

OUTSIDE THE LINES

ORTHOPEDIC CARE: CHANGING AND INNOVATING FOR TODAY AND TOMORROW

November 8, 2017

This is the 3rd issue in a 3-part series titled: Changing & Innovating in Health System Service Lines. This series features healthcare leaders who are growing, transforming and innovating key service lines to address change and progress in our current vs. future business models. Click [here](#) to access the entire series or to review other Outside the Lines series we've published.

In October 2012, [Healthcare Finance reported](#) “orthopedics is in great demand, specifically from an aging baby boomer generation.” At that time, outpatient procedures and specialty hospitals were the fast-growing trends in orthopedics. Fast forward three years and other trends emerged, including these from the American Academy of Orthopaedic Surgeons’ ([AAOS](#)) 2015 Annual Meeting:

- Value-based care: “the shift to value-based healthcare is here to stay and orthopedic providers must prepare themselves to navigate the care model.”
- Care management: “with the new value-centric care model, the ability to deliver high quality care and avoid financial penalties related to readmissions and adverse outcomes is critical ... robust care management requires alignment of different providers throughout the patient’s care episode to ensure strong clinical outcomes and high-quality care.”
- Outcome metrics: “physicians are increasingly being asked to demonstrate the value of their orthopedic care by utilizing outcome measures that can reflect the patient experience and overall care quality.”

All of this leads to the biggest trend for orthopedic care – bundled payments. This has been emerging for years but is particularly shifting the orthopedic business today and for the future. It is impacting all geographies and payer, medical group, health system, medical

device, innovator and other sectors. At the AAOS 2017 gathering, [MedCity News reported](#) that “the annual meeting ... was less about rods and screws and the latest techniques in surgery, and more about bundled care and the shift from volume to value.”



Across the nation, more than [1 million](#) hip and knee replacements are performed each year. Also, there are more than [200 ambulatory surgery centers](#) across the country with more than 2,000 orthopedic surgery cases each year. And these statistics only begin to encompass the [size of the orthopedic services business](#), with direct costs alone equating to more than \$500 billion, equaling 5% of GDP and representing almost 30% of all healthcare expenditures. With bundled payments re-shaping the financial, clinical and experience expectations for orthopedic care, how are healthcare leaders transforming and innovating to better serve people and patients in their communities, leveraging new partners and technology, and evolving their models amidst this shift? While there are many, many examples, the following provide a snapshot that might inform your orthopedic services strategy.

Top Orthopedic Centers: The nation’s major centers for orthopedic care include the “Top 10” reported [by U.S. News & World Report](#), among others. These programs are growing and changing. As examples, #1 Hospital for Special Surgery ([HSS](#)) in New York recently [announced a collaboration](#) with Stamford Health in Connecticut. Also, #10 [Cedars-Sinai Medical Center expanded](#) its orthopedic services via a dual strategic partnership with two prominent medical groups in Southern California: the Kerlan-Jobe Clinic and the Santa Monica Orthopaedic and Sports Medicine Group. All of the major centers are pursuing “build and grow” strategies. All are interesting to watch as you consider your own orthopedic strategy.

Bundled Payments: The Bundled Payments for Care Improvement ([BPCI](#)) initiative was launched by CMS, along with the Comprehensive Care for Joint Replacement ([CJR](#)) for total hip/knees replacement. Both define a period for which Medicare pays hospitals a lump sum payment including all services starting at admission and ending 90 days after discharge. While the BPCI and CJR initiatives have been jostled around amidst the recent

ACA repeal and replace discussions, bundled payments for orthopedic care are gaining steam with [many state-based and private-sector efforts](#).

Bundled Payments in Private Orthopedic Practices: [The Centers for Advanced Orthopaedics](#), based in Virginia and with about 170 physicians, announced in April this year that it would be among the first large private practices to negotiate bundled payments for seven surgical procedures which represent 80% of all surgeries done by the practice.

Bundled Payments and Large Employer-Endorsed Centers of Excellence: According to the National Business Group on Health ([NBGH](#)) – an organization representing 420 major employers throughout the country – 9 in 10 employers (88%) expect to use Centers of Excellence (COEs) in 2018 for certain procedures, including orthopedic surgery. Also, bundled payments or other types of alternative payment arrangements will be used in 21% to 48% of COE contracts.

Virtual Rehab: Across the country, physicians and other leaders are signaling that [virtual rehab](#) will be used more and more in the future, especially inside of bundled care programs. Noting this trend, [Heal](#) (a doctor house calls company based in Los Angeles) announced last week that it is expanding its services to include physical therapy in the home. Other technology companies are also emerging in this space (see below).

