

# Building a More Robust Value Case for Spinal Surgery

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# Introduction to NAI

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- ▶ **NAI is a strategic management consulting firm with over 25 years' experience serving Fortune 1000 companies, with a focus on industries in transition.**
- ▶ **Our work across the industry with healthcare delivery, payers, and manufacturers is focused on redesigning and implementing new business models that sustain profitable growth under changing market conditions.**
- ▶ **We have made the evolving requirements of “better care at lower cost” a core part of our healthcare consulting practice.**
- ▶ **NAI has been a pioneer in helping clients incorporate economic and clinical value (ECV) as the basis for competitive differentiation and growth.**

# Roadmap for Today's Discussion

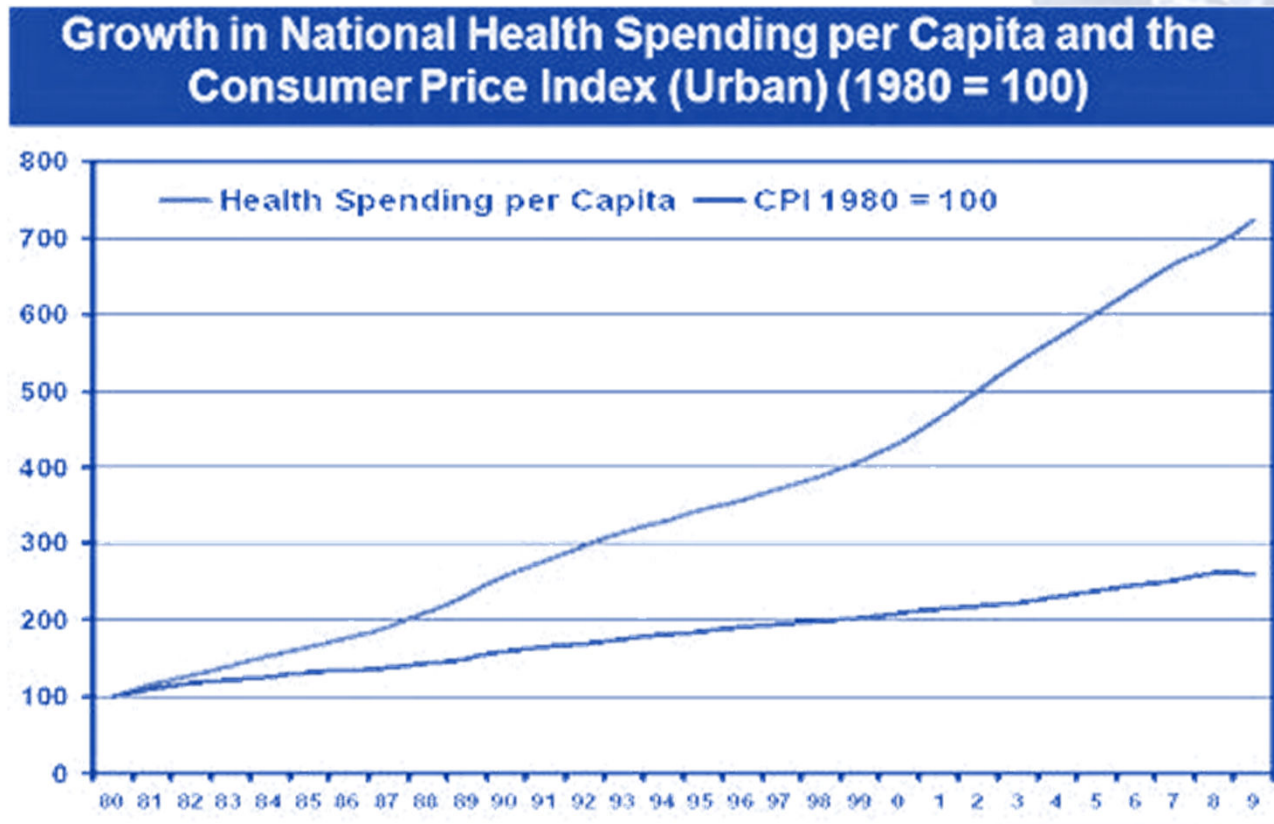
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- ▶ **The Current Environment**
- ▶ **Immediate Challenges in Spine Care**
- ▶ **Demonstrating Your Value (ECV) Case**



