



# **CMS Advisory Panel on Hospital Outpatient Payment Skin Substitute (CTP) Payment Methodologies**

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# Agenda

- CMS Proposes to Maintain the Current High/Low Categories & Product Placement for CY2020
- Addressing Concerns on Excessive Cellular Tissue Products (CTPs) Utilization and Spending
- Concerns with One Payment Category and One Set of Application Codes for CTPs
- Concerns with Episodic Payment Model
- Alternative CTP Payment Methodologies for Consideration by CMS

# Wound Care is Highly Complex and Poorly Understood



He who knows syphilis knows  
medicine

~ William Osler

# Why Are We Here?

- Wounds are an economic burden to the US healthcare system<sup>1</sup>, and we want industry to help solve the problem
- We agree with CMS that the current OPPS CTP payment mechanism needs to be improved
- To present our concerns with the existing CTP high/low cost category payment methodology and potential alternative methodologies
- To work with CMS to discourage pricing methodologies that unnecessarily drive up cost to the healthcare system
- To improve scientific rigor in studies that justify the value for higher cost products that reduce the overall cost of treatment
- To discuss the process to revise payment methodology for CTPs

1. Nussbaum SR, Carter MJ, Fife CE, et al. An Economic Evaluation of the Impact, Cost, and Medicare Policy Implications of Chronic Nonhealing Wounds. *Value in health: the journal of the International Society for Pharmacoeconomics and Outcomes Research*. 2018;21(1):27-32.

# An Effective Solution Must...

- ✓ Be clinically effective
- ✓ Reduce waste of product
- ✓ Reduce total cost
- ✓ Encourage fewest number of clinically warranted product applications
- ✓ Reward fast healing and durability
- ✓ Align incentives to prevent wound reoccurrence
- ✓ Ensure adequate reimbursement for all stakeholders (patients, CMS, hospitals, physicians, and manufacturers)

- **A single payment model does not accomplish this goal**
- **Although an episodic approach is promising, significant challenges and complexities must be properly addressed for such a payment model to be successfully implemented**

# CMS Proposes to Maintain the Current High/Low Categories & Product Placement for CY2020

- Solsys Medical supports CMS' proposal to maintain the current high/low cost categories for CTPs in the interim while CMS works towards another methodology
- We do NOT support a CY2020 final rule that would diverge from the proposed rule and implement a single payment category and set of application codes for CTPs
- We realize developing an alternative payment methodology is complex, involving many stakeholders

# Concerns with One Payment Category and One Set of Application Codes for CTPs

- Further propagates the “do more, make more” problem
  - Incentivizes use of less expensive CTPs due to margin play
  - Incentivizes use of CTPs that require more frequent applications
  - Incentivizes the inappropriate application of CTPs that are significantly smaller than the wound
  - Makes treatment of larger wounds cost prohibitive
    - Results in OR/inpatient treatment
    - Results in NO treatment at all
    - Increases morbidity and utilization of more costly healthcare resources

# Concerns with One Payment Category and One Set of Application Codes for CTPs (Cont.)

- A payment methodology void of accountability for patient-centered and clinical outcomes is doomed to be abused
  - CMS notes that average number of applications is 1-3, that is the mean of all products

Illustrative Example of Implementing a One Payment CTP Category for CTP Products with Varying Retail Costs & Efficacy						
	Cost to Provider	CMS Payment /application	Provider Margin /application	# of Apps	Provider Net Margin (Total)	Cost to CMS (Total)
Graft 1	\$450	\$1465.18	\$1015.18	6	\$6091.08	<b>\$8791.08</b>
Graft 2	\$750	\$1465.18	\$715.18	3	\$2145.54	<b>\$4395.54</b>
Graft 3	\$1250	\$1465.18	\$215.18	2	\$430.36	<b>\$2930.36</b>
Graft 4	\$1250	\$1465.18	\$215.18	1	\$215.18	<b>\$1465.18</b>

*\*\*This is a hypothetical example and not based on actual CMS cost data.\*\**

# Concerns with Episodic Payment Model

- Solsys is supportive of an episodic model; however, we believe there is much work to be completed before implementation
  - Wound care patients are extremely heterogenous with varying co-morbidities and treatment needs
  - Most patients require multiple modalities to heal (i.e., debridement, off-loading, compression, negative pressure wound therapy, CTPs)
- The proposed complexity adjustment for cases that require more than the average 1-3 applications is not enough to adequately ensure an effective episodic payment model
- We recommend CMS take the time to work with appropriate stakeholders and clinical societies

# Alternative CTP Payment Methodologies for Consideration by CMS

1. Freeze the current payment methodology and high/low product placement AND
  - Work with stakeholders and clinical organizations to find a sustainable solution
  - Work with CMMI to develop a chronic wound care pilot payment program
  - Collaborate with MACs so that policy and payment are developed synergistically through LCDs
2. Use “invoice +” payment for a 2-year period and collect data through reporting to assess true cost of products, number of applications, etc.
3. Near-term episodic payment
  - Only include the cost of the CTPs in the episode
  - Incorporate risk adjustments for more severe wounds

# Summary

- Chronic non-healing wounds are **projected to grow** and are associated with significant cost, morbidity, and mortality. Wound care is still a **young and evolving** field; we **need CMS's help** in creating payment methodologies that **incentivize the right behaviors** and encourage innovation.
- We would like to work with CMS and stakeholders to develop a payment solution that **improves outcomes at a reduced cost** for Medicare beneficiaries. Payment for CTPs is **highly complex** that should be evaluated across multiple stakeholders in order to properly resolve the challenges that exist. We recommend CMS **take the time** to work with all appropriate stakeholders and clinical societies to develop a **sustainable solution**.
- Haste in implementing changes in CTP payment methodology to achieve cost containment could lead to **more unforeseen challenges** and consequences that could **significantly negatively** impact patient care and clinical outcomes, while **increasing Medicare spending due to unintended consequences**.
- We urge CMS to freeze the current CTP payment methodology and product placement into high/low categories until an alternative methodology can be prudently developed which achieves the goals of **outcomes-based reimbursement for CTPs** that maintains or improves **patient care, clinical outcomes** and **reduces CMS costs**.