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Preparing for the Medicare Transforming Episode Accountability Model (TEAM)

American College of Surgeons
Institute for Accountable Care
Brandeis University

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Agenda



- TEAM model structure
- Preliminary analysis of financial impacts
- Quality measurement and scoring
- Getting ready for TEAM
- Implications for surgeons

Why This Audience



- Next generation of Bundled Surgical Care
- Mandatory Participants
- ACS Quality Partners
- Customizable Risk Level
- Streamlining Care Continuum
- Opportunity to engage acute and post-acute stakeholders

Today's Speakers



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Overview of TEAM Features

- **Model Type:** Mandatory episode payment model
- **Duration:** January 1, 2026, through 2030
- **Participants:** 741 acute care PPS hospitals in selected geographic areas.
- **Episode Length:** Hospital inpatient or outpatient procedure through 30 days post-discharge
- **Services:** Twenty-nine diagnostic-related groups (DRGs) and eight hospital outpatient procedures
- **Pricing:** Risk-adjusted, price standardized regional average prices (9 census divisions)
- **Financial responsibility.** Hospitals bear financial risk but can gain-share with surgeons and others.

Team Episodes

Major Bowel Procedure

Lower Extremity Joint Replacement

Surgical Hip Femur Fracture Treatment

Spinal Fusion

Coronary Artery Bypass Graft

Distribution of TEAM Hospitals by Surgical Volume

Total Team Spending in Billions of 2023 Dollars

| 2023 Case Volume | Number of Hospitals* | Percent of Hospitals | TEAM Spending (billions) | Percent of TEAM Spending |
|-------------------------|-----------------------------|-----------------------------|---------------------------------|---------------------------------|
| All | 648 | 100% | \$6.0 | 100% |
| 500 or more | 131 | 20% | \$3.3 | 55% |
| 200 - 499 | 194 | 30% | \$1.8 | 30% |
| Less Than 200 | 323 | 50% | \$0.9 | 15% |

*Excludes hospitals with fewer than 11 cases in 2023

TEAM Hospital Characteristics

| Hospital Type | Number of Hospitals | Percent of Hospitals | TEAM Spending (billions) | Percent of TEAM Spending |
|----------------------|---------------------|----------------------|--------------------------|--------------------------|
| Urban Non-Safety Net | 322 | 50% | \$4.1 | 68% |
| Urban Safety Net | 204 | 31% | \$1.3 | 22% |
| Rural Non-Safety Net | 62 | 10% | \$0.4 | 6% |
| Rural Safety Net | 60 | 9% | \$0.2 | 3% |
| Total* | 648 | 100% | \$6.0 | 100% |