New Ortho Care Technology: Bon Secours Health System in Virginia, and other medical centers/health systems, have partnered with [VOX OrthoCare](#) to optimize outcomes by supporting pre-and-post-surgical coordination and communication processes. Other health systems are using similar technology partners. For example, [AMITA Health](#) in Chicago has partnered with TapCloud while [other Chicago area hospitals](#) have similar programs in place.

Just yesterday, one of our Strategy Advantage experts said, “what’s interesting about healthcare is the changing landscape ... with risk-based (value-based) payment, the evolving ‘consumer patient’ and the many new technologies and disruptors all occurring at the same time. These shifts are redefining our marketplace, and all of our service lines, clinical programs and care systems.” This is occurring especially in orthopedic care. It is exciting and complicated. Demand will continue to climb, but as orthopedic care and services shift – whether via bundled payment or otherwise – innovating and thinking “outside the lines” is the pathway for success today and into the future.

Always looking ahead,



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DO YOU KNOW...

In 2015, CMS finalized, and in 2016, launched the Comprehensive Care for Joint Replacement (CJR) model which initially required 800 hospitals in 67 geographic areas to participate in a test of bundled payments for hip and knee replacements. CMS expected to save \$343 million over the five performance years of the model. While the model was initially controversial, and is still being debated today, [new CMS data indicates](#) that many hospitals have succeeded in meeting the program's requirements and have received financial rewards. Nearly half the 799 participating facilities across the country — 47.8% — received \$40 million in gain-sharing payments for meeting the bundled-payment program's cost and quality targets. The average bonus payment per 90-day episode of care was \$1,134.

DO YOU KNOW ABOUT...

Several technology/disruptor companies are being noticed for their virtual rehab services. The following are interesting and included in the set of innovators we are watching as part of our ZIGZAG Healthcare – www.zigzaghealthcare.com – library. ZIGZAG is our Strategy Advantage-offered strategic intelligence resource for health systems, physicians, executives and others who want to stay on top of – and in front of – new ideas and disruptive innovators in healthcare.

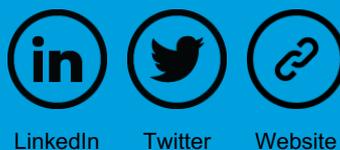
- [Reflexion Health](#) is based in San Diego and uses sensors, a Microsoft Kinect motion tracking system, and its Vera system (FDA approved) to guide patients through physical therapy exercises at home. The system coaches patients through their rehab, monitors their performance, and enables physical therapists and physicians to track the patient's progress.
- [Jintronix](#), based in Montreal, Canada, also uses sensors and Kinect (similar to Reflexion Health), but has its own FDA-cleared platform to serve patients recovering from stroke, hip replacement, hip fractures and knee replacement. It also supports patients recovering from multiple sclerosis and Parkinson's disease.
- [Force Therapeutics](#), based in New York, is a remote monitoring company whose digital health platform provides physical therapy for joint replacement patients. With this program, patients have access to surgeon videos and instructions, and physicians can track patient progress between appointments.
- RespondWell, based in Michigan, is a telerehabilitation technology designed to provide personalized, clinician-supervised post-surgical physical therapy in patients' homes. [RespondWell was acquired](#) by Zimmer Biomet Holdings in October 2016; Zimmer is a global leader in musculoskeletal health.

A "LEADING" LEADER IN HEALTHCARE ...

In 2013 the Cleveland Clinic and a selection of top orthopedic centers across the country, created the National Orthopaedic & Spine Alliance (NOSA) to provide bundled orthopedic programs for large employers and to entice their employees (and families) to travel to destination "centers of excellence" for their services.

According to [NOSA](#), "In this unpredictable environment, a group of like-minded innovative caregivers across the country saw an opportunity. They became the five founding partners of NOSA: Cleveland Clinic, The CORE Institute, OrthoCalifornia, OrthoCarolina and Rothman Institute." [NOSA notes](#) that with its model, "employers can control costs ... with fewer complications ... and employees are back to work sooner."

In [recent years](#), NOSA's membership has grown to include more than 40 organizations, as of April 2016. Also as of this date, NOSA announced that it had reached an agreement with two national plan sponsors to access the network through a centers of excellence model in which they cover travel expenses to ensure their employees access NOSA providers. Combined, these plan sponsors cover more than 100,000 beneficiaries and spend more than \$36 million annually for musculoskeletal services.



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