Hillcrest Medical Center, Tulsa, Okla.
Medicare Acute Care Episode (ACE) Demonstration: Lessons Learned from a Bundled Payment Pilot Project

Background
Hillcrest Medical Center is one of five hospitals participating in the three-year Medicare ACE Demonstration, which started in 2009. Hillcrest includes six hospitals with 1,151 beds and a multi-specialty physician group.

Under this demonstration, Medicare pays the hospital a single payment for both hospital (Part A) and physician (Part B) services furnished during an inpatient stay for common orthopedic and cardiac surgeries.

Goal
The goals of this demonstration include:
- Improve coordination and quality of care and outcomes for Medicare beneficiaries while providing a savings for beneficiaries, providers and the Medicare program.
- Align incentives for patients, hospitals, physicians and Medicare through “global pricing” and gain-sharing.

Target population
Medicare patients undergoing 37 specific heart and joint surgeries.

Payment model
The five participating hospitals provided Medicare with a five percent discount (roughly) for heart and joint surgeries. Medicare pays the hospital at the reduced rate and shares 50 percent of the savings with the Medicare beneficiary. Hospitals have the option of rewarding individual surgeon or teams of clinicians with an incentive payment (that may not exceed 25 percent of the amount normally paid) if they achieve quality and savings improvements.

Results
Overall quality metrics improved during the study period. In the three year demonstration, Hillcrest alone has saved 2.2 million on cardiac and orthopedic services. The primary savings were achieved through aggressive supply chain negotiations and reduced length of stay in the hospital.

Recommendations/Observations
The case manager plays a critical role in coordinating care for the patient.

Bundled payments create stronger connections between hospitals and physicians, aligning incentives so that they work together to improve quality and manage resources.

Financial administration of a gain-sharing program is complex.