

**Becker's 16th Annual
Future of Spine + The
Spine, Orthopedic and Pain
Management-Driven ASC
Conference
June 14-16, 2018**

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PRESENTATION OVERVIEW

Introduction

- Cost Pressures / bundled payments
- Advancements in surgical techniques, anesthetics, imaging

Other Recovery Hotel Models

- General Surgery, Plastic Surgery, Sleep Studies

Current State

- Orthopedic Recovery Hospitals

Future State

- Health System or Orthopedic Owned Hotels or Home Recovery Programs / Home telemonitoring etc.



FACTORS INFLUENCING THE ORTHOPEDIC HOTEL

- CMS-PAYOR SHIFTS / ADVANCEMENTS IN CARE
- TRENDS FROM OTHER SPECIALITIES – ENT, PLASTICS, NEUROLOGY
- THE 'DISNEY GUEST CAPTURE' MODEL

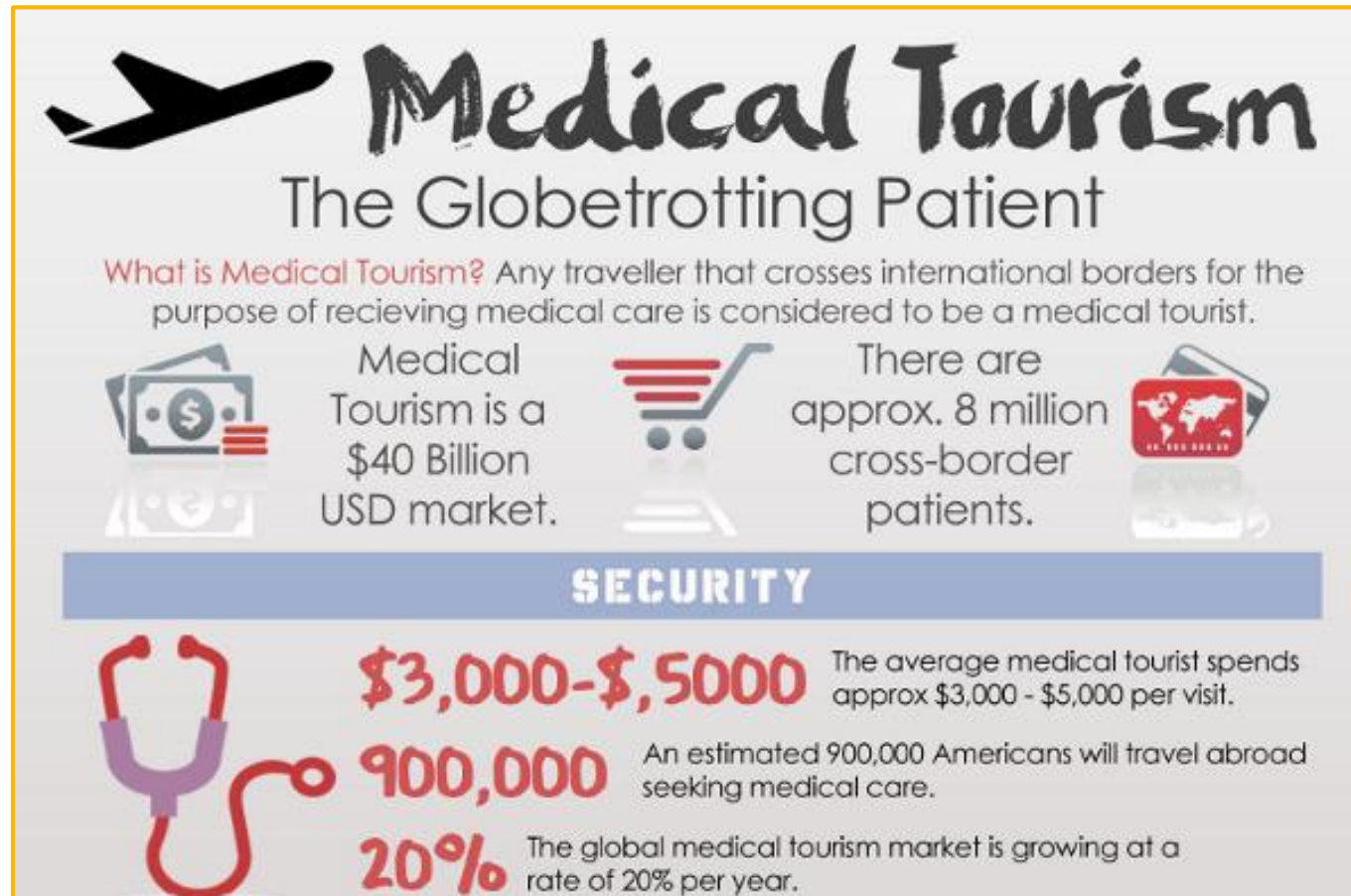


THE ONGOING SHIFT TO OUTPATIENT SURGERY

Outpatient procedures performed in the United States is on the rise. In fact, it has tripled over the past 30 years to more than 54 million a year.

That almost equals the number of procedures that require hospital stays.

THE EMERGENCE OF MEDICAL TOURISM



