Are out of network contracting and policies coming to an end?

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Todd J Albert, MD: Disclosures

Industry

(c,e) DePuy, Biomet; (d) Vertech, In Vivo Therapeutics, Paradigm Spine, Biomerix, Breakaway Imaging, Crosstree, Invuity, Pioneer, Gentis, ASIP, PMIG; (e) Facetlink

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External Advisory Role

SIC – HSS; MAB – United Healthcare; CSRS – Past President; SRS – President Elect; IMAST – Past Chair;
Is out-of-network dead?
Out-of-Pocket Health Spend in the U.S. Has Rapidly Declined

Out-Of-Pocket Health Care Spending Plummets Following Creation of Medicare/Medicaid

Source: Out of pocket health care expenditures and federal/state health expenditures as a percentage of total U.S. personal health expenditures (Centers for Medicare and Medicaid Services)

Vertical dotted line indicates creation of Medicare/Medicaid in 1965

Breakdown of National Health Care Expenditures

Market Trends Put Downward Pressure on Surgeon Economics

Several factors amplify the negative impact of the decline in out-of-network:

1. Increasing demand from aging Medicare population
2. Increasing burden on office to meet Medicare requirements (e.g., PQRS, MU)
3. Declining Medicare reimbursement rates when adjusted for inflation

Medicare Payments to Orthopedic Surgeons
2005 vs. 2016; Nominal

Medicare Payments to Orthopedic Surgeons
2005 vs. 2016; Adjusted for Inflation; 2005 Dollars
Back to our question…

Is out-of-network dead?
Out of Network May Lessen, But Will Remain

Despite the decline in out-of-network, it still represents over 25% of commercial patients, and the decline may level off as some patients will always seek the best possible care.

- **6%** of HSS patients come from the Upper East Side.
- **94%** of patients travel past another well-regarded health system and choose to receive their care at HSS.
Emergence of Alternative Payment Models May Help

<table>
<thead>
<tr>
<th>Payment Model</th>
<th>Traditional Model</th>
<th>Value-based Model</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>▪ Fee-for-Service (FFS)</td>
<td>▪ Bundled Payments</td>
</tr>
<tr>
<td></td>
<td>▪ Quality of outcomes</td>
<td>▪ Pay-for-Performance</td>
</tr>
<tr>
<td></td>
<td>▪ Complication rates</td>
<td>▪ Reference-based Pricing</td>
</tr>
<tr>
<td></td>
<td>▪ Length of Stay</td>
<td>▪ Other shared risk arrangements</td>
</tr>
<tr>
<td></td>
<td>▪ Patient experience</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ Cost per procedure</td>
<td></td>
</tr>
<tr>
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<td>▪ Quality of outcomes</td>
<td>▪ Quality of outcomes</td>
</tr>
<tr>
<td></td>
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<td>▪ QALY, Return to Function, Pain Scores</td>
</tr>
<tr>
<td></td>
<td>▪ Length of Stay</td>
<td>▪ Patient experience</td>
</tr>
<tr>
<td></td>
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<td>▪ Long-term cost over entire episode of care</td>
</tr>
<tr>
<td></td>
<td>▪ Cost per procedure</td>
<td></td>
</tr>
<tr>
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</tr>
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</tr>
</tbody>
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- **Traditional Model**: Fee-for-Service (FFS)
- **Value-based Model**: Bundled Payments, Pay-for-Performance, Reference-based Pricing, Other shared risk arrangements

### Value Measures

- Quality of outcomes
  - Complication rates
  - Length of Stay
- Patient experience
- Cost per procedure

### Risks

- Overutilization and unnecessary procedures
- Inefficiencies
- Lower cost, lower quality
- Avoiding necessary procedures
Must Avoid a “Race to the Bottom”

- Further decline of out-of-network business could cause a “race-to-the-bottom” as providers focus on cost reduction & increasing volume instead of…
  - Continuous improvement in quality and operational efficiency
  - Research and innovation
  - Patient experience
Raising The Bar Advances The Entire Industry

CASE STUDY

The Tesla Model S Is So Safe, It Broke the NHTSA Crash-Test Scale

Typically, cars are ranked on a scale of 1 to 5 stars...

🌟🌟🌟🌟🌟

Tesla’s Model S earned a **5.4**

Innovation raises the bar for the entire industry as competitors continue to improve to remain relevant

Sources:
- WIRED, “The Tesla Model S Is So Safe It Broke the Crash-Testing Gear Model” 8/20/2013
- Road and Track, “Watch the Tesla Model S break the NHTSA crash-test scale” 8/20/2013
Those who continue to innovate and adapt to this changing landscape will be the winners
### Externally Validated Results

#### Recognition
- **#1** in Orthopedics
- **#2** in Rheumatology

#### Patient Satisfaction
- Listed as a Top 10 hospital for patient sentiment by [crowdclinical](#)
- 4th consecutive Guardian of Excellence Award

#### Quality
- 7 Consecutive years of hip replacement infection rates lower than NY state average
- Hip/Knee all cause readmissions 27% better than national average
- #1 in Nation for Joint Replacement, and in NY State for Spine Surgery by CareChex
- 3rd consecutive year ranking in top decile in Orthopedic Surgery & Joint Replacement by Healthgrades
- Only hospital rated 5 stars in NY State

#### Culture
- 1st in NYS to receive 4 consecutive Magnet Nursing designations
- 4.13 Improved Gallup Overall Employee Engagement Score

#### Elite Athletes
- Treat professional athletes from **around the world** and care for over 20 professional and collegiate teams as the official team physicians
IS OON DEAD?

- NO, BUT DECREASING SUBSTANTIALLY
- WILL NOT GO AWAY
- NEW OPPORTUNITIES WILL ABOUND WITH NEW PAYMENT MODELS
HSS is...
THANK YOU!