

COMPREHENSIVE CARE JOINT REPLACEMENT MODEL CONTRACTING TOOLKIT

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INTRODUCTION

Alternative, collaborative delivery systems are the wave of the future. CMS, as well as commercial payers, are committed to contracting for outcomes and tying business to new financial incentives, and these changes eventually will impact all providers. This toolkit walks you through information you should know and steps you can take as you consider participating in the Comprehensive Care Joint Replacement Model (CJR).

PART 1: WHAT YOU NEED TO KNOW ABOUT THE MODEL AND THE ENVIRONMENT BEFORE CONSIDERING PARTICIPATION AS A CJR COLLABORATOR

Know If You Are in a Selected Metropolitan Area

Is your geographic region part of the bundled payment initiative? If so, hospitals and their satellites in your area are required to participate in CJR (unless a hospital is already participating in the CMS Bundled Payment for Care Improvement initiative). Many of these hospitals likely will not be able to meet the needs of the patient population without additional therapy locations and are struggling to assemble the resources and operational teams to implement the model. This is an excellent opportunity for you to assist in developing the rehabilitation component.

If you are not in a selected metropolitan area, then you will not directly be impacted by CJR. However, you can be sure similar models will follow CJR, and it may be wise to use this time to learn as much as you can about alternative payment arrangements and determine if, and under what terms, they are right for your practice.

Know the Bundle Collaborators

When deciding whether or not to pursue a bundled payment agreement, remember you are not only establishing a relationship with the primary hospital but with all the other collaborative partners. Learn as much as you can about those potential partners before you consider signing an agreement. Research the players in your local health care marketplace, including inquiring from others who may have current or prior professional or business dealing

with them. Review your potential partners' data—and be prepared for their requests for yours. You can find hospital data for both patient satisfaction and rate of complications for hip and knee replacement patients on the Medicare Hospital Compare website: <https://www.medicare.gov/hospitalcompare/search.html>. In addition, find out what other physical therapy practices near you might be competing for referrals from the bundle.

Questions to consider:

- Do you have the staff capacity and expertise to conduct the needed research on potential collaborators?
- How far is your practice from the closest hospital participating in the CJR program?
- What is their reputation in the local business community?
- What is their corporate culture?
- What is their patient care philosophy?
- Have you worked with them before?
- Can you inquire from others who may have prior professional and or business dealings with these providers?
- What are the star ratings of the hospital and its partners?
- How many private practices are near the hospital and in what areas do they specialize?
- Are there outpatient hospital clinics?

Adopt a Collaborative Mindset

Collaborative models require a different way of thinking and working. They demand you to be an active rather than a passive participant. It is not solely about what is good for your practice but what is good for all of the partners participating in the bundle. It is imperative that you do your due diligence on the potential partners before signing any agreement; you can be sure they will do the same. You must adequately differentiate yourself from other physical therapy practices in terms of services, quality and value. Understanding the hospital's vantage point and needs can help you obtain a valuable contract.

Providing the payer with data on your practice's cost and quality will help in your negotiations. Be as specific as possible; for example, an 86% rate of return-to-work within 1 month for carpal tunnel patients, or an episode duration of 3 visits or less for 92% of sprain/strain patients. You also can use additional research articles to support the value of physical therapy in general. For example, research shows that PTs with board certification, such as in orthopedic or sports physical therapy, may be more knowledgeable than their noncertified peers.

Know the Concept of Total Cost of Care

It is important you and your staff have a good understanding of the concept of total cost of care; that is, looking at physical therapy as part of the care continuum instead of in isolation.

Numerous studies demonstrate that early access to physical therapy for musculoskeletal conditions reduces the overall cost of care by decreasing what are known as “upstream and downstream costs.” These costs include physician visits, reducing the need for surgery, imaging, pharmacy, and readmissions. This is where the true value of physical therapy lies—not in the service alone but in the overall impact on health status and recovery. The ability to converse and share data with potential partners on the value of physical therapy is essential, particularly in a collaborative model such as bundled payment.

Know the Concept of Value

The value equation is defined as:

$$\text{Value} = \text{Outcomes}/\text{Cost}$$

To derive the value of physical therapist services, you need tools to assess both the outcome and cost portions of the equation. The cost of providing services includes all expenses attributed to running a business and must be recalculated annually. Outcomes data for your patients is critical to the model and includes functional measures and patient satisfaction. The physical therapy quality metrics need to be clearly defined in any contract with bundle partners.

Questions to consider:

- What, if any, outcomes measures will be used?
- How will baseline and functional change be assessed?
- Will outcomes be risk adjusted?
- How will performance be assessed?

