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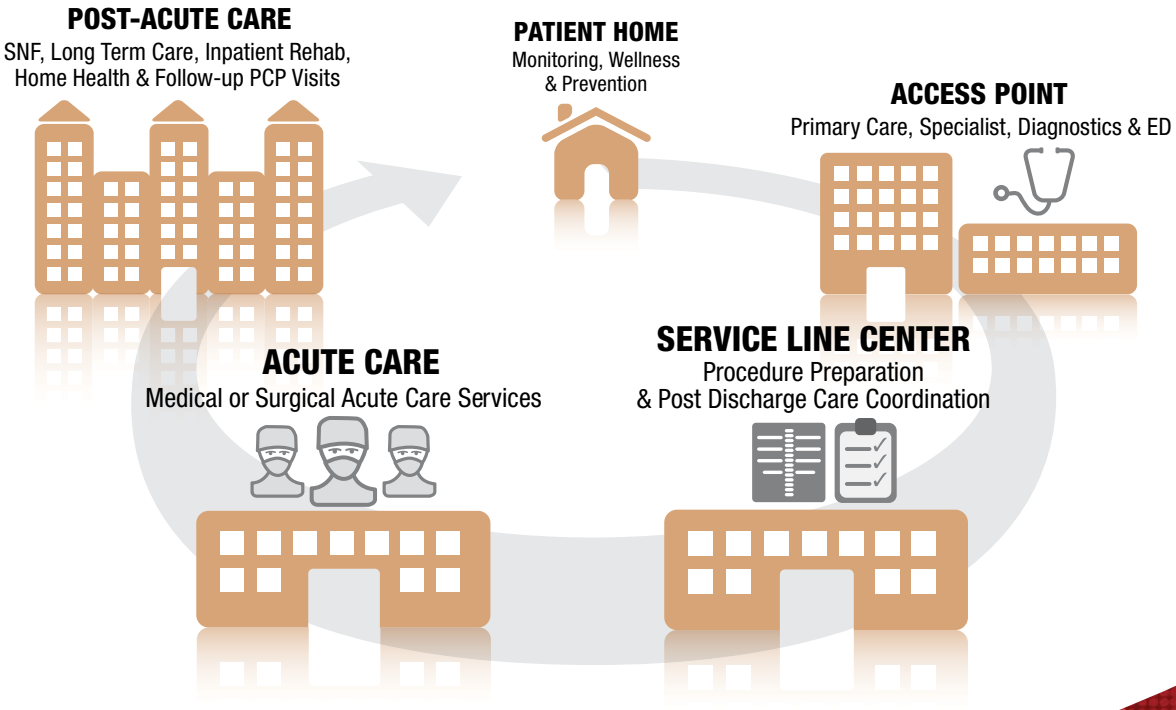
Episode of Care Explained

The healthcare reform legislation passed in March included many changes that will soon be implemented. These changes are aimed at making the U.S. healthcare system more efficient, accessible, transparent and patient focused. One such change, episode of care, also referred to as episode-based payment or bundled payment, has been in testing since 2009 and will transform healthcare delivery. The Q&A on the reverse side will help to explain what this change is and what it means for the industry.

The Episode of Care Cycle



EOC Implementation Dates

2009
Demonstration Program is Implemented.

January 1 2013*
National Pilot Program Begins.

January 1 2015
Initial Results are Reported to Congress.

January 1 2016
Final Results of Pilot Program are reported to Congress. Plan for Expanding Program is Submitted to Congress.

January 1 2018
Episode of Care Program is Mandatory for All Healthcare Facilities.

*Information based on HR3590-235

Q: What is episode of care?
A: An episode of care is a patient's entire treatment needed for an illness or "episode." For example, if a patient has a heart attack, everything done to diagnose and treat that condition is all grouped together into one clinically-defined episode of care. Using these episode of care groupings, the provider reimbursement is determined based on the expected costs for that care. These payments are called episode-based payments.

Q: How are providers reimbursed if they participate in an episode-based payment system?
A: The program is the fusion of Medicare Part A and B services. One payment will go to the contracting entity that represents the integrated care cooperative, i.e., an IDN (Integrated Delivery Network). The payment would then be disbursed amongst the cooperative's members – for example a hospital, physician group, skilled nursing facility or a home health agency.

Q: Will there be a similar program for Medicaid?
A: Yes, Medicaid will also be moving toward an episode based payment for hospitalization. A demonstration project to evaluate integrated care around a hospitalization will begin January 1, 2012, and be conducted in as many as eight states for Medicaid beneficiaries.

Q: Is an episode-based payment just a flat rate reimbursement regardless of illness severity?
A: No, episode-based payments have the flexibility to be adjusted based on the severity of an illness or condition, as well as based on the quality of performance by the care provider. An episode-based payment system is seen as a happy medium between a flat rate system and a fee-for-service system because it incentivizes providers to give the highest quality care necessary, not just the most care. Integrated care cooperatives can qualify for incentive payments for improving the quality of care and reducing costs in the treatment of the patient across the entire continuum of care.

Q: Why is this being implemented?
A: The goal of episode-based payments is to reduce healthcare costs while focusing on improving the care of the patient, promoting the appropriate use of imaging, reducing length of stays, improving quality outcomes and preventing readmissions.

Q: When is this being implemented?
A: The Centers for Medicare and Medicaid Services (CMS) began a demonstration program in 2009 to test the payment system for cardiovascular and orthopedic episodes of care. CMS plans to roll out a national pilot program no later than January 1, 2013. The national pilot program will run for five years. Though participation is optional during the pilot stage of the program, those facilities that choose not to participate will most likely lose market share as Medicare patients will be incentivized to receive care from participating facilities.

Q: What happens after the pilot?
A: If it is determined that the pilot program is improving the quality of patient care and reducing healthcare spending then the Health & Human Services (HHS) Secretary will submit a plan to Congress no later than January 1, 2016 to expand the program, making it mandatory for everyone.

Q: Will all conditions be included when the pilot program is implemented?
A: No, not all conditions will be included in the pilot program and CMS has not yet made the list available. CMS will determine up to 10 conditions to be included in the pilot program based on data from previously processed claims over the last several years. CMS will likely be including conditions that are high cost and high volume, surgical, medical, acute or chronic.

Q: Who does this impact?
A: The pilot program will impact acute care facilities. Critical access hospitals and small rural hospitals will not be included in the pilot program.

Q: What does this mean for my facility?
A: The implementation of episode of care means that providers will need to become even more focused on quality care and fiscal value. When making purchasing decisions, providers will need to find value based solutions to their challenges rather than volume based solutions.

Q: How can Toshiba help?
A: Toshiba's full suite of imaging products provide customers with a complete solution with the improved clinical utility, operational efficiency and financial performance needed to compete in a healthcare system that has moved from being volume based to value based.

Q: Where can I find more information on episode of care?
A: More information on episode of care can be found by visiting the CMS website at **www.CMS.gov**. Additional information can be found at **www.prometheuspayment.org**, a website run by a nonprofit group, PROMETHEUS, focused on creating payment reform based on episode of care.

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