Hospitals are seeing significant changes in the way they are paid – with rapid movement away from a traditional fee-for-service model. These changes include mandatory bundled payments and Accountable Care Organizations, which not only change the way hospitals get paid, but how they do business and partner with other healthcare providers.

One significant program – **Medicare’s Comprehensive Care for Joint Replacement (CJR)** – will go into effect on April 1, 2016.

Included in this summary are details around:

- the new CJR mandatory bundle
- what it will mean for patients and healthcare providers
- and what it may indicate for the future of care delivery models

**What Is the CJR Mandatory Bundle?**

In November 2015, the Centers for Medicare and Medicaid Services issued a final regulation establishing a mandatory demonstration for a hospital-controlled, bundled payment for lower-extremity joint replacement patients. The goal of the five-year demonstration is to test if a bundled payment for an entire episode of care for select patient conditions can reduce Medicare costs while improving quality outcomes.
What DRGs are included?
Beginning April 1, the Medicare payment will cover the lower-extremity joint replacement surgery, all hospital-related care and post-acute and physician services included over the entire 90-day episode after discharge from the hospital.

Specifically, the retrospective bundle applies to all fee-for-service beneficiaries discharged under MS-DRG 469 (Major joint replacement or reattachment of lower extremity with major complications or comorbidities), or 470 (Major joint replacement or reattachment of lower extremity without major complications or comorbidities), and includes all related services reimbursed under Medicare Parts A and B.

(MS-DRGs 469 and 470 also include ankle replacement; lower leg, ankle and thigh reattachment; and hip resurfacing procedures for Medicare beneficiaries.)

The new mandatory payment model will be tested in 789 hospitals across 67 Metropolitan Service Areas (MSAs). Visit https://data.cms.gov/dataset/Comprehensive-Care-for-Joint-Replacement-Model-Met/qek8-9bd4 for the full list of MSAs which will be included.

While CMS has been engaged in other voluntary efforts to test bundled payments, the CJR model is an entirely new approach as it mandates that most acute hospitals within the designated MSAs must participate in the program.

CMS estimates that the participating hospitals will include about 23% of all lower-extremity joint replacement cases, and will produce $343 million in Medicare savings over five years. The agency is pursuing this new model because hip and knee replacements are the most common inpatient surgery for Medicare beneficiaries and have lengthy recovery periods – in 2014, there were more than 400,000 procedures, costing more than $7 billion for the hospitalizations alone.
What does CJR mean for patients and other healthcare providers?

Patients who have hip or knee replacements at a CJR hospital will automatically be included in the model. However, they will maintain the ability to choose their physicians and post-acute care (PAC) providers. While the demonstration preserves patient choice for the doctor, hospital, skilled nursing facility, home health agency and other providers, those providers have incentives to better coordinate their care.

Acknowledging that skilled nursing facilities play an important role in providing great care and rehabilitation for patients after joint replacement surgery, and that most of these patients would be discharged in fewer than three days, beginning in 2017 CMS will waive the three-day stay requirement for high-quality nursing facilities.

This means that hip/knee patients will be able to access care at a nursing facility with a rating of three or more stars on the CMS five Star rating system, and their care will be covered by traditional Medicare. This presents greater healing support for patients, and the potential for strong partnerships between hospitals and strong-performing nursing centers.

However, under the program, it is the hospital that will be held accountable for spending during the episode of care.

CMS predicts that by bundling payments for an episode of care, hospitals, physicians and other providers will have an incentive to work together to deliver more effective and efficient care.

The Kindred Experience

In addition to delivering patient-centered care management across the full post-acute continuum – necessary to the CJR model – Kindred employs more than 20,000 well-trained, communicative and highly effective rehabilitation therapists. These therapists are instrumental in helping to improve function for all patients – including those with hip/knee replacements – and supporting recovery and improved well-being.

Through Kindred’s experience in settings across the full continuum of post-acute services, we have targeted our abilities to deliver care and services where and when patients need it most, and coordinate patient care throughout an entire episode. Over the past several years, we have pursued new patient-centered care models that encourage collaboration among providers including joint ventures with some of the nation’s premier health systems, Accountable Care Organizations and physician practices.

These strong relationships along with our care management expertise help ensure that patients have access to the right level of care for the shortest length of stay to meet their needs and support rehabilitation and wellness.
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