Know the Inherent Risks in the Bundled Payment Model

As with any payment model, bundling has inherent risks. Providers participating in the CJR bundle will be paid directly by Medicare for services rendered, as in the past. While the CJR bundled arrangement does not impact the way you are paid, CMS requires reconciliation by the hospital at specified intervals to determine if payments for services are meeting the cost and quality targets of the bundle. The hospital controls the bundle and is permitted by CMS to share the savings and risk with collaborating providers, but guidance on the attribution of profits and losses among the rehabilitation partners is somewhat unclear. How this affects you depends on your contractual agreement with the hospital. If the bundle partners meet specified criteria, you may be eligible for profit sharing or a bonus payment if your contract calls for it. However, if bundle participants underperform, you may have to repay monies—again, if that is how your contract is negotiated. If so, be prepared and maintain reserves. It is critical to discuss your risk tolerance with your attorney and accountant prior to considering any alternative delivery arrangement.

Risk Corridor

The CJR model is a 5-year initiative with risk-sharing provisions that include limits to the hospital's obligation to repay funds to Medicare. In the first year, CMS waives the requirement for repayment but still allows for gainsharing if the hospital meets or exceeds the specified cost and quality targets. Repayment is limited to 5% in the second year, 10% in the third year, and 20% in years 4 and 5 for participating hospitals (other than rural hospitals). That means if the hospital does not meet specified benchmarks, it will have to repay funds to Medicare, again, potentially sharing that risk with its bundle partners.

Risk of Not Participating

It depends on your patient mix and other factors. If you are primarily treating a geriatric population with a high percentage of TKR/THR patients, you will likely experience a significant reduction in referrals over time. Estimating the actual financial loss will require data analysis. While Medicare beneficiaries retain the right to choose a provider and select services, the hospital will now have a financial incentive to influence those decisions. Therefore, it is advisable, particularly for those anticipating a measurable change in revenue, to reassess their business plan and focus on diversification. In the process, it is important to keep in mind that alternative delivery models are the way of the future.

Patient Choice

Medicare patients retain the freedom to choose their provider and services. Even if a Medicare patient receives a THR or TKR at a hospital participating in the CJR bundle, that hospital cannot require the patient to pursue follow-up care in any specific facility. While the hospital can and will likely encourage patients to secure ongoing services (skilled nursing, home care, outpatient rehab) with the bundle partners, it cannot mandate such direction. That means facilities not participating in the bundle still are able to treat these patients and provide medically necessary covered services.

Potential for "Cherry Picking"

Depending on the contract terms, the hospital or collaborating partners may be incentivized to limit services, delay care, or refer patients who are more complex or with multiple comorbidities to a collaborating partner in another setting. This may mean on the one hand sending the patient to receive more physical therapy and possibly negatively impacting the perceived value of the physical therapist service. Conversely, it may mean fewer patients receive skilled nursing or home care services prior to referral to outpatient. There is also incentive for the hospital to provide uncomplicated patients with home programs instead of skilled rehabilitation.

CMS is aware of this potential and will closely monitor provider activities and consumer concerns. Consequently, as you review any bundled payment contracts, carefully examine the referral/transition-in-care process to ensure you are not penalized for making a determination

based on sound clinical judgment that a patient needs service other than physical therapy or physical therapy in another setting prior to referral to outpatient.

Questions to consider:

- Can you refuse a patient if you are operating at capacity?
- Does the contract permit alternative scheduling arrangements?
- Does the contract specify scheduling or follow-up appointment requirements such as turnaround times?
- If so, are these realistic for your practice?
- If the targets are not met are you penalized?
- If so, in what form?
- What happens with patients who require treatment for additional diagnoses or conditions concurrent with the TKR/THR?
- How does that impact the performance measures and data collection within the bundle?
- What happens if a patient leaves the participating practice and seeks services with a different provider?

Participating Now vs Waiting

There are many unanswered questions on the CMS bundled payment model. Additionally, it is expected there will be ongoing revisions throughout the pilot period as concerns are addressed. This is the first rollout of a large scale initiative, and physical therapists are not required to participate. Therefore, you will need to consider the pros and cons of “sitting it out” to see what transpires and to learn from others’ experience. Remember that the hospital is not at risk until the second year of the model. Is it better to wait and see how the program performs?