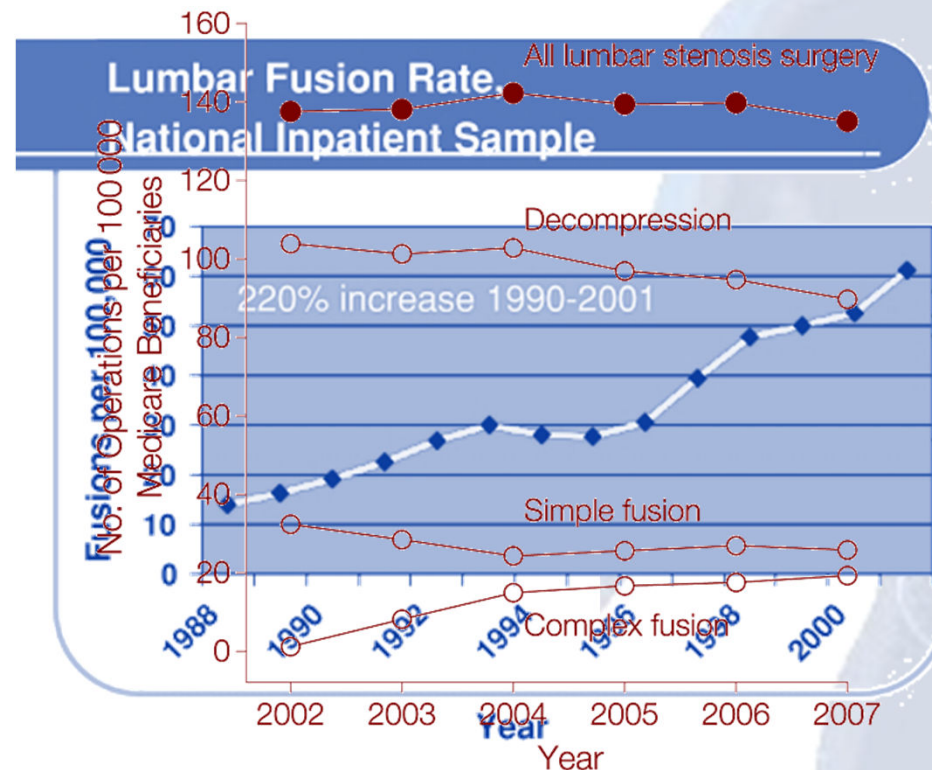
# The Current Environment

## ► Spiraling Healthcare Cost Inflation



# The Current Environment

- ▶ Spiraling Healthcare Cost Inflation
- ▶ Increasing Use of Spinal Surgery (and Complex Procedures)

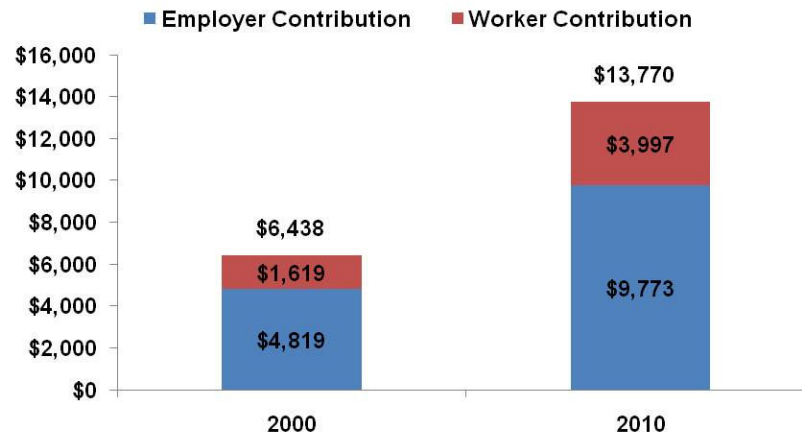




# The Current Environment

- ▶ Spiraling Healthcare Cost Inflation
- ▶ Increasing Use of Spinal Surgery (and Complex Procedures)
- ▶ **Consumer/Employer Pushback on Rising Insurance Premiums**

