

Health Care Innovation Challenge

Achieving Lower Costs Through Improvement

December 13, 2011

This information has not been publicly disclosed and may be privileged and confidential.

It is for internal government use only and must not be disseminated, distributed, or copied to persons not authorized to receive the information. Unauthorized disclosure may result in prosecution to the full extent of the law.



Agenda

I. Summary and Overview

Andrew Shin, JD, MPH, *Stakeholder Engagement Group*

II. Total Cost of Care Webinar Kick-Off

William Shrank, MD, MSHS, *Director, Rapid-Cycle Evaluation Group*

III. Introduction to Total Cost of Care and Demonstrating your Initiative's Ability to Lower Costs through Improvement

Jay Desai, MBA, *Policy and Programs Group*

IV. Assessing the Cost Savings Plan

William Shrank, MD, MSHS

V. Resources

Andrew Shin, JD, MPH

Health Care Innovation Challenge

An open solicitation to identify a broad range of innovative service delivery/payment models in local communities across the nation.

- Looking for models that **accelerate system transformation** towards better care, better health, and lower costs through improvement
- Looking for models that can be **rapidly deployed within six months** of award
- Specific focus on identifying models that will train and develop the **health care workforce of the future**

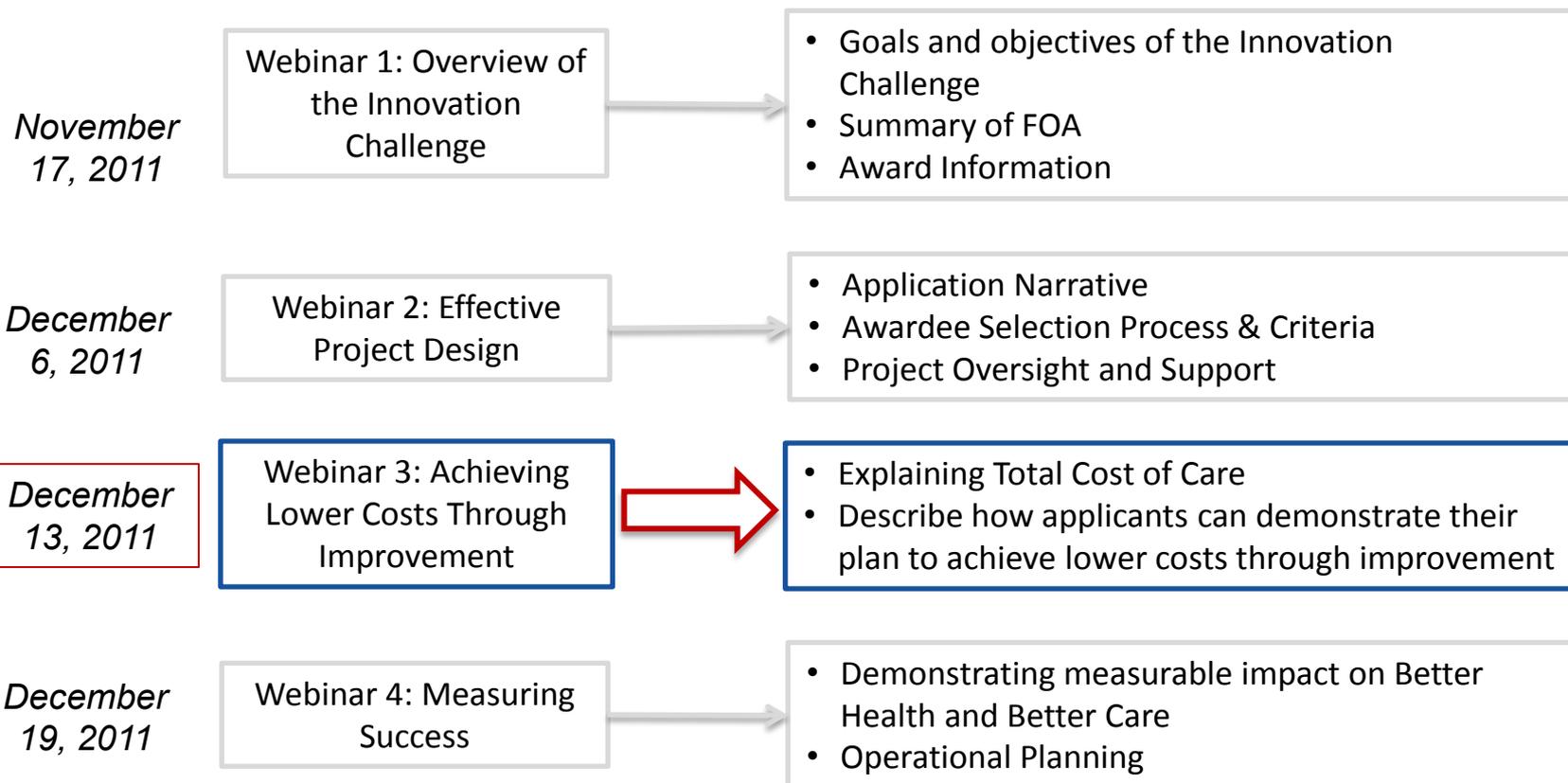
Award Information

Funds will be awarded through **cooperative agreements**

- Funding Opportunity Announcement (FOA) released on November 14, 2011
- 2 planned award cycles (March 2012, August 2012)
- Awards expected to range from \$1 million - \$30 million

