Episode Payment Models

GLOSSARY AND RESOURCES
Acronyms and Glossary

Accountable care organization (ACO):
A legal entity made up of hospitals and/or outpatient providers that agrees to be held accountable for improving the health of populations while reducing the rate of growth in healthcare spending.¹

Medicare Acute Care Episode (ACE) Demonstration:
A 3-year demonstration project that tested the use of global payment for episodes of care for 28 cardiac and 9 orthopaedic inpatient surgical services. Demonstration in 5 health systems concluded in 2013.²

Administrative redesign:
Changes in administrative processes (eg, collaboration among hospital administrators and physician leaders, personnel changes, or development of standard operating procedures) designed to support episode payment models (EPMs).

Alternative payment models (APMs):
A Centers for Medicare and Medicaid Services (CMS) term describing reimbursement models that tie a portion of payments to quality or efficiency of healthcare delivery. Bundled payments and accountable care organizations are examples of APMs. Advanced APM refers to an APM in which a provider bears higher levels of risk. An Advanced APM is a payment track in the Quality Payment Program.³

Acute Myocardial Infarction (AMI) model:
A mandatory EPM implemented in 98 metropolitan statistical areas (MSAs) through December 31, 2021.⁴

Bundled Payment for Care Improvement (BPCI) initiative:
Created and administered by CMS, the BPCI tests 4 broadly defined models of care that link payments for multiple services that beneficiaries receive during an episode of care.⁵

Bundled payment:
Broadly speaking, bundled payment (often called episode-based payment) refers to a single price paid for all services related to an episode of care. The payer sets a target price for all defined services within a specified period of time.⁶ Collectively, the services are called the bundle.

Coronary Artery Bypass Graft (CABG) model:
A mandatory EPM implemented in 98 MSAs through December 31, 2021.⁴

Care pathway:
The sequence of sites of care for a patient during an episode of care, beginning with the index admission.⁷ Care pathways are different from clinical pathways, a term that refers to treatment protocols and algorithms for care.

Comprehensive Care for Joint Replacement (CJR) model:
A mandatory EPM implemented in 67 MSAs through December 31, 2020.⁸⁹
**Clinical redesign:**
Changes in clinical processes (eg, defined care pathways, coordination-of-care processes, or patient engagement strategies) designed to support EPMs.

**Collaborator:**
Providers who work collaboratively with a hospital on clinical redesign. In EPMs, collaborators may include physician and non-physician practitioners; home health agencies; skilled nursing facilities; accountable care organizations; physician group practices; inpatient rehabilitation facilities; physical, occupational, and acute care; critical access; and long-term care hospitals.8,10

**Convener:**
In the BPCI initiative, a party who takes on financial risk and/or provides administrative and technical support for an affiliated network of providers.7 BPCI allows for entities, called *facilitator conveners*, who provide administrative and technical support for an affiliated network of providers. These are separate from *awardee conveners*, such as a hospital, who took on financial risk.11

**Discount:**
Expressed in terms of a percentage, a discount is a reduction in current diagnostic-related group (DRG) payment rates. In EPMs, the target price is based on DRG charges minus a discount of up to 3%.8,12

**Diagnostic-related group:**
Diagnostic-related groups that trigger episode-based payments. (see table of EPM-related DRGs on page 9)

**Episode of care:**
A group of defined healthcare services within a specified period of time that are related to a primary discharge diagnosis.5 In EPMs, episodes of care generally include all Medicare Part A and Part B services, except services clinically unrelated to the episode, provided within 90 days of the index admission for patients with specified discharge diagnoses.8,10

**Episode payment model (EPM):**
A form of bundled payment. CMS began implementing condition-specific, mandatory EPMs in MSAs in 2016.

**Gainsharing:**
In EPMs, a feature of the bundled payment business model that allows hospitals to share savings generated and/or reconciliation payments with collaborators.8

**Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS):**
A national survey that asks patients about their recent experience with hospital care.19 In EPMs, hospitals must meet certain thresholds on HCAHPS surveys to collect a reconciliation payment.8,10
**Index admission:**
In bundled payment programs, the hospitalization that triggers an episode of care.7

**Integrated delivery network:**
A network of facilities and providers that work together to offer a continuum of care to a specific geographic area or market.14

**Inpatient Prospective Payment System (IPPS):**
Established the diagnostic-related group (DRG) as a basis for inpatient payment at acute care hospitals.

**Lower-extremity joint replacement (LEJR):**
In the context of CJR, LEJR refers to both MS-DRG 469 and MS-DRG 470.

**Medicare Access and CHIP Reauthorization Act of 2015 (MACRA):**
Consolidated several CMS pay-for-quality programs. MACRA created the Quality Payment Program, which reformed Medicare fee-for-service payment to providers who surpass certain volume and billing thresholds.15

**Medicare Heart Bypass Center Demonstration:**
An early Medicare demonstration project conducted to assess the feasibility and cost-effectiveness of a negotiated, all-inclusive bundled payment arrangement for coronary artery bypass graft surgery.16

**Metropolitan statistical area (MSA):**
A geographical region with a relatively high population density and close economic ties. MSAs are defined by the federal Office of Management and Budget and used by government agencies for statistical purposes.17 CMS has introduced mandatory EPMs in specific MSAs.18

**Post-acute care (PAC):**
In the context of EPMs, PAC refers to all inpatient and outpatient providers and facilities that care for a patient during an episode of care.