Workers' Contribution to Health Insurance Premiums  
Rose by \$2,378,  
More Than Doubling Since 2000



Source: Employer Health Benefits, 2010 Summary of Findings, Kaiser Family Foundation, September 2010

# The Current Environment

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- ▶ Spiraling Healthcare Cost Inflation
- ▶ Increasing Use of Spinal Surgery (and Complex Procedures)
- ▶ Consumer/Employer Pushback on Rising Insurance Premiums
- ▶ **Lagging Quality Indicators**



# The Current Environment

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- ▶ Spiraling Healthcare Cost Inflation
- ▶ Increasing Use of Spinal Surgery (and Complex Procedures)
- ▶ Consumer/Employer Pushback on Rising Insurance Premiums
- ▶ Lagging Quality Indicators
- ▶ **Chronic Lack of Transparency**





# Roadmap for Today's Discussion

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- ▶ **The Current Environment**
- ▶ **Immediate Challenges in Spine Care**



# Immediate Challenges in Spine Care

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## ► Comparative effectiveness research

- ❑ Centerpiece of the stimulus bill (2009, American Recovery and Reinvestment Act) (\$1.1B) and appears in PPACA
- ❑ CER's emphasis is on comparisons of products and treatment approaches – cost-effectiveness and cost-benefit
- ❑ Spine Patient Outcomes Research Trial (SPORT): compared surgical and nonsurgical treatments for lumbar disk herniation, spinal stenosis or degenerative lumbar spondylolisthesis with spinal stenosis.
- ❑ These kinds of studies will become more common and be used to develop treatment guidelines



# Immediate Challenges in Spine Care (cont.)

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- ▶ Changing payment models increasingly demand evidence
  - ❑ Payers have concerns about the use -- and possible overuse -- of fusion surgery to treat back pain and spinal disorders
  - ❑ New payment models increasingly shift risk from payers to providers (e.g. bundled payments with associated quality metrics)

***Payers are increasingly questioning the appropriateness and effectiveness of spinal fusion surgery to treat certain conditions.***

# Immediate Challenges in Spine Care (cont.)

## Challenges for spinal surgeons

- ❑ Payers limiting or denying coverage of fusion surgery (e.g. for degenerative disc disease)
  - ❑ The number of indications approved for spinal fusion surgery is decreasing
- ↓
- ❑ Payers demanding more evidence on the value of services, products, and procedures before they agree to reimbursement

## Implications and concerns:

- ❑ Need to meet demand for better care at lower cost
  - ❑ Need to ensure patients receive necessary treatment and surgeons are adequately reimbursed
- ↓
- ❑ Need to build a robust economic and clinical value story for treatment approach

# Roadmap for Today's Discussion

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- ▶ **The Current Environment**
- ▶ **Immediate Challenges in Spine Care**
- ▶ **Demonstrating Your Value (ECV) Case**





# Demonstrating Your Value (ECV) Case

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As payers demand more evidence on the value of services, products, and procedures, how do you create -- and demonstrate *meaningful* difference in the services you provide?