The infographic is titled "Medical Tourism: The Globetrotting Patient". It features a black airplane icon. The main text defines medical tourism as a traveler crossing international borders for medical care. It includes two statistics: a \$40 billion USD market and 8 million cross-border patients. A blue bar labeled "SECURITY" is followed by three statistics: average spend of \$3,000-\$5,000 per visit, 900,000 Americans traveling abroad for care, and a 20% annual market growth rate. Icons include a shopping cart, a stethoscope, and a world map.

Medical Tourism

The Globetrotting Patient

What is Medical Tourism? Any traveller that crosses international borders for the purpose of receiving medical care is considered to be a medical tourist.

Medical Tourism is a \$40 Billion USD market.

There are approx. 8 million cross-border patients.

SECURITY

\$3,000-\$5,000 The average medical tourist spends approx \$3,000 - \$5,000 per visit.

900,000 An estimated 900,000 Americans will travel abroad seeking medical care.

20% The global medical tourism market is growing at a rate of 20% per year.

Sizing up the joints

Some stats on Medicare's backing of knee and hip replacements

Proposed knee replacement reimbursement 2018

Inpatient (no complications)	Outpatient
\$12,380.78	\$9,912.69

Total spent by Medicare in 2014	Average hospital payment per case
\$7 billion	\$50,000