*Excludes hospitals with fewer than 11 TEAM cases in 2023

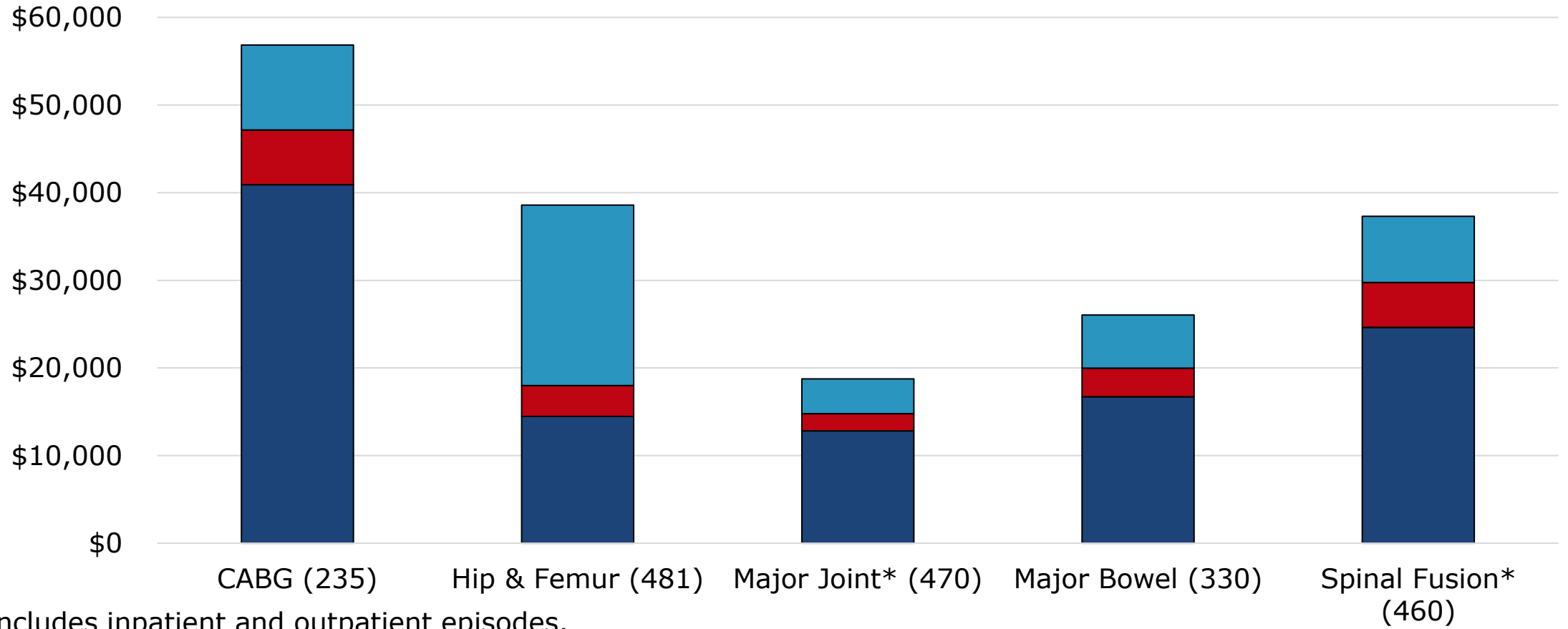
Safety Net Hospitals

(1) Exceeded the 75th percentile of the proportion of Medicare dually eligible beneficiaries across all PPS acute care hospitals in the baseline period.

(2) Exceeded the 75th percentile of the proportion of Medicare beneficiaries partially or fully eligible to receive Part D low-income subsidies across all PPS acute care hospitals in the baseline period.

National Average TEAM Episode Cost by Setting

30-Day Episodes for Specific DRG Bundles



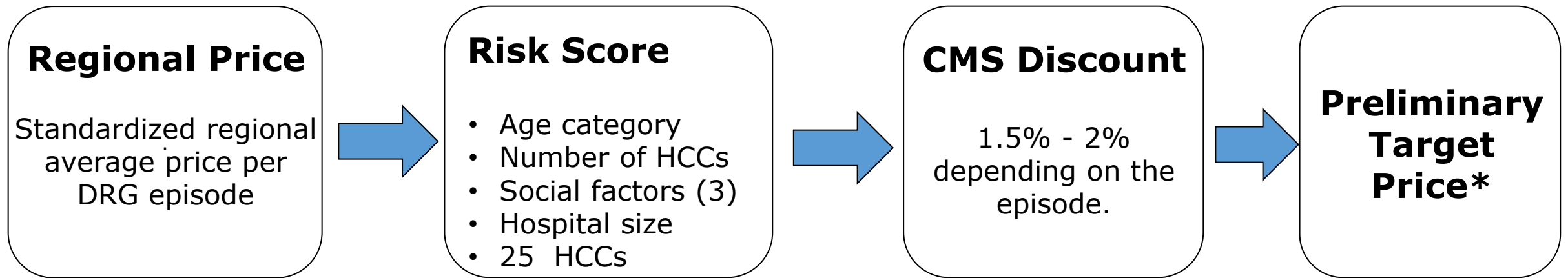
*Includes inpatient and outpatient episodes.

■ Anchor Stay ■ Part B Anchor ■ Post Acute



Source: IAC analysis of TEAM episodes 2021-2023 with wage-standardized Medicare claims data (100%) sample.

TEAM Target Pricing Model



Notes

- Target prices are updated annually
- Hospitals get a target price for each DRG within the episode
- Final target price subject to retrospective trend adjustment capped at +/- 3%
- Payment reconciliation is conducted in standardized dollars.