Key Dates: 1st Award Cycle Process	
Date	Award Process
December 19, 2011	Letter of Intent by 11:59 pm EST
January 27, 2012	Application Due Electronically by 11:59 pm EST
March 30, 2012	Awards Granted to Selected Applicants
3-years from Award date	End of Period of Performance

Health Care Innovation Challenge Webinars



*Slides and webcast posted at <http://innovation.cms.gov>

The Innovation Center

Our charge: Identify, Test, Evaluate, Scale

The purpose of the Center is to test innovative payment and service delivery models **to reduce program expenditures under Medicare, Medicaid, and CHIP**...while preserving or enhancing the quality of care furnished.

- Preference to models that improve the coordination, quality, and efficiency of health care services.

In this webinar, we will focus on the third part of the three-part aim: Lower Costs Through Improvement

1

Better health

2

Better care

3

Lower costs through improvement - Lower the total cost of care for Medicare, Medicaid and CHIP beneficiaries by improving care

A successful **Operations Plan** will drive three-part aim outcomes

Objectives

Introduction to Total Cost of Care

- Explain what we mean by Total Cost of Care
- Explain how can you compute baseline Total Cost of Care for the population you serve
- Explain how your intervention can impact Total Cost of Care
- Explain how you can communicate your budget and cost savings plan

Note: impact on “better health” and “better care” will be covered in the following webinar

What do we mean by Total Cost of Care?

Total Cost of Care Defined

The Total Cost of Care we will discuss today describes dollars spent by health care purchasers for health care services