Total joint replacements for traditional Medicare patients in 2015

Knees	Hips
431,199	226,884

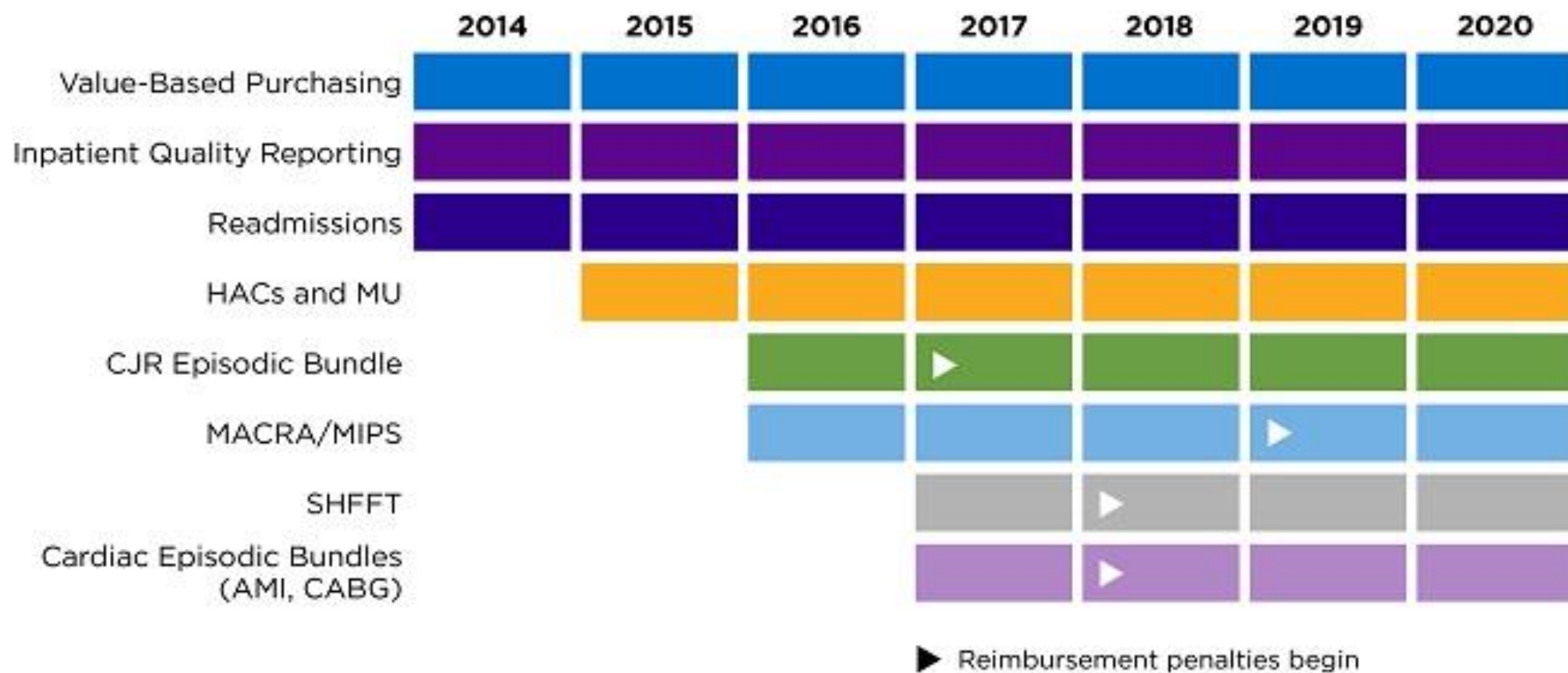
Source: The Advisory Board, CMS

In 2015, the latest year for which CMS data are available, more than 658,000 Medicare beneficiaries received a total hip or knee replacement.

Meanwhile, in 2014, those two procedures cost the government more than \$7 billion for the hospitalizations alone; spending for the full continuum of care ranged from \$16,500 to \$33,000 per case.

VALUE BASE CARE / CARE ADVANCEMENTS

The Road to Value-Based Care: CMS Mandatory Program Timeline (With Performance Risk)



VALUE BASED CARE / BUNDLED PAYMENTS

With bundled payments, Medicare data has shown a 14% to 20% savings on joint replacements after two years, and that may convince the White House administration to remain committed to the program.

In March, the Centers for Medicare & Medicaid Services released a new interim rule that delays the expansion and implementation of major bundled payment initiatives raising questions about the future of the program.

BUNDLES THREATENED

When payments for outpatient joint replacement take full hold, hospitals participating in Medicare's mandatory and voluntary bundled-payment pilot programs for inpatient total joint replacements have another big financial concern. Will payments adequately adjust those bundled payments to reflect that their inpatient surgery units will be left with sicker, higher-cost patients while healthier patients shift to outpatient settings that aren't part of the bundled-payment program?

Nearly 800 hospitals in 67 markets around the country participating in the Center for Medicare and Medicaid Innovation's mandatory Comprehensive Care for Joint Replacement program for total knees and hips, now are receiving payments for the first six months of the program if they met cost-saving and quality targets.

Hundreds more hospitals around the country are participating in the innovation center's voluntary Bundled Payments for Care Improvement pilot for total knees and hips.



OUTPATIENT JOINT REPLACEMENT

48% of the 275,000 Medicare inpatient total knee replacement cases without major complications are performed on patients **eligible** for outpatient surgery.

These patients are younger than 80 and without a history of falls, obesity, and other complications that would impact their ability to undergo their knee replacement in the outpatient setting.