TEAM Target Pricing Model (continued)

Major Bowel Procedure (Sample Hospital)

| DRG | Cases | Regional Base Price | Risk Score | Discount | Target Price | Episode Amount | Gain/(Loss) per Episode |
|--------------|------------|---------------------|--------------|--------------|-----------------|-----------------|-------------------------|
| 480 | 75 | \$47,194 | 1.001 | 0.980 | \$46,292 | \$48,910 | (\$2,618) |
| 481 | 190 | \$38,736 | 0.968 | 0.980 | \$36,727 | \$42,925 | (\$6,199) |
| 482 | 18 | \$30,857 | 0.919 | 0.980 | \$27,797 | \$33,054 | (\$5,257) |
| Total | 283 | \$40,476 | 0.973 | 0.980 | \$38,694 | \$43,883 | (\$5,190) |

Source: Institute for Accountable Care Analysis of 2021 – 2023 Medicare Claims Data

TEAM Census Regions

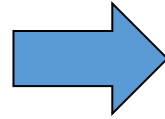


Financial Risk and Risk Tracks

Most hospitals are at full risk for gains and losses starting in 2027

Track 1

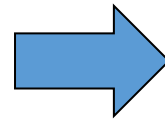
Gains up to 10%
Losses capped at 0%



Most hospitals: 2026 only
Safety net hospitals: 2026-2028

Track 2

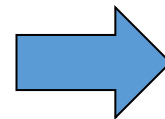
Gains capped at 5%
Losses capped at 5%



Rural hospitals: 2027-2030
Safety net hospitals: 2029-2030

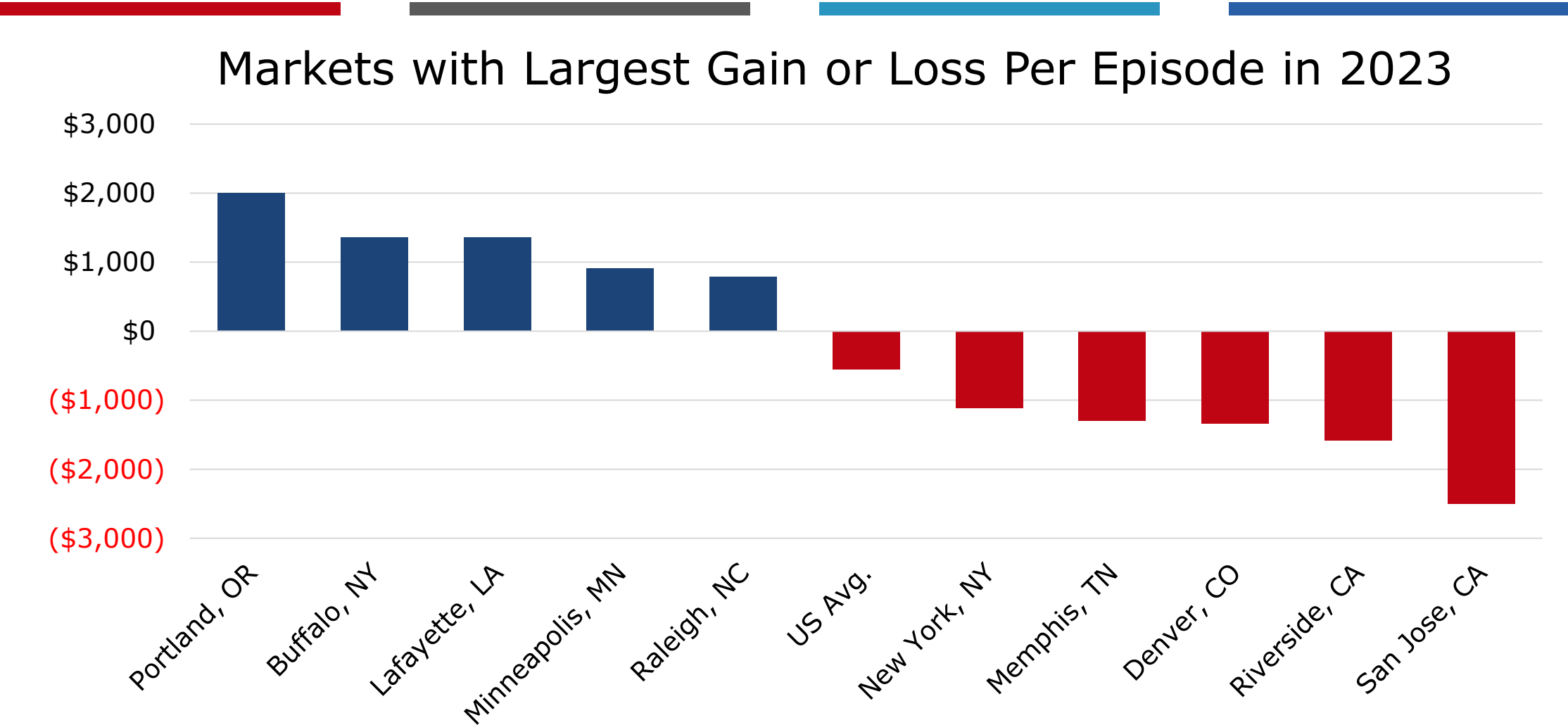
Track 3

