

## Bundled Payments For Lower Extremity Joint Replacement And Reattachment (LEJR) Surgery And Post-Operative Care Demonstration Program

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### 1.0 PURPOSE

DHA will conduct a bundled payment demonstration initiative for non-ADSMs who are hospitalized for Major Joint Replacement or Reattachment of Lower Extremity without Major Complications or Comorbidities (Diagnosis Related Group (DRG) 470). This demonstration will involve select hospitals in the Tampa-St. Petersburg, Florida market. Demonstration hospitals will be eligible for incentive payments or incur financial penalties based on their composite quality score and total cost of care for DRG 470 inpatient stays and all related post-operative care provided during the 90-day period following hospital discharge.

### 2.0 BACKGROUND

**2.1** DHA has identified seven demonstration hospitals based on historical TRICARE utilization and claims data for DRG 470 surgical procedures for the LEJR demonstration. Hospitals were selected for participation in the demonstration if they had 20 or more DRG 470 admissions (total) during FY 2013, FY 2014, and FY 2015. Participation in the demonstration is required; once selected for participation, hospitals will remain in the demonstration for the term of the demonstration, regardless of future DRG 470 utilization rates. The demonstration hospitals for this initiative include:

- Florida Hospital - Tampa
- Tampa General Hospital
- Columbia Largo Medical Center
- Brandon Regional Hospital
- Florida Hospital - Wesley Chapel
- Columbia Regional Medical Center Oak Hill
- Memorial Hospital of Tampa

**2.2** For purposes of this initiative, demonstration year one will commence for LEJR admissions (DRG 470 only) on May 23, 2016, and include all completed episodes of care through September 30, 2017. Subsequent demonstration years will be conducted on a fiscal year basis (i.e., for episodes ending October 1st through September 30th).

**2.3** At least 30 days prior to the start of the demonstration, and every demonstration year thereafter, DHA will establish target episode prices for each demonstration hospital and communicate these target prices in writing to the South Region MCSC. These target episode prices

**TRICARE Operations Manual 6010.56-M, February 1, 2008**

Chapter 18, Section 21

Bundled Payments For Lower Extremity Joint Replacement And Reattachment (LEJR) Surgery And Post-Operative Care Demonstration Program

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will become the financial basis for calculating eligibility for incentive payments or penalties. Target episode prices shall be calculated as follows:

**2.3.1** Target episode prices will be based on a blend of hospital-specific and market-wide historical episode costs for DRG 470 admissions and associated post-operative care within 90 days of discharge for the preceding three FYs (FY 2013, FY 2014, and FY 2015). This historical data period shall be used for the duration of the demonstration, with annual adjustments for inflation. In demonstration years one and two, the blended rate for the target episode price shall be developed with two-thirds hospital-specific data and one-third market-wide data; in demonstration year three, the target episode price shall be developed with one-third hospital-specific data and two-thirds market-wide data.

**2.3.2** DRG 470 episodes of care for ADSMs, TRICARE beneficiaries with OHI, and TRICARE Dual Eligible Fiscal Intermediary Contract (TDEFIC) beneficiaries will be excluded from target episode price calculations.

**2.3.3** Cost data for teaching hospitals will be adjusted to account for Indirect Medical Education (IDME) costs. IDME costs will be excluded from target episode price calculations.

**2.3.4** The episode price in effect on the end date of the 90-day episode shall be used for incentive calculation purposes, regardless of whether any component of the care was delivered in the previous demonstration year.

**2.3.5** The government may also choose to make an adjustment to truncate the costs of extremely high-cost or low-cost episodes. Any such adjustment would apply for both the target cost and the actual cost of episodes.