PART 2: WHAT YOU NEED TO KNOW ABOUT YOUR PRACTICE BEFORE CONSIDERING PARTICIPATION AS A CJR COLLABORATOR

Know if CJR Is a Good “Fit” for You

No single payment methodology is inherently good or bad, and each has potential to pay you fairly or poorly for the services you deliver. When evaluating payer contracts, select those that make the most sense for your particular practice setting and goals. There are advantages and disadvantages to all of the common payment methodologies. It is important to know the differences and how they might affect your practice as you review and negotiate your contract. More important than the methodology is the adequacy of payment. Fair payment rates are possible with each of the methodologies; unfortunately, inadequate payment rates exist in

each as well. Weighing the benefits of a payment method can help you determine which will work best in your practice setting.

If you wish to delve into the utilization trends and risk analyses that are inherent in bundled payment, CJR may be an appropriate and successful choice. However, for the typical physical therapist who is more interested in clinical outcomes than accounting and spreadsheets, this may be a challenging choice that requires gaining additional skills.

Questions to consider:

- Do you have a business plan and goals? (If not, this would be a good time to develop one!)
- How does CJR fit into the plan?
- Will joining a bundle further your objectives?

Know Your Cost of Doing Business

The crucial first step is to define your cost of providing services. APTA has a resource to assist you with this: www.apta.org/Payment/Billing/KnowYourCosts/. Knowing your costs will help determine whether a contract is financially feasible for your practice. For a simple analysis, add up your costs, divide the total by either 12 or 52 to get your monthly or weekly overall costs. Determining whether a contract offered by a payer is fiscally acceptable depends on a detailed understanding of these costs. Some costs can increase depending on patient volume. All costs need to be reevaluated at least annually. Labor costs are a key area for a service business like physical therapy and can make or break your practice. It is recommended that labor costs for PTs should equal between 28% and 40% of gross collections.

Specifically examine all the varied costs that contribute to the overall cost per diagnosis, in this case THR and TKR for Medicare beneficiaries. If your facility treats more patients in a specific segment of the population, determine if this will increase or decrease your overall costs of care.

Know Your Risk Tolerance

As discussed in Part 1, there is risk involved in participating in a bundled payment model. It is critical to discuss your risk tolerance with your attorney and accountant prior to considering any alternative delivery arrangement.

Know Your Target Patient Populations

Is this your target population? Is this an area where you can demonstrate clinical excellence? Does your practice focus on a unique area or provide care in an underserved location? Remember, it's not *your* perception of value that counts, but that of the payer or patients. What puts your practice in a position where the payer wants to contract with you? What makes your practice stand out? Board-certified specialty credentials or other certifications? Extended hours or workweek? Cost and outcomes data demonstrating your value proposition? Proven

track record with TKR/THR postop patients? Decreased wait times? Easy and quick access for new patients?

If THR/TKR represents a new demographic of patient, a new diagnosis, or both for you, there may be additional expenses due to such things as staff training, an initial drop in productivity because of learning curves, and costs of purchasing specialized equipment.

Assess your claims and medical record data to determine the current percentage of TKR/THR patients treated in your practice. Calculate the number of patients as a percentage of the total case load. Then calculate the average visits per diagnosis, length of stay per diagnosis, cost per case per diagnosis, outcome per diagnosis, and patient satisfaction per diagnosis.

Questions to consider:

- How many patients are treated with these diagnoses on a weekly, monthly, and yearly basis?
- What percentage do these patients represent of your overall patient population?
- What is the typical number of treatment sessions for these diagnostic codes or conditions?
- What happens if you increase this population to your patient mix?
- What are the staff needs for these diagnoses (eg, supplies, space, support staff, equipment)?
- What are your new and existing patient appointment wait times?
- If you add XX number of new patients on an ongoing basis what happens to those wait times?
- What is the impact on your existing patient base?
- What is your scheduling capability?
- Will adding these patients change your staff's ability to deliver high quality services to their remaining case load?

Know Your Marketing Skills

Do you have the skills, staff and time to market your services to the participating CJR hospital? Will you need to hire additional staff or consultants to perform this service? If so what are the costs in dollars and time lost in patient care? Can you articulate your value proposition and measurably demonstrate why you are the best potential partner? For help with these and similar issues, see the APTA "Marketing to Health Care Professionals"

<http://www.apta.org/PRMarketing/HealthCareProfessionals/> webpage and APTA's [*Business Skills in Physical Therapy: Strategic Marketing*](#) home-study course, which includes a comprehensive marketing readiness assessment tool.

Evidence-Based Practice and Data (Including Outcomes and Patient Satisfaction)

The ability to measurably demonstrate objective results is critical in the pursuit and development of collaborative health care relationships. This will require you to be up-to-date on clinical practice guidelines and protocols, as well as to be able to document your adherence to evidence-based practices sufficiently, and share your data with bundle partners. Also see the “Care Pathways” questions to consider concerning recognition of your professional judgment in developing, implementing, and monitoring the rehab protocols of bundled care.

