Triangle Orthopaedic Associates, P.A.

Joint Study Committee
March 18, 2014

Introduction

- Richard Bruch, M.D.
  - Practiced Orthopaedic Surgery Full-Time
    - 1977-2011
  - Durham Bulls Team Physician 1980-Present
  - North Carolina Specialty Hospital Board Chair
  - TOA Consultant 2012-Present
  - TOA Registered Lobbyist 2012-Present
  - State Health Coordinating Council Member
    - 2004-Present

Introduction

- **Today Speaking as an Individual**
  - **Specifically NOT representing**
    - **North Carolina Medical Society**
    - **State Health Coordinating Council**

Federal Legislation Effects

- **Affordable Care Act**
  - **Medicare Shared Savings Programs**
    - **ACOs: the concept of paying for providing the medical care for a population of patients, minimum population 5,000 Medicare patients**
    - **Bundled Payment: the concept of paying a physician a fee for caring for an entire continuum of care, e.g. Total Knee Replacement including 90 follow up period**

Federal Legislation Effects

- **The Sustainable Growth Rate (SGR)**
  - **Enacted 1997**
  - **Ties Physician payment to U.S. GDP growth**
  - **Since 2002, Congress has routinely passed a "Fix" or "Patch" to prevent physician pay cuts**
  - **To date these Fixes total $153 Billion**
  - **Without a "Fix" 27% Medicare Pay Cut**

Federal Legislation Effects

- Consensus Opinion in Washington, D.C.
  - Fee for service medical care is one of the causes of the high cost of U.S. medical care
- Proposed SGR Fix Legislation HR 4015/S 2000
  - Discourages “Fee for Service”
  - Encourages Alternative Payment Models (APOs)
    - Encourages ACOs
    - Encourages Bundled Payment Programs
  - Endorsed by Chairs and Ranking Members
    - Senate Finance, House Ways & Means, House Energy & Commerce Committees
  - CBO Score $138 Billion over 10 Years

Federal Legislation Effects

- **Proposed Physician CMS Payment for the Next Decade**
  - **Years 1-5 provide yearly 0.5% physician fee increase**
  - **Years 6-10 provide NO physician fee increase**
  - **2018: if 25% of a physician's CMS pay comes from APMs, then a 5% annual bonus payment**
  - **Threshold APM Percentage requirement increases & ultimately in 2022 reaches 75% CMS pay from APM to receive a 5% bonus payment**

Federal Legislation Effects

- **Proposed Physician CMS Payment for the Next Decade**
- **Merit Based Incentive Program (MIPS)**
  - **Negative Payment Adjustments, up to -9% for Physician Failure to meet Criteria**
    - **Quality Care Components including**
      - **Meaningful Use of Electronic Health Record**
      - **Quality of Care**
      - **Improvement Activities**

Federal Legislation Effects

- **Proposed Physician CMS Payment for the Next Decade**
  - **Bundled Payment Example**
    - **Total Hip and Knee Replacement DRG 470**
    - **CMS Bundle Price around $24,000**
    - **Includes the surgery and**
      - **follow up Medical Care for 90 days**
    - **Orthopaedic Surgeon payment is roughly 6% of the Bundle**
    - **Bonus Payments for**
      - **Successfully Managing the Bundle**

Federal Legislation Effects

- **Total Knee Bundle Expenses**
  - **The premise: 94% Bundle Expenses are prescribed by the Surgeon**
    - **Hospital admission including implant**
    - **Consultants**
    - **Skilled Nursing Home**
    - **Home Health Care**
    - **Outpatient Physical Therapy**
    - **Emergency Room & Repeat Hospitalization**
- **Goal: Providing High Quality Care**
  - **at Reduced Cost**

TOA-BCBSNC Bundled Payment Program

Triangle Orthopaedics BCBSNC
Total Knee Bundled Payment Experience

- According to BCBSNC in the First Year
  - 22% less cost than elsewhere in the Triangle
  - 97% Patient Satisfaction

TOA-BCBSNC Bundled Payment Program

- **How does TOA Achieve Bundled Payment Success?**
  - **Patient Navigator & Improved Communication**
  - **Physician hospital ownership**
  - **Physical Therapy services 13 locations**
  - **Urgent Care Services 7 locations**

North Carolina

- **Achieving Optimum Patient Care**
  - **Patients must be served in the correct Cost Effective setting**
  - **Site of Service Matters**
  - **Currently 72% NC surgery is Ambulatory**
  - **Currently 77% NC Ambulatory surgery is performed in a hospital outpatient setting**
- **Additional ASCs will help provide patient care in the Correct Setting**

North Carolina

- **Current CON system functions to protect the incumbent CON holders.**
- **CON Intent: to ensure that the public has access to the correct number of health facilities.**
- **Now the Clear Impetus is to Provide Care in the most Cost Effective setting**
- **NC Legislative action is required to ensure that our North Carolinians receive the best medical care in the most cost effective setting.**
- **To meet this goal, more Ambulatory Surgery Centers are required.**

