

## Cleveland Clinic bundled payment program key learnings



### **If you are considering implementing or expanding a bundled payment program, the Cleveland Clinic offers four key learnings.**

When Cleveland Clinic sought to develop a way to automate bundled payments around their Centers of Excellence and specialty care procedures, they knew the need to identify and build the right bundles. Then, to maintain cost-effective success and scale over the long term, a bundled payment solution was necessary to ensure consistent and accurate administration of the bundling.

With the support of Optum®, the Cleveland Clinic accomplished both and is poised to take its bundled payment strategy to the next level with custom, prospective and retrospective bundling.

### **Four key learnings to implementing or expanding bundled payments**

Cleveland Clinic was advancing prospective and respective bundled payment models long before the Centers for Medicare and Medicaid Services (CMS) instituted its bundled payment initiative for hip and knee replacements. In fact, since 2012, Cleveland Clinic was working to develop software to support structured bundled payments from providers, payers and organizations managing alternative payments models.

With the rollout of the Bundled Payments for Care Improvement (BPCI) initiative, organizations are moving toward implementing and scaling their own bundled payment programs. This case study identifies the knowledge insights Cleveland Clinic gained and its goals for broader and deeper use of bundled payments in the future.

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### **Cleveland Clinic overview**

The Cleveland Clinic is a multispecialty academic hospital located in Cleveland, Ohio, that is owned and operated by the Cleveland Clinic Foundation.

#### **PROFILE**

**4,450**  
beds system wide

**6.6 million**  
patient visits per year

**3,400+**  
physicians & scientists

**Cleveland Clinic is one of the nation's largest and most respected hospitals.**

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## Low-hanging fruit: Define common bundles

As a value-based organization, the Cleveland Clinic team wanted to develop a retrospective bundled payment solution that would enable them to implement and effectively scale their Centers of Excellence and specialty care programs focusing on specific disease states. First on the agenda, define the payment bundles for common episodes of care: total knee replacement, total hip replacement and coronary artery bypass graft. This includes preadmission, surgery, inpatient care and post-discharge care.

A critical element in the process is to identify and define the bundle, so these episodes are particularly ideal for the bundled payment model because they have clearly identifiable starting and ending points. Complex conditions with comorbidities, such as hypertension or diabetes, are less conducive to bundled payments. (These conditions make it difficult for the provider to properly control the disease state.)

## The administrative challenge

Cleveland Clinic also realized that it had to figure out a way to ensure consistent, efficient and accurate administration of the bundling to achieve long-term success with its bundled payment strategy. Administration for even these common episodes took a significant amount of resources, compromising cost efficiencies and scalability.

Cleveland Clinic Finance Division issued an RFP to find a partner able to deliver the analytics, modeling and administrative tools that would advance its bundled payment strategy.

## The power of collaboration

The Optum and Cleveland Clinic team jointly met with clinical areas and started to identify what constitutes a bundle for a specific disease state. What are the reliable time frames, the triggers, the complications? Can they offer a flat rate or is the risk too high? What characteristics/metrics should they track? These and many other considerations made up the risk evaluation.

Monica Deadwiler, Senior Director of Payment Innovation at Cleveland Clinic notes: "With this process, we were able to better understand the full continuum of care that is happening and pull in the parties from the various areas that may not work with one another but all touch the same patient."

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– **Monica Deadwiler**, Senior Director, Payment Innovation, Market & Network Services Cleveland Clinic

## SUCCESS SNAPSHOT

### Bundled payments at Cleveland Clinic

By developing bundled payments for common conditions, Cleveland Clinic has been able to implement a program that supports 300 cases per quarter at eight hospitals.

By implementing bundled payments, the team has identified a **total savings of 7–10%** on these cases. The program is now evolving to custom and prospective bundling.

"We are able to track the full impact of care redesign, regardless of whether the patient is seen inside or outside the Cleveland Clinic system."

– **Karen Mihalik**, Senior Director, Market & Network Services Cleveland Clinic

## Bundled payment implementation playbook: Key chapters



## **Key learnings: Cleveland Clinic generated the following checklist for achieving success.**

### **1. Put the patient first.**

Look at how your specific care model serves the patient and identify your best value. What can you do differently to increase the value to the patient? Really develop that full patient view of episodes. Think through how the care model should be modified to prevent unnecessary and major issues from occurring. Then — and only then — construct the bundled payment around those findings.

Deadwiler emphasizes, “If you purely focus on financial outcomes, you may obtain early benefits, but they won’t be sustainable. Put the focus on quality patient care.”

### **2. Physician engagement.**

At the outset, identify a physician champion who is committed to care redesign and improving the quality of care. Then, bring in other physicians who will help to develop the clinical care path.

### **3. Be true to your approach for different conditions.**

Cleveland Clinic is known for world-class care and physicians. Their best practices are the basis of their care paths — this is their differentiator. The bundled payment is the mechanism to proactively administer the defined bundle initiatives.

### **4. Understand where there is care variability and stability.**

If you have significant care variability, your risk grows substantially. So use data to understand how to reduce that variability. You don’t want to get into a risk product like bundled payments without that knowledge.