**Patient-centered medical home (PCMH):**
A model of care that replaces episodic care with coordinated care. Each patient has a relationship with a physician who leads a team that takes collective responsibility for patient care.19

**Quality Payment Program (QPP):**
A 2-track provider reimbursement scheme under MACRA. The QPP’s 2 payment tracks are the Merit-based Incentive Payment System (MIPS) and Alternative APMs. Participation in EPMs may qualify providers for the Alternative APM track.4,15

**Reconciliation payment:**
A retrospective payment made to a hospital if a target price is greater than total fee-for-service claims for an episode. If the hospital has entered into gainsharing agreements with collaborators, this payment may be shared with the participating collaborators.20
Risk:
In healthcare financing, risk has several variations. *Global risk* means that an entity (eg, a hospital) assumes all liability for profit or loss associated with a reimbursement arrangement.21 *Two-sided risk* refers to the entity’s potential to profit or lose money from the arrangement.22

Root-cause analysis:
A process designed to reveal the origin, or root cause, of a symptom.23

Surgical Hip and Femur Fracture Treatment (SHFFT) model:
A mandatory EPM implemented in 67 MSAs through December 31, 2021.4

Stark physician self-referral law:
Prohibits physicians from making referrals to an entity with which they have a financial relationship if Medicare is billed for the service.24

Stop-loss and stop-gain:
Limits on EPM reconciliation payments to providers and provider repayments to CMS. Calculated in EPMs as a percentage of the difference between actual claims and a target price.12

Target price:
A fixed amount, predetermined by CMS, to be paid for an episode of care.25

THA/TKA:
Total hip arthroplasty (surgical replacement of a joint)/total knee arthroplasty.

Total quality improvement:
A structured approach to organizational management that seeks to improve quality through ongoing refinements and response to feedback.26

Triple Aim:
A framework developed by the Institute for Healthcare Improvement that describes an approach to optimizing health system performance. The 3 dimensions of the Triple Aim are to improve the patient experience of care, improve the health of populations, and reduce the per-capita cost of health care.27

Variations in care:
Differences (eg, among providers or regions) in how medical resources are distributed and used. *Unwarranted variation* is based not on the presence of illness or patient preferences, but on patterns of practice.28
MSAs Where EPMs Are Being Implemented

The Center for Medicare and Medicaid Innovation (CMMI) selected MSAs (listed on the next page) to test the CJR and SHFFT models. CJR was implemented first, with MSAs being selected in a 2-step process:

1. MSAs were divided into 8 groups based on average, wage-adjusted historic LEJR payments, and population size.

2. There were 67 MSAs selected; all hospitals must participate, with the exception of current BPCI participants for the same DRGs and Critical Access Hospitals (CAHs). A CAH, however, may be a collaborator in EPMs.

CMS implemented the AMI and CABG models in 98 MSAs (listed on page 8).

Expansion of bundled payment programs

EPMs represent an expansion of CMMI’s experimentation with bundled payment models. CMMI launched 4 variations, or models, of BPCI in 2013. Model 2, which bundles services for inpatient and post-acute care, is most similar to BPCI. As of January 1, 2017, approximately 340 acute care hospitals were participating in BPCI.
MSAs participating in CJR and SHFFT—listing

Akron, OH  
Albuquerque, NM  
Asheville, NC  
Athens-Clarke County, GA  
Austin-Round Rock, TX  
Beaumont-Port Arthur, TX  
Bismarck, ND  
Boulder, CO  
Buffalo-Cheektowaga-Niagara Falls, NY  
Cape Girardeau, MO-IL  
Carson City, NV  
Charlotte-Concord-Gastonia, NC-SC  
Cincinnati, OH-KY-IN  
Columbia, MD  
Corpus Christi, TX  
Decatur, IL  
Denver-Aurora-Lakewood, CO  
Dothan, AL  
Durham-Chapel Hill, NC  
Flint, MI  
Florence, SC  
Gainesville, FL  
Gainesville, GA  
Greenville, NC  
Harrisburg-Carlisle, PA  
Hot Springs, AR  
Indianapolis-Carmel-Anderson, IN  
Kansas City, MO-KS  
Killeen-Temple, TX  
Lincoln, NE  
Los Angeles-Long Beach-Anaheim, CA  
Lubbock, TX  
Madison, WI  
Memphis, TN-MS-AR  
Miami-Fort Lauderdale-West Palm Beach, FL  
Milwaukee-Waukesha-West Allis, WI  
Modesto, CA  
Monroe, LA  
Montgomery, AL  
Naples-Immokalee-Marco Island, FL  
Nashville-Davidson-Murfreesboro-Franklin, TN  
New Haven-Milford, CT  
New Orleans-Metairie, LA  
New York-Newark-Jersey City, NY-NJ-PA  
Norwich-New London, CT  
Ogden-Clearfield, UT  
Oklahoma City, OK  
Orlando-Kissimmee-Sanford, FL  
Pensacola-Ferry Pass-Brent, FL  
Pittsburgh, PA  
Port St. Lucie, FL  
Portland-Vancouver-Hillsboro, OR-WA  
Provo-Orem, UT  
Reading, PA  
Saginaw, MI  
San Francisco-Oakland-Hayward, CA  
Seattle-Tacoma-Bellevue, WA  
Sebastian-Vero Beach, FL  
South Bend-Mishawaka, IN-MI  
St. Louis, MO-IL  
Staunton-Waynesboro, VA  
Tampa-St. Petersburg-Clearwater, FL  
Toledo, OH  
Topeka, KS  
Tuscaloosa, AL  
Tyler, TX  
Wichita, KS
MSAs participating in AMI and CABG models—listing