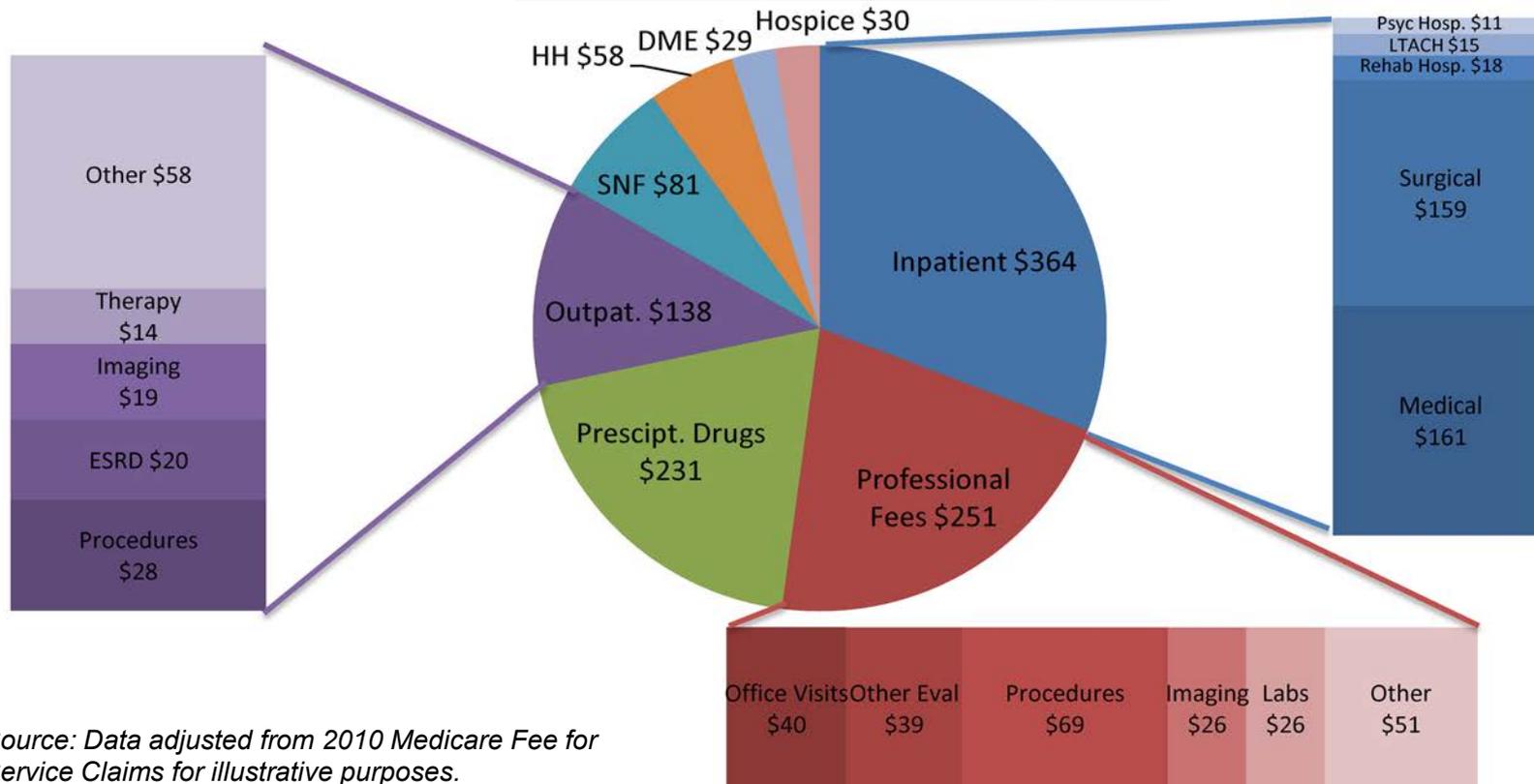


What is Included in Total Cost of Care?

Total Cost of Care includes the complete range of health care services

For Medicare patients, including beneficiary contribution, the average total cost of care is ~\$1,182 Per Beneficiary Per Month (“PBPM”) for the following basket of services

How is ~\$1,182 PBPM Spent?



Figures include ~20% more PBPM to account for patient contribution

Definitions
ESRD: End Stage Renal Disease
SNF: Skilled Nursing Facility
HH: Home Health
DME: Durable Medical Equipment
LTACH: Long Term Acute Care Hospital

Source: Data adjusted from 2010 Medicare Fee for Service Claims for illustrative purposes.

These slides and any examples listed are for illustrative purposes only and do not indicate any preference for award selection. The examples listed do not represent actual organizations, models, or applications. The purpose of the examples is to provide hypothetical circumstances and provide context for how an organization might approach designing its proposal. To the extent anything in this presentation conflicts with the official Funding Opportunity Announcement, the Funding Opportunity Announcement controls.

How Do You Compute Total Cost of Care?

In 2010, Medicare Part A and B, excluding beneficiary contribution, paid approximately \$760 PBPM

Common Nomenclature	Expenditure Per Service	Services per 1,000 Benes.	TOTAL COST OF CARE						
			Total Cost for 1,000 Benes.	PBPY	PBPM				
	UNIT COST "Price"	X	TOTAL UNITS "Volume"	=	ANNUAL COST FOR 1,000 BENES	÷	1,000 BENES	÷	12 Months
Evals	\$65	X	12,563 events	=	\$818,735		\$819		\$68
Acute Inpatient	\$10,350	X	326 admissions	=	\$3,369,983		\$3,370		\$281
Inpatient Rehab.	\$16,673	X	10 visits	=	\$165,320		\$165		\$14
Other					\$4,765,963		\$4,766		\$397
Total					\$9,120,000		\$9,120		\$760

These slides and any examples listed are for illustrative purposes only and do not indicate any preference for award selection. The examples listed do not represent actual organizations, models, or applications. The purpose of the examples is to provide hypothetical circumstances and provide context for how an organization might approach designing its proposal. To the extent anything in this presentation conflicts with the official Funding Opportunity Announcement, the Funding Opportunity Announcement controls.

