

OPERATION EXCELLENCE

GROWTH

Bundled Pricing & “Acute Care Episode” Demonstration Overview

CMS’ Ongoing Commitment to Value-Based Purchasing

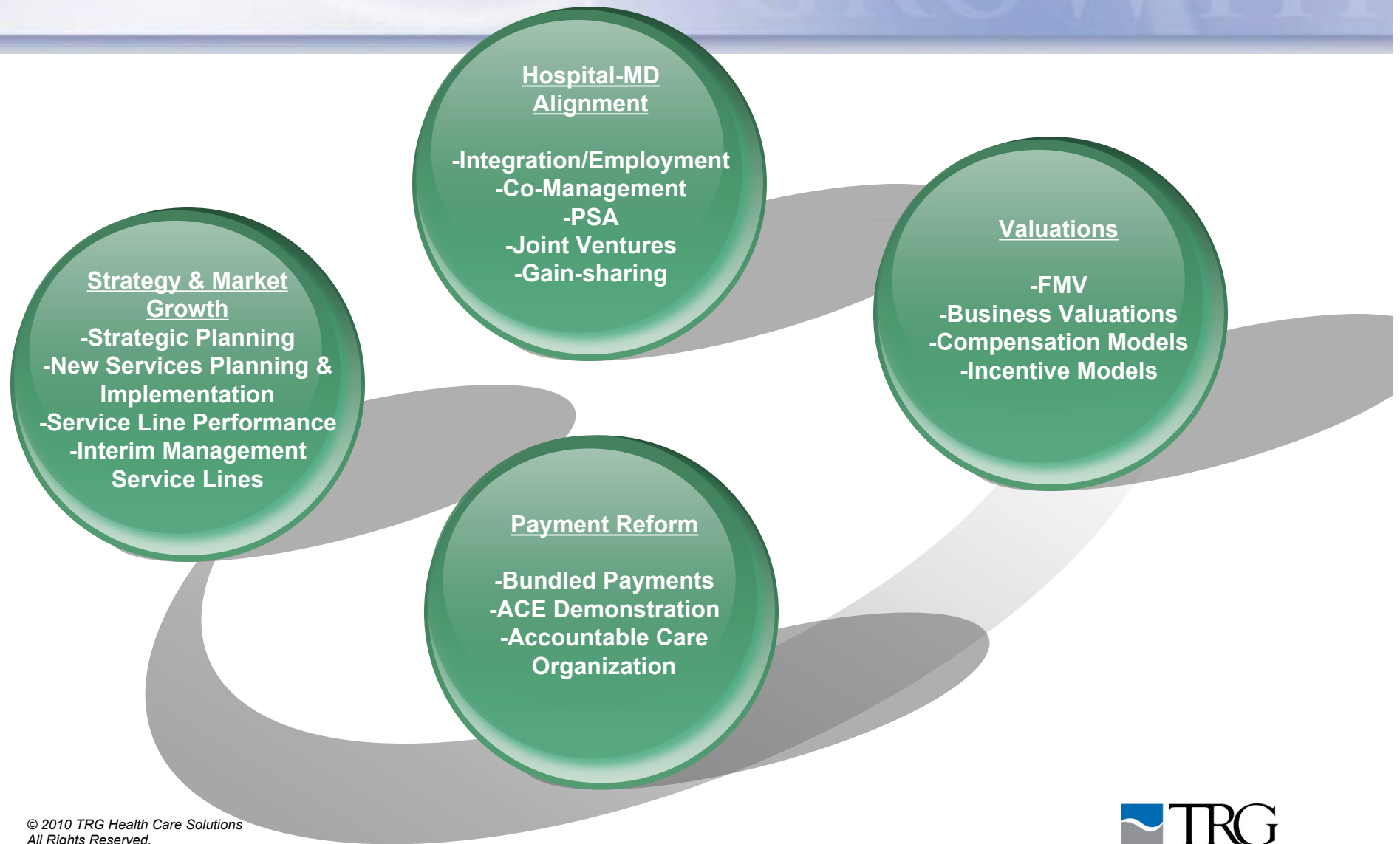
“We can't sustain a system that rewards how much is done to patients instead of how much is accomplished for patients. The Affordable Care Act will help us pay for quality and outcomes, not volume, with innovative tools such as bundled payments, incentives for hospitals that prevent readmissions, and accountable care organizations in which health-care providers who work in teams deliver better care with lower costs.”

