

III. Adding Outpatient Hips and Knees to the Episode Definition

- The CJR Episode of Care would be expanded to include outpatient THA and TKA beginning in 2021.
 - This revised definition would apply to episodes initiated by an anchor procedure furnished on or after October 4, 2020, because the 90-day episode would end on or after January 1, 2021.
- This change is intended to coordinate the CJR with CMS's removal of TKA and THA from the Medicare inpatient only (IPO) list in 2018 and 2020, respectively. CMS also wants consistency between the CJR and BPCI-A which commenced inclusion of outpatient TJA in 2020.
- CMS is concerned that, given the differences in reimbursement, continuing to exclude outpatient TJA from the CJR would create a financial incentive to perform more TJAs in the more expensive inpatient setting. Further, continuing the exclusion reduces the generalizability of future results from CJR evaluation, as CJR hospitals would be less comparable to control group non-CJR hospitals.

IV. Target Price Calculation to be Based on 1 Year of Regional Data in 4 Categories

- 4 types of episodes based on 1 year of regional spending data only
 - Outpatient TKA procedures would be grouped with *MS-DRG 470 without hip fracture* episodes in order to calculate a single, site-neutral target price.
 - Outpatient THA without hip fractures would be included in the *MS-DRG 470 without hip fracture* episode pricing. Outpatient THA episodes with hip fractures would be included in the *MS-DRG 470 with hip fracture* episode pricing.
 - Prices for *MS-DRG 469 with hip fracture* and *MS-DRG 469 without hip fracture* would continue to be calculated based on inpatient episodes only.
 - For each episode, regional average prices would be developed for 9 U.S. regions.
- CMS proposes to change the basis for the target price from 3 years of claims data to the most recent 1 year of claims data. CMS says this change eliminates the need for continued use of the national trend update factor as well as the twice yearly update to the target prices to account for changes in Medicare payment rates

V. Reconciliation to Include New Risk Adjustment

- At reconciliation, CMS would risk-adjust each patient-level target price using two patient-level risk factors: the CMS-HCC (Hierarchical Condition Category) condition count risk adjustment factor and the age bracket risk adjustment factor. Therefore, for each patient, the regional target price for a particular MS-DRG and fracture status would be increased or lowered by a risk factor multiplier that captures that patient's number of HCCs and age.

- CMS proposes to conduct one reconciliation for each performance year, down from two per year.
- CMS uses a high episode-spending cap to prevent providers from being held responsible for catastrophic spending amounts that they could not reasonably have been expected to prevent, such as post-acute care and related hospital readmissions. CMS proposes a new cap in which total episode costs above the 99th percentile would be capped at the 99th percentile amount.
- CMS applies a 3% discount factor to target prices. CMS proposes that a 1.5 percentage point reduction be applied to the CMS target price discount factor for hospitals with good quality performance, defined as composite quality scores that are greater than or equal to 6.9 and less than or equal to 15.0. Additionally, for hospitals with excellent quality performance (composite quality scores greater than 15.0), the 3 percentage point discount factor would effectively be eliminated for the applicable performance year.

VI. Gainsharing Cap Eliminated

- CMS proposes to eliminate the 50% cap on gainsharing payments, distribution payments, and downstream distribution payments when the recipient of these payments is a physician, non-physician practitioner, physician group practice, or non-physician practitioner group practice.

VII. Bundled Payments in ASCs

- Acknowledging the trend of permitting Medicare reimbursement for TKA, and eventually THA, procedures in ASCs, CMS is soliciting comments on the design of a potential future bundled payment model for TJA procedures in ASCs.