Total Cost of Care Varies for Different Populations

The basket of services your population uses and how much care they utilize will depend on their health care needs and the practice patterns of providers

EXAMPLE (NOT BASED ON ACTUAL DATA)

	Population A	Population B
Total Cost of Care		
PBPM	\$1,050	\$500
Basket of Services and Total Units (Admissions or Visits per 1,000 Beneficiaries/Year)		
Inpatient Utilization	500 Admissions	250 Admissions
Professional Fees	1,000 Visits	2,000 Visits
Outpatient Services	1,500 Visits	2,500 Visits
Other Services	750 Visits	1,000 Visits
Unit Cost		
Expenditure Per Service	SAME	SAME

These slides and any examples listed are for illustrative purposes only and do not indicate any preference for award selection. The examples listed do not represent actual organizations, models, or applications. The purpose of the examples is to provide hypothetical circumstances and provide context for how an organization might approach designing its proposal. To the extent anything in this presentation conflicts with the official Funding Opportunity Announcement, the Funding Opportunity Announcement controls.

How can you compute baseline Total Cost of Care for the population you serve?

Cost of Care of Your Population

Total Cost of Care for your population will depend on their unique characteristics and practice patterns of providers in your community

1. Define your **Population**
 - Current population served
 - Proposed expansion population
2. Determine the full **Basket of Services** that your population uses
 - What services does your population utilize?
3. Determine how many **Total Units** (i.e. volume or utilization) they are currently using?
 - What risk factors does your population exhibit?
 - What is the disease prevalence of your population?
 - What types of providers (e.g. specialists, long-term care facilities) are available in a region?
 - What types of health systems are available in a region (e.g. academic, tertiary)?
4. Determine the **Unit Cost** of those Services (i.e. price)
 - How much do health care purchasers pay for the services your population uses?

Estimating Baseline Total Cost of Care for Your Population

Applicants should take the time to understand how much care their population needs and what that care costs. The following worksheet may help you determine estimates for your patients

A. Service Category	B. Unit Cost (Expenditure per Service)	C. Total Units (Services per 1,000 Beneficiaries)	D. Annual Cost for 1,000 Beneficiaries	E. Cost of Care (PBPY)	F. Cost of Care (PBPM)
Category 1	\$xyz	Xyz Episodes/Visits/Etc.	Columns B x Column C	Column D ÷ 1000	Column E ÷ 12
Category 2					
Category 3					
Category 4					
Category 5...					

Resources to Develop your Total Cost of Care Estimates

- Understanding what services your population uses, how much they use, and what those services cost may be difficult and will require significant research
- Applicants have many options to gather this information for their proposals:
 - Your own data
 - Data you obtain from the purchasers of service you are currently providing
 - Forging new partnerships with organizations that can provide data
 - Publicly available data (several sources provided on the following slide as examples; more will be provided at <http://www.innovations.cms.gov>)
- We understand that applicants may not have all the required data to compute total cost of care within their data systems. Applicants that develop thoughtful, data-driven estimates based on publicly-available data will be viewed as favorably as applicants who have access to actual figures

Examples of Publicly-Available Resources to Develop your Total Cost of Care Estimates

Applicants should compare their estimates on Total Cost of Care to publicly available data

Example Sources	Description	Type of Data
http://www.iom.edu/Activities/HealthServices/GeographicVariation/Data-Resources.aspx	Source: Institute of Medicine Contains local Medicare Fee-For-Service data on major categories of health care spend	Basket of Services Unit Cost Total Units
http://msis.cms.hhs.gov/	Source: CMS Contains Medicaid data on various categories of health care spend	Basket of Services Total Cost of Care
http://healthindicators.gov/	Source: National Center for Health Statistics Contains data on utilization and other health indicators on a community level from variety of sources	Basket of Services Total Units
http://www.statehealthfacts.org/	Source: Kaiser Contains data at state level on wide variety of statistics for variety of health care purchasers	Unit Costs Total Units

CMS will publish a document containing a detailed description of publicly available data sources at <http://www.innovations.cms.gov>

These slides and any examples listed are for illustrative purposes only and do not indicate any preference for award selection. The examples listed do not represent actual organizations, models, or applications. The purpose of the examples is to provide hypothetical circumstances and provide context for how an organization might approach designing its proposal. To the extent anything in this presentation conflicts with the official Funding Opportunity Announcement, the Funding Opportunity Announcement controls.