Gains capped at 20%
Losses capped at -20%



Urban hospitals: 2027 - 2030
Other hospitals: Can opt-in

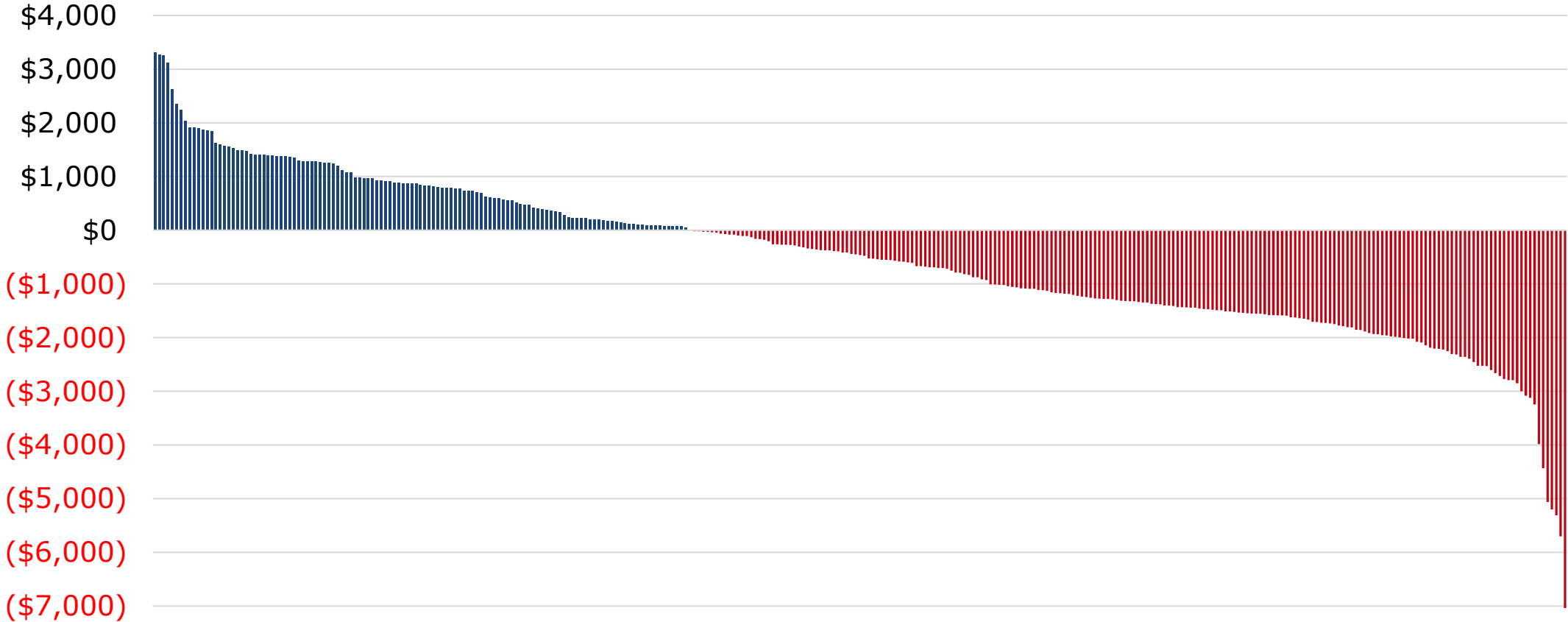
TEAM Financial Impacts Vary by Market



Source: IAC analysis of TEAM episodes using 100% of 2021-2023 Medicare Part A and Part B claims. Analysis is based on final 2025 iPPS rule. Based on markets with at least 1,500 annual episodes.

Impact of TEAM: Hospitals With 200+ Cases in 2023

2023 Gain or Loss Per Episode



Source: IAC analysis of TEAM episodes using 100% of 2021-2023 Medicare Part A and Part B claims. Analysis is based on final 2025 iPPS rule.

Benchmarking Hospital Performance vs. Region

Sample Hospital: Lower Extremity Joint Replacement

| | Hospitals | 2023 Cases | DRG Index | Episode Amount |
|------------------------|---------------------|------------|-----------|----------------|
| Location/Region | Summary Information | | | |
| Hospital | 1 | 669 | 1.459 | \$24,517 |
| Hospital Market (CBSA) | 12 | 2,527 | 1.448 | \$22,747 |
| Census Division | 494 | 86,020 | 1.241 | \$21,210 |

The sample hospital has higher price-standardized episode costs than its market or census region – but also has a higher DRG mix.

Benchmarking the Index Surgery

Sample Hospital: Lower Joint Replacement