With CMS's reimbursement rate of \$12,384 for inpatient TKAs and \$10,122 for outpatient TKAs, a shift of 48% of Medicare TKA cases to outpatient settings would result in an **18% decrease in reimbursement for providers, and \$311M in savings for Medicare.**



key points on total joint replacements in ASCs

- The number of ASCs offering outpatient total joint replacements has jumped from around 25 in 2014 to more than 200 in 2017, according to a report from [Advisory Board](#).
- Last year 15 percent of total joint replacements were performed outpatient; in 2018, Sg2 **expects** 25 percent of total joints to be performed in an outpatient setting. Here are the projections over the next eight years:
 - • 2020: 32 percent outpatient
 - • 2022: 37 percent outpatient
 - • 2024: 43 percent outpatient
 - • 2026: 51 percent outpatient
- Around half of total joint replacement patients currently report a one- to two-day length of stay, making them potential candidates for the ASC, according to the Sg2 report. The report also projects 52 percent of primary knee replacements — total and partial — due to arthritis will be performed in the outpatient setting by 2026.

key points on total joint replacements in ASCs

- The Orthopedic Surgery Center of Orange County in Newport Beach, Calif. post cash rates online. Open partial knee replacement and minimally invasive hip replacement at the center both cost \$20,250 and include an overnight stay.
- ASCs with an outpatient total joint replacement program often have the ability to keep patients overnight. Not all states allow surgery centers the option for overnight stays. ASCs are exploring other options as well, **including discharging patients to hotels near the center for close monitoring** or working with home health nurses to visit the patients after they're discharged home.
- A study published in [Osteoarthritis Cartilage](#) projects total knee replacements will increase 69 percent from 2012 to 2050, up from 429 procedures per 100,000 people to 725 procedures per 100,000 people. The 143 percent projected increase in total knee replacement volume can be attributed to the increased aging population, desire of Americans to stay active longer and increased obesity rate which places stress on joints, among other factors.

ANESTHESIA ADVANCEMENTS


Pain management and anesthesia advancement has played a big role in transitioning total joints to the outpatient setting. According to an [article](#) by Jack M. Bert, MD, of Minnesota Bone & Joint Specialists, adductor canal blocks are the anesthesia procedure of choice for total knee arthroplasty.

Short acting spinal blocks allow for rapid rehabilitation and a decreased risk of postoperative nausea and vomiting. The anesthesia techniques can help patients ambulate sooner after surgery and return home the same day. The patient's postoperative recovery can include oral hydrocodone and intravenous fentanyl "for breakthrough discomfort."

Patient selection is critical, as not all patients are good candidates for outpatient total joint replacement. Dr. Bert recommends patients be ASA class 1 to 3 and have a BMI of 35 or less, although he acknowledged that some surgeons will take patients with a BMI up to 40 if the patient is otherwise healthy. Some surgeons also require patients to be 70 years old or younger.

PRICING TRANSPARENCY

The following are services provided under the Global Cash/Self-Pay Rate - one bill for the following services:

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FACILITY FEES: *For scheduled procedure*

SURGEON: *If your surgeon uses their own cash rate, we will apply a discount to the global fee*

IMPLANTS: *New technology implants may not be fully covered*

RADIOLOGY: *During the procedure*

ANESTHESIOLOGIST: *Fees*

OVERNIGHT STAY: *For certain procedures*

SURGEON ASSISTANT: *If your surgeon uses their own cash rate, we will apply a discount to the global fee*