How will your intervention impact Total Cost of Care?

Impact on Lower Costs Through Improvement

Applicants are expected to demonstrate a logical and thoughtful path to cost savings through their intervention

- Once applicants complete the analysis of the baseline Total Cost of Care of their population, applicants should demonstrate how their improvement strategy will drive reductions to this baseline total cost of care
- Successful applicants are expected to demonstrate how their projects will drive meaningful reductions to total cost of care along two primary dimensions:
 - Program-level net savings over the duration of each award
 - Projected medical cost trend reduction that will continue after the cooperative agreement period is complete
- Applicants are required to complete the following two schedules to demonstrate the relationship between project expenditures and projected savings
 - Form SF-424A
 - Financial Plan
- Additionally, applicants are encouraged to provide detailed back-up financial models explaining the logic behind their projections

Estimating Program's Ability to Reduce Costs

- Fundamentally, we are seeking to provide awards to organizations that will enable reductions in health care costs ***through improvement***. For example,
 - Better coordination
 - Improved safety
 - Better use of health information technology
 - Improved chronic disease management
 - Improving workforce efficiency
- Proposals may demonstrate how funding their innovations will drive reductions elsewhere in the health system. For example,
 - Reduced avoidable emergency department visits
 - Reduced preventable hospitalizations
 - Reduced unnecessary procedures
- Applicants are encouraged to clearly articulate how their innovation will drive meaningful reductions in expenditures

Estimating Program's Ability To Reduce Costs (cont'd)

- Applicants should thoroughly present a compelling, data-driven story to explain cost savings
 - Does your program reduce utilization? What services? By how much?
 - Does the current research/evidence on this intervention apply to your population? What have your results shown in the past?

EXAMPLE (NOT BASED ON ACTUAL DATA)

Baseline :
\$3,968 PBPM

PLUS

Intervention Cost to
Health Care Purchaser
\$90 PBPM

MINUS

Reduce Cost to Health
Care Purchaser Through
improvement: \$220 PBPM

EQUALS

Pro Forma:
\$3,838 PBPM
3.3% SAVINGS

How will
you
achieve
these
results?

SERVICE BASKET	TOTAL UNITS			UNIT COST Expen Per Service	TOTAL COST OF CARE	
	Services Per 1000 Beneficiaries				Baseline PBPM	Pro Forma PBPM
	Baseline	% Change	Pro Forma			
Inpatient hospital						
Acute inpatient	2,200 admits	-10.0%	1,980 admits	\$9,100	\$1,668	\$1,502
Post-acute care						
Skilled nursing	400 admits	-7.0%	372 admits	\$13,000	\$433	\$403
Inpatient rehab	95 admits		95 admits	\$15,000	\$119	\$119
Inpatient LTCH	20 admits		20 admits	\$32,700	\$55	\$55
Home Health	550 episodes	10.0%	605 episodes	\$5,500	\$252	\$277
Total PAC					\$859	\$854
Other benefits/services						
OP services	6,200 events	-7.0%	5,766 events	\$630	\$326	\$303
Emergency room	1,100 visits		1,100 visits			
Evaluation & Mgmt	30,000 visits	15.0%	34,500 events	\$90	\$225	\$259
Procedures	6,500 events		6,500 events	\$325	\$176	\$176
Imaging	7,500 events		7,500 events	\$85	\$53	\$53
Lab tests	15,000 events		15,000 events	\$25	\$31	\$31
Other tests	4,000 events		4,000 events	\$35	\$12	\$12
Prescription Drugs/vac.					\$360	\$360
DME	2,000 events		2,000 events	\$150	\$25	\$25
ASC proced.	700 events		700 events	\$415	\$24	\$24
Hospice	200 admits		200 admits	\$9,200	\$153	\$153
Other		55.0%			\$56	\$87
Total Medicare Cost of Care					\$3,968	\$3,838

These slides and any examples listed are for illustrative purposes only and do not indicate any preference for award selection. The examples listed do not represent actual organizations, models, or applications. The purpose of the examples is to provide hypothetical circumstances and provide context for how an organization might approach designing its proposal. To the extent anything in this presentation conflicts with the official Funding Opportunity Announcement, the Funding Opportunity Announcement controls.