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Certificate of Need History
5 Stories

TOA Certificate of Need History

- **Fixed MRI: TOA established "Need" in Durham County for additional Fixed MRI Scanner based upon the number of Mobile MRI studies performed yearly**

- **SHCC Action: Eliminated the Conversion from Mobile to Fixed MRI Criteria to establish "Need"**

TOA Certificate of Need History

- **North Carolina Specialty Hospital: Replacement Hospital on a new campus within Durham. Original hospital constructed in 1926**

- **Three year's of CON applications for a Replacement Hospital**

- **SHCC Action: Inserted "Qualified Applicant" language preventing establishment of similar NC Specialty Surgical Hospitals**

TOA Certificate of Need History

- **Qualified Applicants**
- **Any qualified applicant may apply for a certificate of need to acquire the needed acute care beds. A**
- **person is a qualified applicant if he or she proposes to operate the additional acute care beds in a hospital**
- **that will provide:**
- **1. a 24-hour emergency services department,**
- **2. inpatient medical services to both surgical and non-surgical patients, and …….**

TOA Certificate of Need History

- **Multi-position Upright Open MRI Scanner: Two Scanners Allowed in NC**

- **SHCC Action: "Demonstration Project" without criteria that would allow for additional Scanners**

TOA Certificate of Need History

- **Mobile MRI Scanner**

- **SHCC Action: No Additional “Need” for any Mobile MRI Scanner since TOA awarded its CON**

TOA Certificate of Need History

- **Single Specialty Ambulatory Surgery Facility Demonstration Project**
- **Third of the Three Single Specialty ASCs will open in 2014**

- **SHCC Action: Denial of Petitions to Establish additional Single Specialty ASCs.**
- **“The Agency will evaluate each facility after each facility has been in operation for five years.”**

North Carolina Needs CON Change

- **TOA has had Success in obtaining CON awards**
- **SHCC Action has prevented replication of this Success**
- **Current National efforts are to Provide Quality Patient Care in the Appropriate Cost Effective Setting**

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Orthopaedic Ownership of Advanced Imaging Equipment

Orthopaedic Ownership Advanced Imaging

- **WellPoint Advanced Imaging Study**

- **All Advanced Imaging Studies Including**
  - **MRI & CT Scans**
- **Jan. 1-Dec. 31, 2012**
- **Commercial Age Population**
- **5 States**
- **2.5 Million Insured Patients**

Orthopaedic Ownership Advanced Imaging

- **WellPoint Advanced Imaging Study**
- **Appropriate Use Criteria Utilized**

Central Region	Self-Referral Exams/Patient	Not Self Referral Exams/Patient
Indiana	1.10	1.19
Kentucky	1.12	1.18
Missouri	1.19	1.20
Ohio	1.14	1.16
Wisconsin	1.17	1.18

- **Orthopaedic Imaging Conclusion**
  - **Self-Referral Groups are better utilizers. Non self**
  - **Referral physicians order more studies per patient**
  - **than self referral across all geographies**

Orthopaedic Ownership Advanced Imaging

- Study of In-Office Magnetic Resonance Imaging (MRI)
- Equipment Ownership among Orthopaedic Surgery Practices
- Authors: Robert L. Ohsfeldt, PhD, Pengxiang (Alex) Li, PhD, John E. Schneider, PhD, Manpreet Sidhu, PhD, MBA

- **2006-2010 Evaluated Medicare MRI ordering**
- **46 Orthopaedic Practices, 433 Physicians**
- **Result: Acquiring MRI Ownership did not change Medicare MRI Ordering**
- **Result: No difference in Medicare MRI Ordering between physicians that own their Imaging Equipment and those that do not have Ownership**

Appropriate Use Criteria

GAO Report Recommendation:

Implement an approach to ensure the appropriateness of advanced imaging services by self-referring providers

Proposed SGR Fix Legislation:

Implement Appropriate Use Standards for all Outpatient MRIs including in a Hospital Setting

North Carolina MRI Imaging

North Carolina

MRI Scans Increasing or Decreasing?

2013 Compared to 2008

North Carolina MRI Scans

decrease 3.7%

30,386 less MRI Scans

When Orthopaedists own their Advanced Imaging Equipment Referral Patterns are Normal

Orthopaedic Ownership Advanced Imaging

- **Physician Office Advanced Imaging Saves Money**
  - **Site of Service Matters**
  - **Payment Less by both CMS and Commercial Insurers for Imaging Studies Performed at Physician Office Compared to Hospital**

Now is the Time for Legislative Action

- **Patients want Pay for Value**
  - **The Best Health Care in the Proper Setting**
- **Do NOT rely on the State Health Coordinating Council to take Action**
- **Legislation is Required to Increase the Number of North Carolina Ambulatory Surgery Centers**