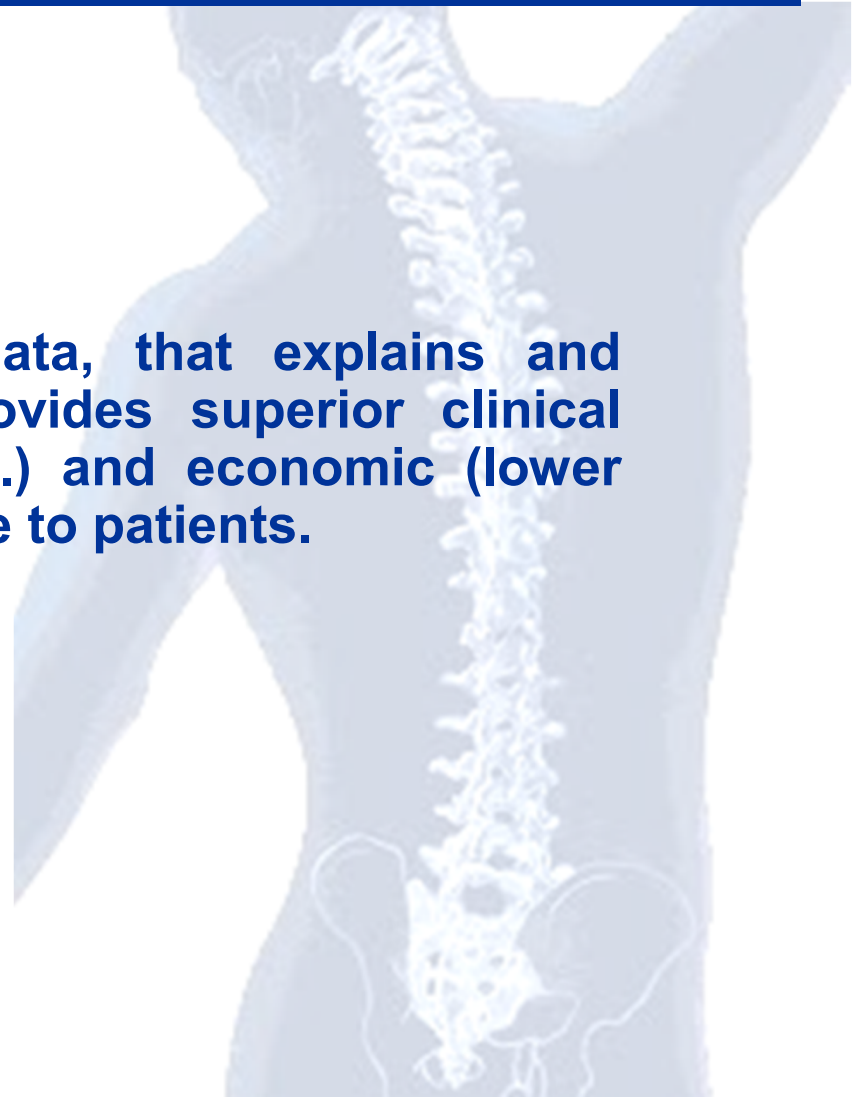
ECV as ~~a~~ <sup>the</sup> source of competitive differentiation

*ECV represents a core competency that needs to be embedded throughout the healthcare industry!*

# Defining the Value Case

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**A narrative, backed up by data, that explains and quantifies how a provider provides superior clinical (success rates, symptoms, etc.) and economic (lower cost, fewer lost work days) value to patients.**