How do you communicate your budget and cost savings plan?

Your Budget – Standard Form 424A

- Applicants should complete sections A-D for the period April 1, 2012 – March 30, 2013
- Under Section E, Applicants should provide information for the following time periods:
 - Column B: April 1, 2013 – March 30, 2014
 - Column C: April 1, 2014 – March 30, 2015

BUDGET INFORMATION - Non-Construction Programs

OMB Approval No. 0348-0044

SECTION A - BUDGET SUMMARY						
Grant Program Function or Activity (a)	Catalog of Federal Domestic Assistance Number (b)	Estimated Unobligated Funds		New or Revised Budget		
		Federal (c)	Non-Federal (d)	Federal (e)	Non-Federal (f)	Total (g)
1.		\$	\$	\$	\$	\$ 0.00
2.						0.00
3.						0.00
4.						0.00
5. Totals		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
SECTION B - BUDGET CATEGORIES						
6. Object Class Categories	GRANT PROGRAM, FUNCTION OR ACTIVITY					Total (5)
	(1)	(2)	(3)			
a. Personnel	\$	\$	\$	\$	\$	0.00
b. Fringe Benefits						0.00
c. Travel						0.00
d. Equipment						0.00
e. Supplies						0.00
f. Contractual						0.00
g. Construction						0.00
h. Other						0.00
i. Total Direct Charges (sum of 6a-6h)		0.00	0.00	0.00	0.00	0.00
j. Indirect Charges						0.00
k. TOTALS (sum of 6i and 6j)	\$	0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
7. Program Income	\$		\$		\$	0.00

Authorized for Local Reproduction

Standard Form 424A (Rev. 7-97)
Prescribed by OMB Circular A-102

Previous Edition Usable

SECTION C - NON-FEDERAL RESOURCES

(a) Grant Program	(b) Applicant	(c) State	(d) Other Sources	(e) TOTALS	
8.	\$	\$	\$	\$ 0.00	
9.				0.00	
10.				0.00	
11.				0.00	
12. TOTAL (sum of lines 8-11)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	
SECTION D - FORECASTED CASH NEEDS					
13. Federal	Total for 1st Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	\$ 0.00	\$	\$	\$	\$
14. Non-Federal	0.00				
15. TOTAL (sum of lines 13 and 14)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
SECTION E - BUDGET ESTIMATES OF FEDERAL FUNDS NEEDED FOR BALANCE OF THE PROJECT					
(a) Grant Program	FUTURE FUNDING PERIODS (Years)				
	(b) First	(c) Second	(d) Third	(e) Fourth	
16.	\$	\$	\$	\$	
17.					
18.					
19.					
20. TOTAL (sum of lines 16-19)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	
SECTION F - OTHER BUDGET INFORMATION					
21. Direct Charges:		22. Indirect Charges:			
23. Remarks:					

Authorized for Local Reproduction

Standard Form 424A (Rev. 7-97) Page 2

These slides and any examples listed are for illustrative purposes only and do not indicate any preference for award selection. The examples listed do not represent actual organizations, models, or applications. The purpose of the examples is to provide hypothetical circumstances and provide context for how an organization might approach designing its proposal. To the extent anything in this presentation conflicts with the official Funding Opportunity Announcement, the Funding Opportunity Announcement controls.