Questions to consider:

- Can you demonstrate adherence to best-practice guidelines?
- Does your practice currently collect data?
- If so what data is collected?
- Are you currently collecting outcome and patient satisfaction data?
- If so, do you use a “home grown” proprietary tool or one recognized by the rehab industry?
- Are the outcomes positive?
- How do the results compare with established national or regional performance standards?
- What are the specific results for your THR/TKR patients?
- Have you used the data to change practice? How?
- Can you explain the implications of the data to a knowledgeable audience?

Severity mix

It is important to consider the nature of your current TKR/THR patients and what may happen in your practice if the overall case severity is markedly increased—a distinct possibility with an increased TKR/THR caseload. This means collecting risk-adjusted data; that is, the ability to adjust data based on severity and comorbidities. A reasonable proxy to estimate acuity could be obtained by collecting data on the average number of days postop that hip and knee referrals arrive at your clinic. Should you decide to participate in the bundled model, this information can be tracked and compared over time.

Revenue mix

It also will be important to know what percentage of your payments come from cash, commercial payers, workers’ comp, and Medicare. You will need to determine if it makes good business sense to increase the percentage of Medicare patients, given the additional time it may take administratively to manage this patient population, such as functional limitation reporting and medical review.

Questions to consider:

- Is your revenue mix stable?
- What is the cost to your business of increasing the TKR/THR patient population?
- Can you increase this population without impeding other lines of business that may be more profitable or better fit your strategic plan?

Staff Education

As a vital part of the team—within both your practice and the bundle collaboration as a whole should you decide to pursue a bundled contract—your staff will require education on the basics of this payment mechanism. Additionally, you and your staff will need to accept and adhere to the clinical pathways established for the bundle. The best way to develop staff buy-in and behavior change is hard data. To that end, it is advisable to establish regular staff meetings to share performance data and discuss patient outliers. Furthermore, staff will require education on how to engage patients in the bundled model. You may want to consider appointing a “bundled payment” champion in your practice.

PART 3: SPECIFIC CJR CONTRACTING CONSIDERATIONS—FINAL QUESTIONS TO ASK YOURSELF

There are a number of details physical therapists should consider before contracting with payers, whether private or public. It is imperative to review each contract in its entirety, with professional advice, prior to signing. Terms or provisions in contracts that are often overlooked at the time of signing could significantly impact your practice in the long run. APTA’s Managed Care Contracting Toolkit offers a comprehensive overview of any contracting arrangements. Additionally, some specific contracting considerations for CJR are outlined below.

Risk Sharing and Compensation

- Are the terms of the risk-sharing structure—the potential to share in bonus payments or in repayment of monies due—clearly articulated?
- Is the timetable for financial reconciliation clearly articulated?
- Is the timetable for receipt of shared gains articulated?
- Is the timetable for payment of monies due articulated?
- Are the quality metrics clearly defined to your understanding?
- Are the factors contributing to gains or losses clearly articulated?
- Have you assessed the impact on your practice of the potential repayment requirements?
- Are the objective measures to assess physical therapist performance and patient outcomes articulated?

Care Pathways

- Do the terms of the bundle require you to follow a specific protocol?
- Are variances permitted, and if so, how are they defined and quantified?
- What is the process for approval?
- What, if any, are the penalties for nonadherence?
- Are PTs key players in the development of the rehab portion?
- Are physical therapists key players in the care transition planning process?
- What is your recourse if a patient is inappropriately referred to your facility?
- What is the hospital policy for resolving disputes, including time limitations?
- Are discharge criteria specified?
- What happens if the PT assessment indicates the patient requires additional care?

Communication Requirements

- Are there specific requirements for documentation?
- How will you communicate with the hospital and other collaborative partners in the bundle?
- Are there specific electronic or manual communication requirements?
- Will the hospital require participation in an electronic health record (EHR) system?
- Who will pay for the EHR system costs if required?
- How will staff be trained?
- How will ongoing data management be supported?
- What kind of data are required?
- If you don't collect these data already, how much up-front cost and staff training are required?
- Do you have adequate IT infrastructure, or are there additional IT requirements?
- Are there specific in-person meeting requirements?
- What data are the partners required to share with you?
- How will you monitor the performance of the bundle?
- If you don't already have the resources to review these data intelligently, who and at what cost can someone do it for you?
- Will the hospital appoint a bundled care coordinator to whom you can direct questions?