

## Comprehensive Care for Joint Replacement Model Revised & Extended

On February 20, 2020, the *Centers for Medicare & Medicaid Services* (CMS) issued a proposed rule regarding the *Comprehensive Care for Joint Replacement* (CJR) Model.<sup>1</sup> The voluntary model, which began in 2016, aims to reduce healthcare spending while enhancing quality for Medicare beneficiaries undergoing hip and knee replacements.<sup>2</sup> CMS's proposed rule seeks to add outpatient hip and knee replacements to the *episode of care* definition, change target prices, and extend the program for an additional three years.<sup>3</sup>

The CJR model tests bundled payments and quality measurement with Medicare's most common procedure: joint replacement.<sup>4</sup> The model intends to incentivize physicians, hospitals, and post-acute care providers to work collaboratively to improve care quality and coordination from the initial hospitalization through patient recovery.<sup>5</sup> The CJR Model participants receive a retrospective bundled payment for the entirety of the episode of care, i.e., the care associated with a particular procedure or illness.<sup>6</sup> The bundled payment includes all care within 90 days following patient discharge from inpatient care after the procedure.<sup>7</sup>

Currently, the model only pertains to lower extremity joint replacement (LEJR) or reattachment of a lower extremity.<sup>8</sup> The proposed rule seeks to change this by redefining joint replacement episodes to include outpatient hip and knee replacements.<sup>9</sup> This move comes after CMS's removal of those two procedures from the *inpatient-only list* in November 2019, as outlined in the *2020 Medicare Hospital Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System Final Rule*.<sup>10</sup> A more in-depth analysis of that final rule appeared in the November 2019 *Health Capital Topics* article entitled, "*CMS Finalizes 2020 Physician & Outpatient Fee Schedules*."<sup>11</sup>

CMS aims to use more accurate claims data when calculating the target price. CMS has proposed using the most recent one year of claims data instead of three years of claims data, reasoning that using only the most recent year will better reflect the changes in prospective payment and fee schedule updates.<sup>12</sup> CMS also proposes

removing the national update factor and anchor factors/weights from the target price.<sup>13</sup> Instead, CMS will be incorporating additional risk adjustments to the target pricing along with biannual updates to the target prices. Additionally, CMS proposes changing the high episode spending cap methodology.<sup>14</sup> The change will allow Medicare to compensate based on the achievement of quality scores, providing more financial flexibility to model participants compared to the previous high episode spending cap methodology, which did not utilize retrospective trend adjustment factors. Finally, the target price will incorporate additional risk adjustments.<sup>15</sup> The incorporation of risk adjustments will allow for better risk-based compensation for providers in the CJR Model.

Importantly, CMS proposes extending the CJR Model for an additional three years, until 2023.<sup>16</sup> The extension of the program is not surprising, as it has been successful in achieving its goals thus far. Historical studies have indicated that the program lowers costs while maintaining or improving the quality of care.<sup>17</sup> The CJR Model is often cited as an example of the successful application of bundled payment models. CMS hopes to replicate the success of the CJR Model with other episodes. The January 2020 *Health Capital Topics* article entitled, "*Bundled Payment Models Miss Medicare Savings and Quality Objectives*,"<sup>18</sup> analyzes the most recent research pertaining to bundled payments, including the CJR Model.

This proposed rule solidifies CMS's plans to extend its most successful bundled payment program to date. Bundled payments for LEJR have proven to be cost-effective without lowering the quality of care. The introduction of the outpatient knee and hip replacements to the CJR Program may spur even more cost savings. Recently, CMS has been utilizing reimbursement policies to shift the site of patient care to the outpatient setting, seeking to lower beneficiary cost-sharing and slow Medicare program spending growth. The proposed changes to the CJR Model appear to be following the same policy objectives, i.e., higher quality at a lower price point.

- 1 “Comprehensive Care for Joint Replacement Model Three Year Extension and Changes to Episode Definition and Pricing (CMS 5529 P)” Centers for Medicare & Medicaid Services, February 20, 2020, <https://www.cms.gov/newsroom/fact-sheets/comprehensive-care-joint-replacement-model-three-year-extension-and-changes-episode-definition-and> (Accessed 2/20/20).
- 2 *Ibid.*
- 3 *Ibid.*
- 4 *Ibid.*
- 5 *Ibid.*
- 6 *Ibid.*
- 7 *Ibid.*
- 8 *Ibid.*
- 9 *Ibid.*
- 10 “CY 2020 Medicare Hospital Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System Final Rule (CMS-1717-FC)” Centers for Medicare & Medicaid Services, November 1, 2019, <https://www.cms.gov/newsroom/fact-sheets/cy-2020-medicare-hospital-outpatient-prospective-payment-system-and-ambulatory-surgical-center-0> (Accessed 2/21/20).
- 11 “CMS Finalizes 2020 Physician & Outpatient Fee Schedules” Health Capital Topics, Vol. 12, Issue 11 (November 2019), [https://www.healthcapital.com/hcc/newsletter/11\\_19/HTML/FE/convert\\_finalized-fee-schedules\\_hc\\_topics\\_draft-11.20.19.php](https://www.healthcapital.com/hcc/newsletter/11_19/HTML/FE/convert_finalized-fee-schedules_hc_topics_draft-11.20.19.php) (Accessed 2/21/20).
- 12 Centers for Medicare & Medicaid Services, February 20, 2020.
- 13 *Ibid.*
- 14 *Ibid.*
- 15 *Ibid.*
- 16 *Ibid.*
- 17 “The Impact Of Bundled Payment On Health Care Spending, Utilization, And Quality: A Systematic Review” By Rajender Agarwal, Joshua M. Liao, Ashutosh Gupta, and Amol S. Navathe, Health Affairs, Vol. 39, No. 1 (January 2020), p. 50.
- 18 “Bundled Payment Models Miss Medicare Savings and Quality Objectives” Health Capital Topics, Vol. 13, Issue 1 (January 2020), available at: [https://www.healthcapital.com/hcc/newsletter/01\\_20/HTML/PAYMENT/convert\\_bundled\\_payment\\_hc\\_topics\\_1.21.20a.php#\\_e dn22](https://www.healthcapital.com/hcc/newsletter/01_20/HTML/PAYMENT/convert_bundled_payment_hc_topics_1.21.20a.php#_e dn22) (Accessed 2/24/20).

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