| | IP Facility (Part A) | OP Facility (Part A) | Surgeon (Part B) | E&M (Part B) |
|-----------------|-------------------------------|-------------------------|---------------------|-----------------|
| Location/Region | Cost per Case | | | |
| Hospital | \$5,504 | \$7,012 | \$1,879 | \$318 |
| Census Division | \$3,826 | \$9,470 | \$1,931 | \$190 |
| Location/Region | Percent of Cases with Service | | | |
| Hospital | 39.9% | 60.1% | 99.9% | 50.4% |
| Census Division | 26.2% | 73.8% | 99.5% | 35.5% |

Notes: Results are normalized to account for wage differences and DRG Mix
Hospital region is census division.

TEAM Episode Spending by Setting

Sample Hospital: Lower Joint Replacement

| Setting | Cases | DRG Adjustment ¹ | Episode Amount | Trigger Event (Facility) | Trigger Event (Part B) | Post-Acute |
|--------------|------------|-----------------------------|-----------------|--------------------------|------------------------|----------------|
| Inpatient | 267 | 1.654 | \$35,123 | \$15,288 | \$3,128 | \$17,297 |
| Outpatient | 402 | 1.000 | \$17,472 | \$12,937 | \$1,976 | \$2,559 |
| Total | 669 | 1.267 | \$24,517 | \$13,875 | \$2,436 | \$8,441 |

The major cost differences are concentrated in post-acute care.