Deadwiler advises, “Keeping the patient at the center of your focus, work with all involved in the episode of care to make the care path the foundation of your bundle. Then use longitudinal patient-specific data to determine how you can augment your care design to increase the value of that bundle.”

## **Evaluating success**

To know whether your care design augmentation is effective, you need to have line of sight into utilization at all points in the episode of care. The Optum Cleveland Clinic solution enabled that comprehensive view. “We are able to track the full impact of care redesign, regardless of whether the patient is seen inside or outside the Cleveland Clinic system,” says Karen Mihalik, senior director, market and network services, Cleveland Clinic.

## **Data mining enhances collaboration**

With the bundled payment strategies in place for common conditions, the Cleveland Clinic team is now monitoring outcomes. They take a retrospective look at individual cases to identify readmissions at any point in care — from the Cleveland Clinic itself, to post-acute facilities that may or may not be one of the clinic partners. With the Optum system, they can see length of stay and also if the patient was readmitted again, for example. Cleveland Clinic can slice that view by hospital and even by primary accountable physician.

“It’s extremely useful to be able to drill into where the anomalies are occurring,” says Mihalik. “We can then start a dialogue to understand how (and whether) to modify the model based on real data.”

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—**Monica Deadwiler**, Senior Director, Payment Innovation, Market & Network Services  
Cleveland Clinic

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—**Deborah Knight-Lauricia**, Senior Director, Quality and Reimbursement

## Program maturity path



### The future of bundled payments for Cleveland Clinic

CMS is moving full-steam ahead for alternative payment models, and bundled payments are one of the financial vehicles. Cleveland Clinic is among those organizations who recognize that bundled payments can support a differentiated offering.

Employers are starting to insist that bundled payments have some level of predictability over transactional fee-for-service models. Consumers are increasingly demanding more transparency of total cost so they know what they will pay out of pocket. Providers want to manage risk yet remain competitive in an increasingly challenging market.

Deborah Knight-Lauricia, senior director, quality and reimbursement at Cleveland Clinic, notes, “We have entities we could not contract with if we didn’t offer bundled payments.”

Cleveland Clinic recognizes that not every disease state should be bundled. But for those where it is feasible, the key is creating better bundles and scaling — without increasing administration costs — to achieve maximum efficiencies.

Having achieved retrospective success, Cleveland Clinic is advancing its bundled payment strategy. According to Deadwiler, “Where most providers will focus on a retrospective approach, we see significant opportunity moving forward with prospective bundling.”

However, the Cleveland Clinic team recognizes that it is very administratively intense and you can’t build a business with a huge administrative burden. So the right system and partnerships will be increasingly important as you move toward gainsharing and away from claims adjudication.

### From strategic evaluation to operational success

“Organizations need to have a strategy if they are going to pursue bundled payments,” says Knight-Lauricia. “There is risk. Administrative burden. Stress on clinical operations. And so much more. But with the right strategy and solution partner, you can differentiate yourself with a high-functioning, highly scalable bundled payment program that serves your patients and your organization well.”

### Optum Bundled Payments solution set for Cleveland Clinic

- Bundle editor
- BundlePay manager
- Bundle analytics
- Bundle clinical and financial definition consultation

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## Innovation at Cleveland Clinic

Beginning in 2007, Cleveland Clinic reorganized into clinical institutes centered on organ systems to better complement the group practice model. These institutes foster an environment that maximizes coordination, improves patient access to multiple specialties, enables experts to act as a dynamic team, and results in optimal treatment for patients and potential cost savings for employers. Innovative clinical models provide the foundation enabling the adoption of alternative payment models (for example, bundled payment programs).

Cleveland Clinic is extending its group practice model to ensure care is coordinated for patients beyond its providers and facilities. This extended care model is comprised of care paths, care coordination and connected care (post-acute care management), based on the following three pillars:

### 1. Care path utilization

Following evidence-based, best practice guidelines to ensure consistent, high-quality care is delivered to every patient during every episode of care they experience.

### 2. Care coordination

Leveraging a single point of contact for patients and their family members before the patient enters the acute hospitalization, during the actual surgical intervention and following the patient after discharge across multiple sites of care.

### 3. Connected care

Focusing on care transitions reduces the fragmentation of care delivery and enables delivering the right care for the patient in the appropriate setting.

This model enabled Cleveland Clinic to offer innovative value-based contracts to employers, government and commercial payers. The adoption of alternative payment models enables the Cleveland Clinic and its contracted payers the ability to ensure financial stability as they continue to improve care.

In 2013, the Department of Orthopaedic Surgery in the Orthopaedic and Rheumatologic Institute at the Cleveland Clinic developed standard clinical care paths for total joint replacements and applied a complete care approach for the program. This included the use of care paths, connected care and orthopaedic specialty care coordinators. Cleveland Clinic also entered into a bundled payment contract for Medicare reimbursement of lower total joint replacement.

Since the inception of the bundled care program, Cleveland Clinic showed progressive improvement in average length of stay in the hospital, reduced readmission rates and increased discharge to home or home with health care. With the success of the bundled care program, Cleveland Clinic needed to manage and scale its administration. Optum was selected to fill the technology gap required to administer and scale the program.

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### Sources:

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2. "Awardee in Action: Cleveland Clinic." CMS BPSI Newsletter 10 (Feb. 2016)

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