For questions please call Gabrielle or Karen at (949) 515-0708 Mon-Fri

SITE		EXAMPLE PROCEDURE	GLOBAL RATE
shoulder	OPEN	OPEN ROTATOR CUFF REPAIR	\$7,925
	OPEN	CLAVICLE FRACTURE REPAIR	\$9,400
	ARTHROSCOPY	DEBRIDEMENT	\$7,500
	ARTHROSCOPY	SUBACROMIAL DECOMPRESSION	\$7,775
	ARTHROSCOPY	ROTATOR CUFF REPAIR	\$10,475
	ARTHROSCOPY	SLAP REPAIR	\$10,475
elbow	OPEN	REPAIR HUMERUS WITH GRAFT	\$9,200
	OPEN	BICEPS TENDON REPAIR	\$9,150
	OPEN	REPAIR HUMERUS FRACTURE	\$9,400
	OPEN	CLOSED REDUCTION OF FRACTURE	\$4,250
	ARTHROSCOPY	ELBOW ARTHROSCOPY/SURGERY/REPAIR	\$6,900
wrist	OPEN	INCISION OF EXTENSOR TENDON SHEATH	\$4,400
	OPEN	CARPAL TUNNEL SURGERY	\$4,400
	OPEN	REPAIR FRACTURE RADIUS/ULNA	\$9,400
	OPEN	CORRECTIVE OSTEOTOMY	\$8,700
	ARTHROSCOPY	ENDOSCOPIC CARPAL TUNNEL	\$4,400
	ARTHROSCOPY	WRIST ARTHROSCOPY W SOFT TISSUE PROC.	\$6,700
hand	OPEN	RELEASE PALM CONTRACTURE	\$5,575
	OPEN	CARPOMETOCARPAL - thumb joint repair	\$8,700
	OPEN	RELEASE HAND/FINGER TENDON	\$4,700
	OPEN	REPAIR FINGER FRACTURE X1	\$5,125
	OPEN	NERVE REPAIR THUMB/FINGER - no implants	\$5,100
	OPEN	FUSION OF FINGER JOINT X 1	\$6,100
hip	MINIMAL INVASIVE	HIP REPLACEMENT	\$20,250



TRENDS FROM OTHER SPECIALTIES

Hotel-Based Sleep Lab for Your Comfort

For your convenience, University Health now offers two hotels for our Sleep Lab services; [La Quinta Inn & Suites San Antonio Medical Center](#) and [Courtyard by Marriott San Antonio Downtown Market Square](#). With 14 private rooms available, you can rest assured that you are getting the best sleep possible in a comfortable, relaxing environment. Additionally, you can take advantage of each hotel's amenities including free Wi-Fi internet access and use of the fitness centers.

Both of our hotel-based Sleep Lab locations provide all the same advanced monitoring technology and professionalism as in a hospital-based sleep lab which means you can count on accurate, reliable results from your sleep test.

Since most Sleep Lab tests involve an overnight stay, we offer weekend hours and will conduct daytime sleep studies for people who work at night. If you have special medical needs, we also offer hospital-based sleep testing for children and adults.



**University
Health System**



SPECIALTY ADOPTION OF HOTEL MODELS

Overnight Recovery at Vitenas Cosmetic Surgery

Discomfort and limited mobility often go hand-in-hand with invasive procedures, such as Tummy Tuck, Bodylift or a Facelift. The first night after surgery is the hardest...

patients are provided a unique choice for care during their post-op phase.

Vitenas Cosmetic Surgery has a brand new office, surgical center, **and a one of a kind overnight recovery suites, ready to ease the transition after an invasive procedure.** Located just steps away from our state-of-the-art operating rooms; our contemporary recovery suites combine all of the amenities of home with the comfort of around the clock nursing care. Patients can rest comfortably knowing the recovery retreat is nestled within Vitenas Cosmetic Surgery's technologically advanced medical facility.



SLS Hotel at Beverly Hills
465 S. La Cienega Blvd.
Los Angeles, CA 90048



Patients that qualify are offered the option of recuperating at a designated medical hotel

Yale-New Haven Ambulatory Services Corporation/Temple Recovery Care Center occupies the third floor of the seven-story New Haven Hotel.