Benchmarking Post-Discharge Performance

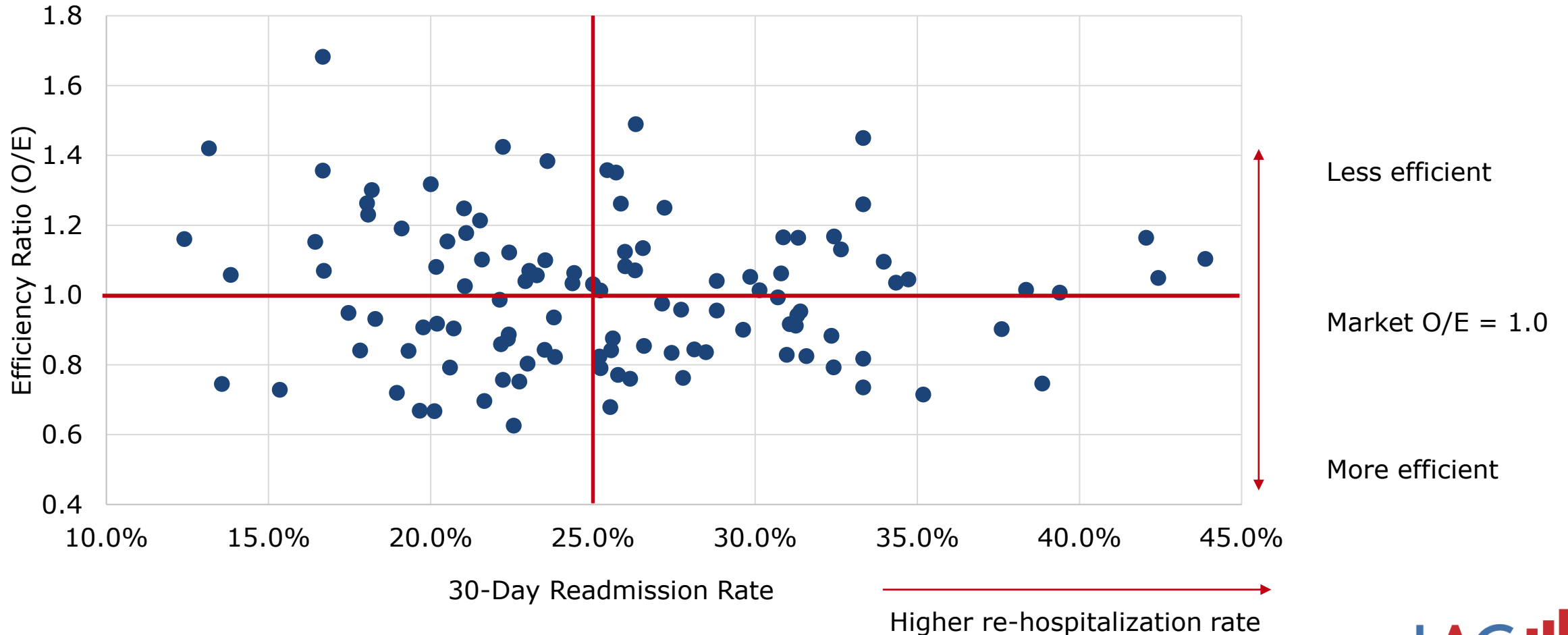
Sample Hospital: Lower Joint Replacement

| Post-Discharge Cost Per Case | | | | | | |
|------------------------------|-------------------|------------|--------------|--------------|----------------|------------------|
| Benchmark Group | Acute Readmission | Outpatient | SNF | IRF | Home Health | Part B and Other |
| Hospital | \$700 | \$312 | \$2,287 | \$2,289 | \$990 | \$1,037 |
| Hospital Market | \$701 | \$355 | \$2,015 | \$1,509 | \$1,329 | \$1,027 |
| Region | \$510 | \$306 | \$1,545 | \$1,397 | \$1,278 | \$902 |
| Hospital vs Region | \$190 | \$6 | \$742 | \$892 | (\$288) | \$135 |

Notes: Results are normalized to account for wage differences and DRG Mix
 Hospital market is CBSA. Region is Census Division.

Variation in SNF Quality and Efficiency

Ratio of 2022 Observed to Expected SNF Cost and Readmission Rate in Large US Market



Quality Measures

| Measure Name | Years in the Model |
|--|---------------------|
| a. Hybrid Hospital-Wide All-Cause Readmission Measure | Year 1 and Year 2-5 |
| b. CMS Patient Safety and Adverse Events Composite | Year 1 |
| c. Falls with Injury Rate | Year 2-5 |
| d. Postoperative Respiratory Failure Rate | Year 2-5 |
| e. Thirty-day Risk-Standardized Death Rate among Surgical Inpatients with Complications | Year 2-5 |
| f. For LEJR episodes: Hospital-Level Total Hip and/or Total Knee Arthroplasty (THA/TKA) Patient-Reported Outcome-Based Performance Measure (PRO-PM) | Year 1 and Year 2-5 |