-- *Donald M. Berwick*
CMS Administrator
September 3, 2010
Op-Ed in The Washington Post

TRG Health Care Solutions Overview

- ❑ Founded in 2001 – Have Worked with Over 200 Cardiovascular Programs in 30 States
- ❑ Client Base Comprised of Not-for-Profit Hospitals and Health Systems, Investor-Owned Hospitals and Health Systems, and Physician Practices
- ❑ Located in Denver, CO - TRG Personnel Have Extensive Experience – Principals have 75+ years Health Care Consulting with Providers

TRG Proprietary Services



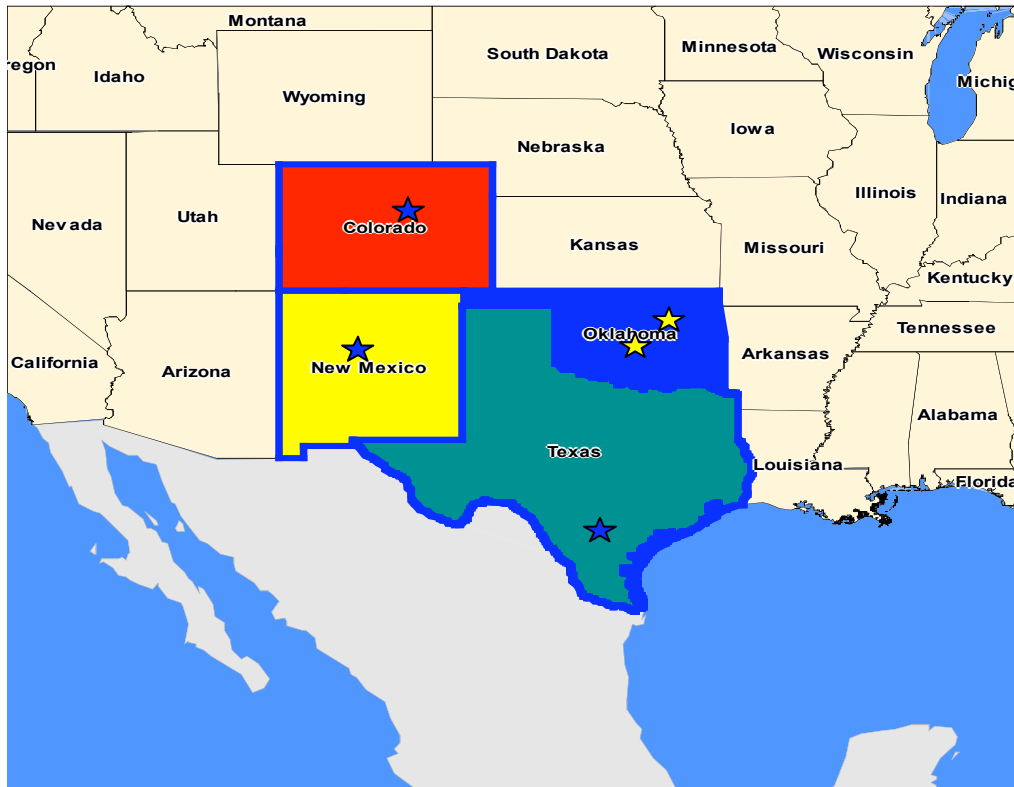
Partial List - CMS Demonstration Experience

The Principals of TRG have worked with the following programs on Cardiovascular and/or Orthopedic Demonstration Applications:

- Baptist Health System, San Antonio, TX
- Bone and Joint Hospital, Oklahoma City, OK
- Boston Medical Center, Boston, MA
- Exempla Saint Joseph Hospital, Denver, CO
- Forsyth Medical Center, Winston-Salem, NC
- Grant Medical Center, Columbus, OH
- Hillcrest Medical Center, Tulsa, OK
- Hinsdale Hospital, Hinsdale, IL
- Indian River Medical Center, Vero Beach, FL
- JFK Medical Center, Edison, NJ
- Lovelace Health System, Albuquerque, NM
- Memorial Hospital, South Bend, IN
- Mercy Hospital, Sacramento, CA
- Mercy Medical Center, Canton, OH
- Morristown Memorial Hospital, Morristown, NJ
- Moses H. Cone Memorial Hospital, Greensboro, NC
- Northwestern, Chicago, IL
- Oklahoma Heart Hospital, OK City, OK
- OSF Saint Francis, Peoria, IL
- Parkview Hospital, Ft. Wayne, IN
- Pennsylvania Hospital, Philadelphia, PA
- Providence Alaska Medical Center, Anchorage, AK
- Riverside Methodist Hospital, Columbus, OH
- St. Anthony, OK City, OK
- St. Charles Hospital, Port Jefferson, NY
- St. Luke's Medical Center, Milwaukee, WI
- St. Mary's Medical Center, Saginaw, MI
- Stanford University, Palo Alto, CA
- SwedishAmerican Hospital, Rockford, IL
- The Toledo Hospital, Toledo, OH
- UCLA, Los Angeles, CA
- Weusthoff Medical Center, Rockledge, FL
- William Beaumont Hospital, Royal Oak, MI