<http://hotelrecovery.com>





THE DISNEY GUEST CAPTURE MODEL

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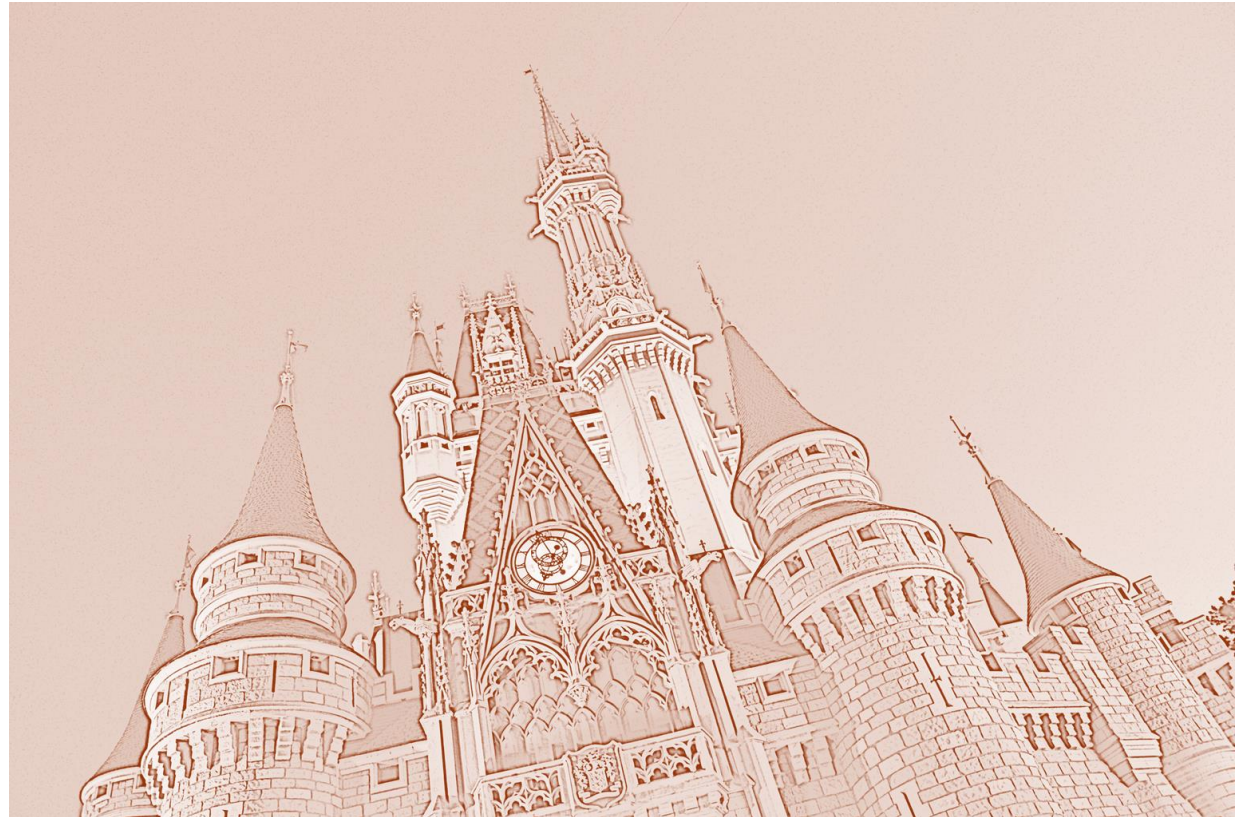
Disney Theme Park