**2.4** All hospital, physician, and post-operative care claims (for the 90-day period following hospital discharge) will be paid via normal TRICARE reimbursement methodologies. At the end of each demonstration year, DHA will calculate total allowable costs and allowable charges for all DRG 470 episodes at demonstration hospitals (not including costs for outpatient pharmaceutical costs and unrelated conditions or procedures that are specifically excluded in the CMS Comprehensive Care of Joint Replacement (CJR) model). For each demonstration hospital, DHA shall determine the TRICARE allowable charges for all episodes as follows:

- Multiply the number of episodes of care by the hospital's target episode price for each demonstration year to determine the aggregate target price.
- Determine the actual costs (i.e., total TRICARE allowable charges) for all episodes of care during the demonstration year for each hospital.
- Adjust actual costs to exclude IDME costs for teaching hospitals.
- Compare adjusted actual costs to the aggregate target price to determine whether costs were less than, equal to, or greater than anticipated for each demonstration year.

## TRICARE Operations Manual 6010.56-M, February 1, 2008

### Chapter 18, Section 21

#### Bundled Payments For Lower Extremity Joint Replacement And Reattachment (LEJR) Surgery And Post-Operative Care Demonstration Program

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**2.5** To ensure that demonstration hospitals are not reducing the quality of care offered to beneficiaries or reducing patients' overall perception of their hospital experience, hospitals must achieve and maintain a favorable rating on two quality measures in order to be eligible for any gain-sharing. DHA will utilize the CMS composite quality score to determine eligibility for gain-sharing. The CMS composite quality score is a hospital-level summary quality score reflecting performance and improvement on the quality measures adopted for Medicare's CJR model (Total Hip Arthroplasty (THA)/Total Knee Arthroplasty (TKA)) complications measure and the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) patient experience survey measure. In order to be eligible for gain-sharing, demonstration hospitals must achieve and maintain a CMS composite quality score which exceeds the CMS standard for the Medicare CJR model. The Government will use CMS Hospital Compare data as the source for composite quality scores for TRICARE demonstration hospitals.

**2.6** Demonstration hospitals that achieve and maintain a favorable composite quality score and demonstrate cost savings as compared to the target episode price will be eligible to participate in gain sharing, expressed as a percentage of total cost savings. During the first demonstration year, hospitals who meet these requirements will receive an incentive payment of 5% of the total cost savings for that year. During the first demonstration year, hospitals who do not meet these requirements will not incur any financial risk (no loss-sharing penalty).

**2.7** Gain/loss sharing will increase over time, from no loss sharing in demonstration year 1 (only gain sharing), to higher levels in later years (gain sharing of 5% in demonstration years one and two, and 10% in demonstration year three). Loss sharing is 0% in demonstration year one, 5% in year two, and 10% in demonstration year three. Episode gain, or loss sharing amounts under the demonstration will be non-underwritten costs and paid out of the CLIN as indicated in [Section 20, paragraph 5.4](#).

**2.8** DHA will identify cohort hospitals based on historical TRICARE utilization and claims data for DRG 470 surgical procedures. Hospitals in the Tampa-St. Petersburg market will be considered for cohort hospital status if they had less than 20 DRG 470 admissions (total) during FY 2013, FY 2014, and FY 2015. Once selected as a cohort, hospitals will remain in cohort status for the term of the project, regardless of future DRG 470 utilization rates.

**2.9** Cohort hospitals are not eligible for incentive payments. The Government will analyze their cost and quality performance outcomes as they compare to demonstration hospitals to better understand health care trends and the impact of using incentive payments to produce higher value outcomes. Cohort hospital analysis results will not be used to determine eligibility for incentive payments for demonstration hospitals.

**2.10** The three-day prior hospital stay rule for Skilled Nursing Facility (SNF) care for DRG 470 patients is waived for LEJR Demonstration Hospitals. All other existing TRICARE benefits and reimbursement policies will continue to apply.

### **3.0 EFFECTIVE DATE**

Per requirements set forth in Section 726 of the NDAA for FY 2016, the Secretary is required to carry out the demonstration project for a period of three years. Implementation is to commence no

**TRICARE Operations Manual 6010.56-M, February 1, 2008**

Chapter 18, Section 21

Bundled Payments For Lower Extremity Joint Replacement And Reattachment (LEJR) Surgery And  
Post-Operative Care Demonstration Program

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later than 180 days after the date of the enactment of the Act, hence the LEJR bundled payment demonstration will begin on May 23, 2016, and continue through May 23, 2019.

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