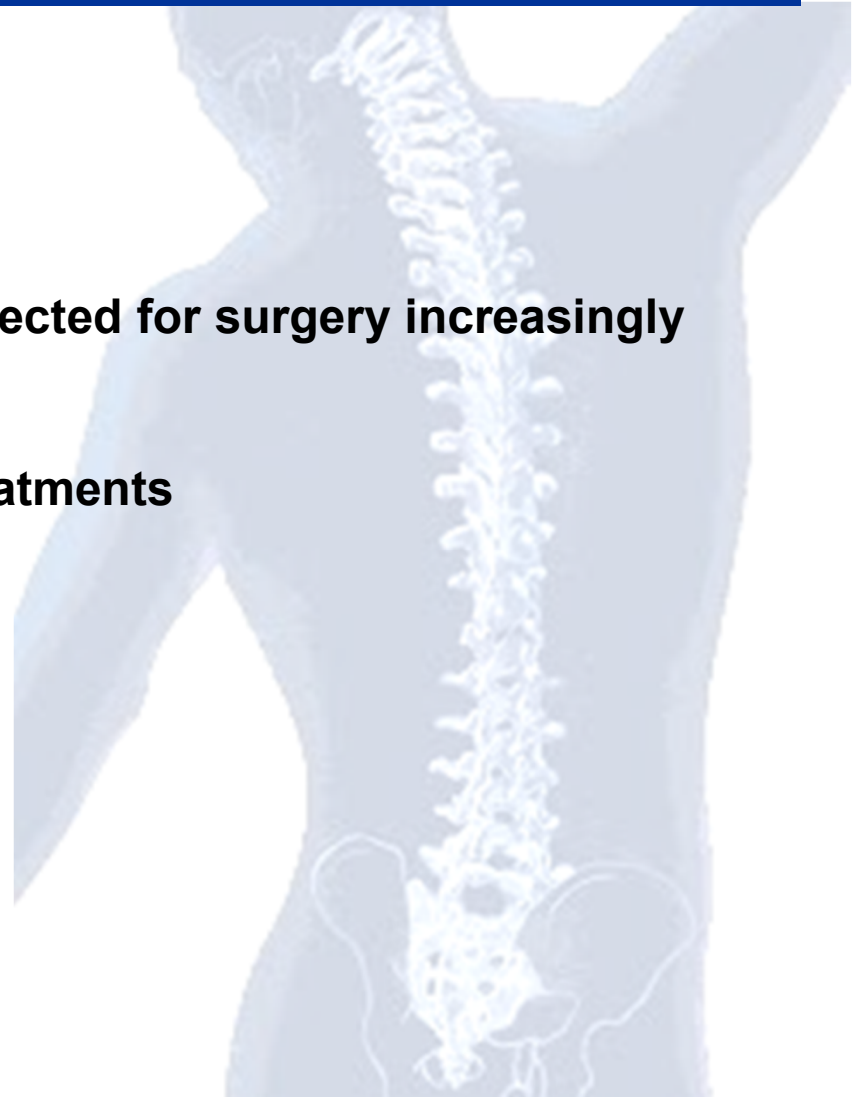


# Developing Your Value (ECV) Case (cont.)

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## 1) Improving Diagnostic Specificity

- ▶ Right patient/right treatment
- ▶ Quality, not quantity, of patients selected for surgery increasingly important
- ▶ Improve the use of non-surgical treatments



# Developing Your Value (ECV) Case (cont.)

## 2) Payer Collaboration

- ▶ Collaborate with payers to develop guideline recommendations and negotiate commensurate reimbursement arrangements – for both surgical *and* non-surgical treatment
- ▶ Payers concerned about reducing practice variation and unnecessary costs
- ▶ Important for payers to know surgeons are choosing appropriate patients for spinal fusions

**Episode cost of treatment  
(diagnosis + intervention +  
rehab)**

**vs.**

**Total cost of treatment  
over subsequent  
2-4 years**

# Developing Your Value (ECV) Case (cont.)

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## 3) Tracking Patient Outcomes

- ▶ Collecting data on patients' progress through evaluation, surgery, and recovery enables providers to demonstrate their value to patients and payers
- ▶ Conversely, *not* having this data could mean increasing difficulty in securing favorable reimbursement
- ▶ Need to show effective use of non-surgical treatments – and overall savings to payers by reducing (unnecessary) surgeries
- ▶ Also consider expanding to include post-acute services that can impact outcomes



# Summary

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## Building your value case:

- ▶ **Diagnostic specificity**
  - ☑ **Quality, not quantity of surgical patients**
  - ☑ **Effective use of non-surgical intervention**
- ▶ **Collaboration with payers**
  - ☑ **Guidelines**
  - ☑ **Predictive care paths reflecting evidence-based medicine**
- ▶ **Tracking patient outcomes over several years**
  - ☑ **Care coordination**
  - ☑ **Partnerships with post-acute providers**

# NAI

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*Numerof & Associates, Inc.*

**Breakthrough results through people, process, and planning <sup>TM</sup>**



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