Disney Hotel

Disney Restaurants

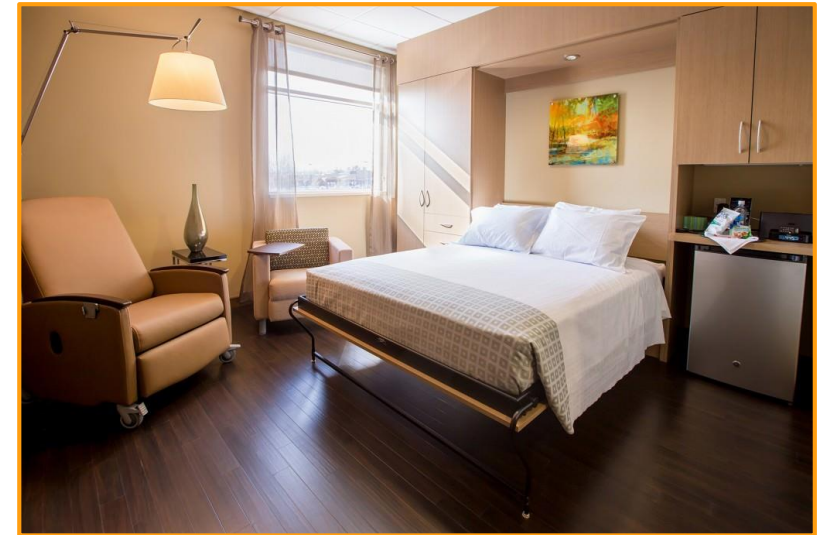
Disney Entertainment

Disney Apparel



CARE SUITES

Summit Surgery Care Suites offer a full-service specialty recovery stay for larger surgeries, such as total knee and hip procedures and advanced spine surgeries. Once exclusively performed in a hospital environment, certain orthopedic surgeries can now be done as a same-day surgery at Summit's surgery center, followed by a comfortable stay in the Care Suites located on the same floor.



OTHER SERVICES AND TOUTED BENEFITS

- 20-30% less expense than a hospital stay for same surgery
- Decreased infection rates compared to hospital settings
- Personalized one-on-one Physical Therapy
- Catered meals and healthy diet selections from local popular restaurants
- On-site nursing care



TRIA ORTHOPEDICS HOTEL PROGRAM



- No additional patient out-of-pocket cost to stay at the hotel.
- Reduced cost as compared to an overnight stay in a hospital.
- The hotel provides a comfortable, soothing environment without the noise and foot traffic common to hospitals.
- Nursing care on-site for the duration of your overnight stay.
- A family member, or other responsible adult, stays with you at the hotel.
- Complimentary meals for patient and one guest.
- Convenient locations [Hilton Minneapolis/Bloomington](#), [Residence Inn by Marriott St. Paul/Woodbury](#)

Patient Eligibility

The program is available for patients who are otherwise healthy; specifically, those who do not have acute or significant heart disease, insulin dependent diabetes that is well controlled with an A1C at or above 7, sleep apnea not controlled or a Body Mass Index (BMI) over 42, as individuals with these conditions are best suited recovering in a hospital setting.

HOTEL SUPPLY

Hospitals and healthcare facilities need one another more than ever before. Cost pressures force hospitals to discharge patients in a timely fashion to hotels or homes nearby; demand for hospitality services within hospitals compel healthcare facilities to act more like hotels; and hotel companies see opportunities in building hotels near healthcare facilities. The interplay of these attractions makes a perfect marriage. Hotel industry's appetite for building hotels near hospitals is further fueled by optimizing occupancy and financing needs:

Occupancy: A study by Bruce Serlen (Hotel Business) stated that hotels near healthcare facilities achieved higher occupancy during 2007 recession. As a result, developers are more interested to build hotels near hospitals to create a recession proof facility. (Bruce Serlen, Hotel Business, 02/07/09, vol. 18, no.3)

Financing: In a flat economy, both banks and hospitals are appropriately interested in financing such projects. Mark Laport, CEO of Raleigh, NC –based Concord Hospitality stated, *“With U.S. new hotel development at a near standstill, one of the few niches where new properties continue to get built is the hospital-adjacent hotel market. Developers of these hotels can pitch financiers on their built-in customer base and, in many cases, make side agreements with lodging-starved hospitals that may procure assets such as free parking or below-market-cost land.”*



Convenient and efficient business models:

Lodging operators and healthcare providers can integrate in at least in three ways:

- First, the most common model in the U.S. in which hotels and hospitals arrange memorandum of understanding (MoUs) to collaborate, sometimes in the form of providing discounted rates, transportation, concierge services, etc.
- Second, hotels and hospitals are housed together in the same building. Either the hospital devotes a few stories to patient/family rooms (University of Michigan's Med Inn, Bumrungrad International Hospital of Thailand) or a major hotel allocates a floor or two to a wellness/medical care facility (Shilla Hotel, Seoul, South Korea).
- Third, hotel and hospital build a mixed project under the same ownership. These facilities are strategically situated to accommodate the hotel's patient needs, the needs of their families, and needs of transient guests (Grand Resort Bad Ragaz, Switzerland).



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