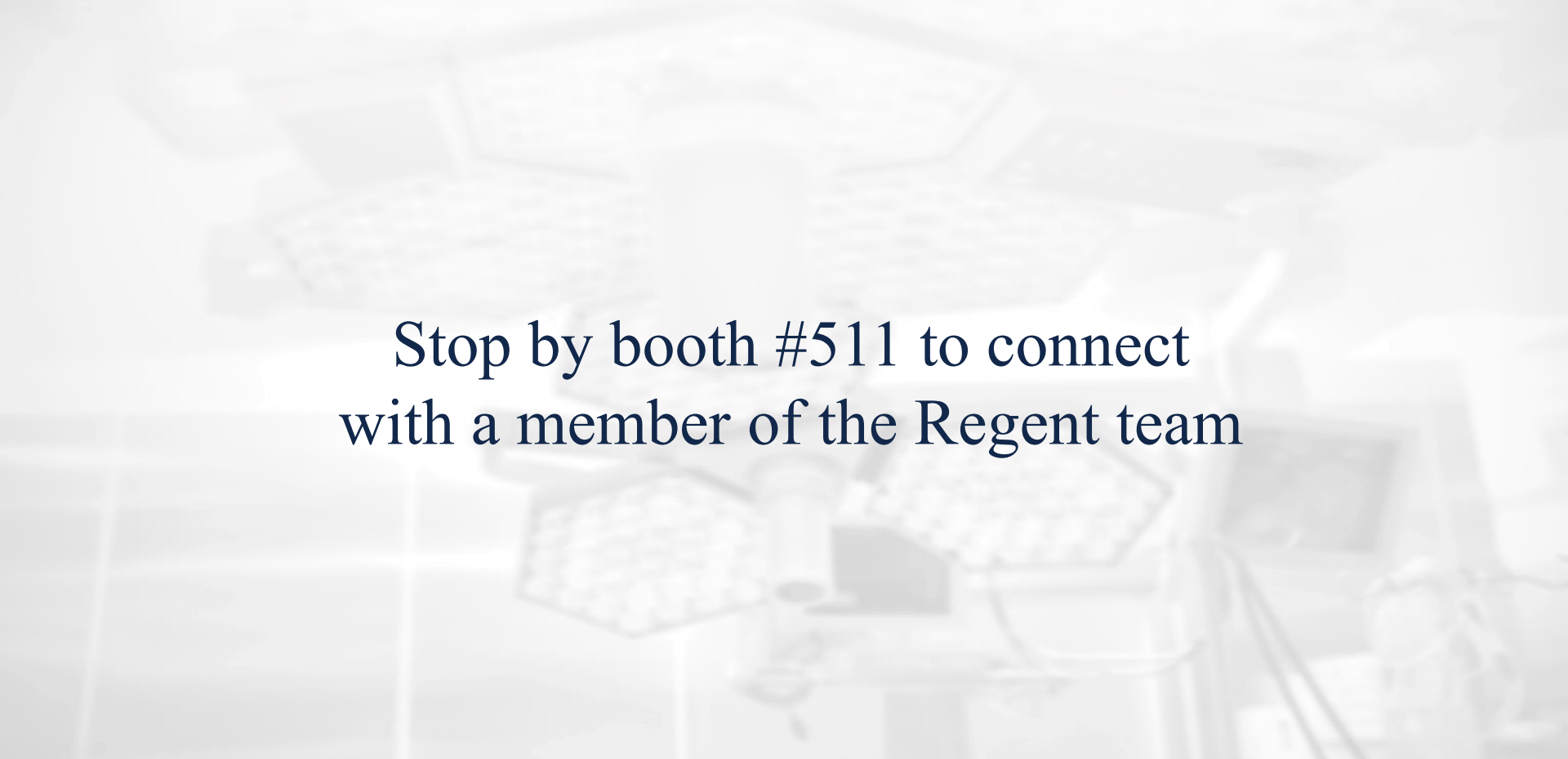
# KEYS TO SUCCESS: CONCLUSION

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 payers contract rates. First Mover Advantage!
3. Payors: Decreased overall payments per patient

# BUNDLED PAYMENTS: EARLY ADOPTION = FUTURE MARKET LEADER





Stop by booth #511 to connect  
with a member of the Regent team