Abilene, TX
Akron, OH
Alexandria, LA
Allentown-Bethlehem-Easton, PA-NJ
Anchorage, AK
Atlantic City-Hammonton, NJ
Auburn-Opelika, AL
Austin-Round Rock, TX
Bellingham, WA
Bend-Redmond, OR
Blairington, IN
Boise, ID
Boston-Cambridge-Newton, MA
Canton-Massillon, OH
Cape Coral-Fort Myers, FL
Cape Girardeau, MO-IL
Cedar Rapids, IA
Charleston-North Charleston, SC
Chattanooga, TN-GA
Chicago-Naperville-Elgin, IL
Chico, CA
Coeur d'Alene, ID
Columbia, MO
Columbia, SC
Columbus, GA-AL
Crestview-Fort Walton Beach-Destin, FL
Dallas-Fort Worth-Arlington, TX
Daphne-Fairhope-Foley, AL
Denver-Aurora-Lakewood, CO
Des Moines-West Des Moines, IA
Dover, DE
Durham-Chapel Hill, NC
Elizabethtown-Fort Knox, KY
Erie, PA
Eugene, OR
Florence-Muscle Shoals, AL
Fort Collins, CO
Fort Wayne, IN
Gainesville, GA
Grand Junction, CO
Greenville-Anderson-Mauldin, SC
Hilton Head Island-Bluffton-Beaufort, SC
Huntington-Ashland, WV, KY, OH
Idaho Falls, ID
Indianapolis-Carmel-Anderson, IN
Iowa City, IA
Jefferson City, MO
Jonesboro, AR
Joplin, MO
Kalamazoo-Portage, MI
Kansas City, MO-KS
Kennewick-Richland, WA
LaCrosse-Onalaska, WI-MN
Lake Havasu City-Kingman, AZ
Lakeland-Winter Haven, FL
Lansing-East Lansing, MI
Lexington-Fayette, KY
Lima, OH
Little Rock-North Little Rock-Conway, AR
Madison, WI
Manchester-Nashua, NH
Medford, OR
Memphis, TN-AR
Milwaukee-Waukesha-West Allis, WI
Missoula, MT
Myrtle Beach-Conway-North Myrtle Beach, SC-NC
Nashville-Davidson-Murfreesboro-Franklin, TN
New Bern, NC
Niles-Benton Harbor, MI
Oklahoma City, OK
Omaha-Council Bluffs, NE-IA
Prescott, AZ
Pueblo, CO
Raleigh, NC
Rapid City, SD
Reading, PA
Reno, NV
Richmond, VA
Roanoke, VA
St. George, UT
St. Joseph, MO-KS
Salem, OR
Salinas, CA
Savannah, GA
Sherman-Dennison, TX
Spokane-Spokane Valley, WA
Springfield, IL
Tucson, AZ
Tulsa, OK
Tuscaloosa, AL
Utica-Rome, NY
Waterloo-Cedar Falls, IA
Wenatchee, WA
Wichita, KS
Wilmington, NC
Winston-Salem, NC
Youthtown-Warren-Boardman, OH-PA
Yuma, AZ
Sample MS-DRGs affected by EPMs\textsuperscript{8,10}

<table>
<thead>
<tr>
<th>Model</th>
<th>AMI</th>
<th>CABG</th>
<th>CJR</th>
<th>SHFFT</th>
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<tr>
<td>Primary DRG triggering episode</td>
<td>280–282, 246–251 with AMI ICD-CM diagnosis code</td>
<td>231–236</td>
<td>469, 470</td>
<td>480–482</td>
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References


Solving starts with listening. Health care is changing. Pressure is intensifying, driving accountability to reduce costs, improve outcomes, and increase patient satisfaction.

CareAdvantage, from the Johnson & Johnson Medical Devices Companies (JJMDC), offers a holistic approach to helping customers address needs in the orthopaedic episode of care.

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