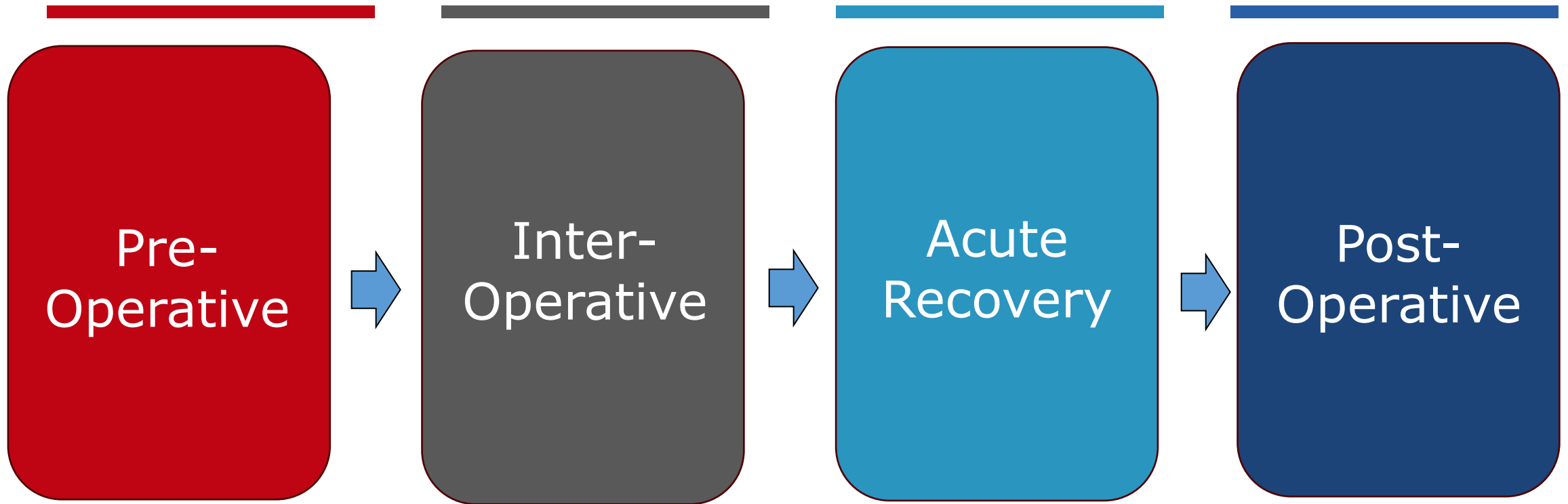
- Hospital Inpatient Quality Reporting Program and the Hospital Acquired Condition Reduction Program as source for measures
- More measures may be added in the future

Composite Quality Scoring (CSQ)

1. Percentile ranking for each measure,
2. Weight by volume,
3. Points summed to get the CSQ.
4. CSQ is applied to any positive or negative reconciliation amount (percent varies with Track)

| Measure | Score | Weight | Weighted Score |
|--|-------|--------|----------------|
| Patient safety and adverse event composite | 55 | 0.4 | 22.0 |
| Hybrid hospital-wide readmissions | 43 | 0.4 | 17.0 |
| Patient report function following total hip or knee arthroplasty | 62 | 0.2 | 12.4 |
| TOTAL CSQ | | | 51.6 |

Building Your Strategy to Optimize Performance



1. Understand the model
2. Evaluate your current episode costs & quality
3. Engage leadership and internal stakeholders
4. Build effective workflows
5. Develop post-acute provider strategy

Next Steps



- The ACS wants quality partners to succeed in TEAM
- Programs like yours that recognize the importance of verification and the cultural environment it creates are in a stronger position
- We are actively researching the model and developing additional opportunities for engagement
- Anticipate future webinars on specific TEAM topics
- Potential for a TEAM community or learning collaborative
- ACS Quality programs are available to discuss options for success



Discussion

Key Takeaways



- Know where you stand
 - Study your current practice and spending patterns
 - Obtain and analyze quality & cost data
 - Get to know post acute providers
- Standardize care pathways
 - Streamline post-discharge recovery
 - Align incentives with acute and post acute providers
- Success in TEAM will require a commitment to continuous quality improvement
 - Quality score can increase incentives

Contact Information



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