ACE Demonstration Experience

TRG is the only company to have worked with all 5 of the ACE Demonstration Sites



*Exempla Saint Joseph Hospital, Denver
-CV*

*Hillcrest Medical Center, Tulsa
- CV & Ortho*

*Oklahoma Heart Hospital, Oklahoma City
-CV*

*Baptist Health System, San Antonio
-CV & Ortho*

*Lovelace Health System, Albuquerque
-Ortho*

Why ACE is a Game Changer

1. Patients have financial incentive to receive care at ACE programs (Up to \$1,100) – CMS is paying patients to obtain services at ACE sites
2. Physicians can receive up to 125% of Medicare reimbursement if participating in ACE – based on quality and cost improvement
3. ACE Programs have demonstrated lower costs and higher quality – resulting in stronger margins and marketing advantages

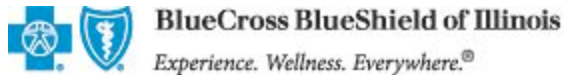
Looking to the Future – Medicare

Patient Protection and Affordable Care Act

Highlights

1. Office of Innovation up and running by January 1, 2011
2. A national pilot program for payment bundling –up to 10 conditions will be selected
3. Episode of care includes 72 hours prior through 30 days post discharge
4. The pilot program must be established within 24 months
5. The pilot program shall be conducted for a period of 5 years
6. Quality measures shall be adopted for use in the pilot program
7. Data on measures will be submitted through the use of a qualified electronic health record
8. January 1, 2016 the Secretary shall submit a plan for the implementation of an expansion of the pilot program

2010 Commercial Market



- ❑ **Harvard Pilgrim Health Care** will move towards “global payment” contracts with hospitals and doctors – CEO, Eric Schultz
- ❑ **Blue Cross & Blue Shield of Illinois and United Healthcare** aim to roll out bundled payments in contracts with some hospital systems and physician groups starting next year (2011)
- ❑ **LOWE’S EXPANDS BENEFITS WITH WORLD-CLASS CLEVELAND CLINIC CARE - Heart Care at No Cost to Eligible Employees**
- ❑ **The Integrated Healthcare Association (IHA) is launching** a pilot project to test bundled payments for specific medical procedures

ACE Application – Selection Criteria & Weights

- Demonstration Design (10 points)
- Organizational Structure and Capabilities (20 points)
- Performance Results (35 points)
- Payment Methodology (35 points)

70% weighted toward quality and cost (bundled fee)

ACE Application Contents Outline

- Cover Letter
- Medicare Waiver Demo Applicant Data Sheet
- Executive Summary
- Problem Statement
- Demo Design
- Organizational Structure & Capabilities
- Performance Results
- Payment Methodology & Budget Neutrality
- Demo Implementation Plan
- Supplemental Materials

The average TRG prepared application totaled over 180 pages per service line per hospital

Project Scope: Required Cardiac Surgical MS-DRGs

216	Cardiac Valve and other Major Cardiothoracic Proc. w/ Cardiac Cath w/ MCC
217	Cardiac Valve and other Major Cardiothoracic Proc. w/ Cardiac Cath w/ CC
218	Cardiac Valve and other Major Cardiothoracic Proc. w/ Cardiac Cath w/o CC/MCC
219	Cardiac Valve and other Major Cardiothoracic Proc. w/o Cardiac Cath w/ MCC
220	Cardiac Valve and other Major Cardiothoracic Proc. w/o Cardiac Cath w/ CC
221	Cardiac Valve and other Major Cardiothoracic Proc. w/o Cardiac Cath w/o CC/MCC
226	Cardiac Defib Implant w/o Cardiac Cath w/ MCC
227	Cardiac Defib Implant w/o Cardiac Cath w/o MCC
231	Coronary Bypass w/ PTCA w/ MCC
232	Coronary Bypass w/ PTCA w/o MCC
233	Coronary Bypass w/ Cardiac Cath w/ MCC
234	Coronary Bypass w/ Cardiac Cath w/o MCC
235	Coronary Bypass w/o Cardiac Cath w/ MCC
236	Coronary Bypass w/o Cardiac Cath w/o MCC

Project Scope: Required Cardiac Interventional MS-DRGs

242	Permanent Cardiac Pace. Implant w/ MCC
243	Permanent Cardiac Pace. Implant w/ CC
244	Permanent Cardiac Pace. Implant w/o CC/MCC
246	Percutaneous Cardiovascular Procedure w/ Drug-Eluting Stent w/ MCC or 4+ Vessels/Stents
247	Percutaneous Cardiovascular Procedure w/ Drug-Eluting Stent w/ MCC
248	Percutaneous Cardiovascular Procedure w/ Non Drug-Eluting Stent w/ MCC or 4+ Vessels/Stents
249	Percutaneous Cardiovascular Procedure w/ Non Drug-Eluting Stent w/o MCC
250	Percutaneous Cardiovascular Procedure w/o Coronary Artery Stent or Acute Myocardial Infarction w/ MCC
251	Percutaneous Cardiovascular Procedure w/o Coronary Artery Stent or Acute Myocardial Infarction w/o MCC
258	Cardiac Pacemaker Device Replacement w/ MCC
259	Cardiac Pacemaker Device Replacement w/o MCC
260	Cardiac Pacemaker Revision ex. Device Replacement w/ MCC
261	Cardiac Pacemaker Revision ex. Device Replacement w/ CC
262	Cardiac Pacemaker Revision ex. Device Replacement w/o CC/MCC

Project Scope: Required Orthopedic MS-DRGs

- 461 Bilateral or multiple major joint procedures of lower extremity w/ MCC
- 462 Bilateral or multiple major joint procedures of lower extremity w/o MCC
- 466 Revision of hip or knee replacement w/ MCC
- 467 Revision of hip or knee replacement w/ CC
- 468 Revision of hip or knee replacement w/o CC/MCC
- 469 Major joint replacement
- 470 Major joint replacement
- 488 Knee procedures w/o primary diagnosis of infection w/ CC/MCC
- 489 Knee procedures w/o primary diagnosis of infection w/o CC/MCC

Sample Global Pricing Sheet

MS-DRG	HOSPITAL COMPONENT	PROFESSIONAL					PHYSICIAN COMPONENT	GRAND TOTAL
		Surgeon w/ Assist	Cardiology	Anesthesia	Radiology	Consults (Pool)		
461 Bilateral or multiple major joint procs of lower extremity w MCC	85.4% \$25,032	n/a n/a	n/a n/a	n/a n/a	n/a n/a	n/a n/a	14.6% \$4,283	\$29,315
462 Bilateral or multiple major joint procs of lower	83.3% \$15,866	74.4% \$2,363	0.0% \$0	18.3% \$582	0.3% \$8	7.0% \$223	16.7% \$3,177	\$19,043
466 Revision of hip or knee replacement w MCC	86.6% \$22,928	38.1% \$1,353	3.7% \$132	16.2% \$576	2.8% \$101	39.1% \$1,388	13.4% \$3,550	\$26,478
467 Revision of hip or knee replacement w CC	82.0% \$15,458	55.7% \$1,889	1.3% \$45	12.3% \$416	1.7% \$57	29.1% \$986	18.0% \$3,393	\$18,851
468 Revision of hip or knee replacement w/o CC/MCC	83.9% \$12,368	66.6% \$1,587	2.0% \$47	15.0% \$357	1.2% \$28	15.2% \$362	16.1% \$2,381	\$14,749
469 Major joint replacement or reattachment of lower extremity w MCC	83.4% \$17,255	41.2% \$1,412	5.4% \$184	9.3% \$319	4.2% \$143	39.9% \$1,365	16.6% \$3,424	\$20,679
470 Major joint replacement or reattachment of lower extremity w/o MCC	81.5% \$10,139	63.5% \$1,456	1.3% \$29	13.8% \$317	1.3% \$30	20.2% \$462	18.5% \$2,295	\$12,434
488 Knee procedures w/o pdx of infection w CC/MCC	78.4% \$8,481	46.7% \$1,090	0.0% \$0	12.9% \$300	5.8% \$136	34.6% \$809	21.6% \$2,336	\$10,817
489 Knee procedures w/o pdx of infection w/o CC/MCC	75.8% \$5,856	61.6% \$1,150	4.1% \$76	14.0% \$262	0.5% \$9	19.8% \$369	24.2% \$1,866	\$7,722

TRG Deliverables - ACE Audit & Bundled Pricing

- Lead application completion
 - Collect & organize quantitative and qualitative data
 - Benchmark program metrics to CMS-selected ACE Demonstration sites
 - Identify gaps and provide recommendations to address
 - Create comprehensive application for approval (40+ narrative pages)
- Develop bundled pricing package
 - Develop pricing scenarios – hospital and all professional components for CMS and other payers
 - Benchmark bundled pricing components to CMS ACE Demo sites
 - Detail specialty reimbursement
 - Detail consult pool and options
 - Detail and structure for incentive pools
 - Meet with physicians to educate and obtain their participation
 - Billing and payment algorithm and key processes
- Provide financial impact analysis under various scenarios
 - Hospital profitability analysis, physician upside potential
 - Range of discount recommendations
 - Volume growth potential, Identify non-Medicare market
 - Cost reduction potential

ACE Quality Monitoring Measures

Anticipated ACE Demonstration Quality Monitoring Measures: Frequency of Reporting by Surgical Procedure

		ACE Demonstration Procedure Groups or Selected Procedures					
		Hip or Knee Replacement/Revision	Percutaneous Coronary Intervention (PCI)	Cardiac Defibrillator Implant	Cardiac Pacemaker Implant or Revision	Coronary Artery Bypass Graft (CABG)	Cardiac Valve and Other Major Cardiothoracic
Application Submission by the ACE Demonstration Sites							
Measure 4	Surgery patients who received appropriate venous thromboembolism prophylaxis within 24 hours prior to surgery to 24 hours after surgery	X					
Measure 8	Inpatient Mortality Rate	X	X	X	X	X	X
Measure 11	Percent of CABG Patients Returned to operating room during stay					X	
Measure 13	Revascularization rates by number of vessels separately for PCI and CABG and Percent of CABG procedures performed off pump		X			X	
Measure 16	30-Day Post-Surgery Mortality Rate	X	X	X	X	X	X
Measure 17	30-Day Readmission Rate	X	X	X	X	X	X
Measure 19	Severity of Beneficiaries receiving a total hip or knee replacement/revision	X					
Measure 20	Average and median length of stay	X	X	X	X	X	X
Measure 21	Percent Medicare Outlier Patients	X	X	X	X	X	X
Quarterly Submission by the ACE Demonstration Sites							
Measure 1	Prophylactic antibiotic received within 1 hour prior to surgical incision	X				X	X
Measure 2	Prophylactic antibiotic selection for surgical patients	X				X	X
Measure 3	Prophylactic antibiotics discontinued within 24 hours after surgery end time for hip and knee replacement and 48 hours for CABG and valve procedure groups	X				X	X
Measure 4	Surgery patients who received appropriate venous thromboembolism prophylaxis within 24 hours prior to surgery to 24 hours after surgery	X				X	X
Measure 10	Anti-Platelet Medication Prescribed at Discharge					X	
Measure 12	Percent of PCI procedures with angiographic success and no death, myocardial infarction (MI), or emergent/salvage CABG		X				
Measure 13	Revascularization rates by number of vessels separately for PCI and CABG		X			X	

ACE Quality Monitoring Measures (cont.)

Anticipated ACE Demonstration Quality Monitoring Measures: Frequency of Reporting by Surgical Procedure (Continued)

		ACE Demonstration Procedure Groups or Selected Procedures					
		Hip or Knee Replacement/Revision	Percutaneous Coronary Intervention (PCI)	Cardiac Defibrillator Implant	Cardiac Pacemaker Implant or Revision	Coronary Artery Bypass Graft (CABG)	Cardiac Valve and Other Major Cardiothoracic
Quarterly Calculation by RTI (CMS Contractor)							
Measure 5	Postoperative Hemorrhage/Hematoma	X	X	X	X	X	X
Measure 6	Postoperative Physiologic and Metabolic Derangement	X	X	X	X	X	X
Measure 7	Post-operative Sepsis	X				X	X
Measure 9	Use of Internal Mammary Artery in first time isolated CABG					X	
Measure 11	Percent of CABG Patients Returned to operating room during stay					X	
Measure 14	Post-operative Stroke	X	X	X	X	X	X
Measure 16	30-Day Post-Surgery Mortality Rate	X	X	X	X	X	X
Measure 17	30-Day Readmission Rate	X	X	X	X	X	X
Measure 18	Change in mix of MS-DRG assignments	X	X	X	X	X	X
Measure 19	Severity of Beneficiaries receiving a total hip or knee replacement/revision	X					
Measure 20	Average and median length of stay	X	X	X	X	X	X
Measure 21	Percent Medicare Outlier Patients	X	X	X	X	X	X
Measure 22	Percent Discharge Destination is acute care hospital transfer or post-acute	X	X	X	X	X	X
Semi-Annual Calculation by RTI (CMS Contractor)							
Measure 15	Percent of ACE demonstration procedure cardiovascular re-dos or orthopedic revisions during the prior six-months	X	X	X	X	X	X
Annual Calculation by RTI (CMS Contractor)							
Measure 8	Inpatient Mortality Rate	X	X	X	X	X	X

Questions?



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