Your Financial Plan

	Current	Year 1	Year 2	Year 3	3-Year Total
USES OF FUNDS					
Direct Charges					
Personnel		\$	\$	\$	\$
Fringe Benefits		\$	\$	\$	\$
Travel		\$	\$	\$	\$
Equipment		\$	\$	\$	\$
Supplies		\$	\$	\$	\$
Contractual		\$	\$	\$	\$
Construction		\$	\$	\$	\$
Other		\$	\$	\$	\$
Total Direct Charges		\$	\$	\$	\$
Total Indirect Charges		\$	\$	\$	\$
Total Uses of Funds		\$	\$	\$	\$
SAVINGS					
<u>Current Program Census</u>					
Number of Program Participants	#	#	#	#	#
Baseline					
Total PBPY Cost of Care of Program Participants	\$	\$	\$	\$	\$
Total Affected Spend	\$	\$	\$	\$	\$
% Reduction in Total Cost of Care from Funding		%	%	%	
<u>Proposed Expansion</u>					
Number of New Participants Targeted		#	#	#	#
Baseline					
Total PBPY Cost of Care of Program Participants	\$	\$	\$	\$	\$
Total Affected Spend	\$	\$	\$	\$	\$
% Reduction in Total Cost of Care from Funding		%	%	%	

These slides and any examples listed are for illustrative purposes only and do not indicate any preference for award selection. The examples listed do not represent actual organizations, models, or applications. The purpose of the examples is to provide hypothetical circumstances and provide context for how an organization might approach designing its proposal. To the extent anything in this presentation conflicts with the official Funding Opportunity Announcement, the Funding Opportunity Announcement controls.

Your Financial Plan

	Current	Year 1	Year 2	Year 3	3-Year Total
USES OF FUNDS					
	4/1/12- 3/30/13	4/1/13- 3/30/14	4/1/14- 3/30/15		
Direct Charges					
Personnel	\$	\$	\$	\$	\$
Fringe Benefits	\$	\$	\$	\$	\$
Travel	\$	\$	\$	\$	\$
Equipment	\$	\$	\$	\$	\$
Supplies	\$	\$	\$	\$	\$
Contractual	\$	\$	\$	\$	\$
Construction	\$	\$	\$	\$	\$
Other	\$	\$	\$	\$	\$
Total Direct Charges	\$	\$	\$	\$	\$
Total Indirect Charges	\$	\$	\$	\$	\$
Total Uses of Funds	\$	\$	\$	\$	\$
SAVINGS					
<u>Current Program Census</u>					
Number of Program Participants	#	#	#	#	#
Baseline					
Total PBPY Cost of Care of Program Participants	\$	\$	\$	\$	\$
Total Affected Spend	\$	\$	\$	\$	\$
% Reduction in Total Cost of Care from Funding		%	%	%	
<u>Proposed Expansion</u>					
Number of New Participants Targeted		#	#	#	#
Baseline					
Total PBPY Cost of Care of Program Participants	\$	\$	\$	\$	\$
Total Affected Spend	\$	\$	\$	\$	\$
% Reduction in Total Cost of Care from Funding		%	%	%	

These slides and any examples listed are for illustrative purposes only and do not indicate any preference for award selection. The examples listed do not represent actual organizations, models, or applications. The purpose of the examples is to provide hypothetical circumstances and provide context for how an organization might approach designing its proposal. To the extent anything in this presentation conflicts with the official Funding Opportunity Announcement, the Funding Opportunity Announcement controls.

Your Financial Plan

Budget

- Should match SF424A
- 3-year total should match total funding requested

	Current	Year 1	Year 2	Year 3	3-Year Total
USES OF FUNDS					
Direct Charges					
Personnel		\$	\$	\$	\$
Fringe Benefits		\$	\$	\$	\$
Travel		\$	\$	\$	\$
Equipment		\$	\$	\$	\$
Supplies		\$	\$	\$	\$
Contractual		\$	\$	\$	\$
Construction		\$	\$	\$	\$
Other		\$	\$	\$	\$
Total Direct Charges		\$	\$	\$	\$
Total Indirect Charges		\$	\$	\$	\$
Total Uses of Funds		\$	\$	\$	\$
SAVINGS					
<u>Current Program Census</u>					
Number of Program Participants	#	#	#	#	#
Baseline					
Total PBPY Cost of Care of Program Participants	\$	\$	\$	\$	\$
Total Affected Spend	\$	\$	\$	\$	\$
% Reduction in Total Cost of Care from Funding		%	%	%	
<u>Proposed Expansion</u>					
Number of New Participants Targeted		#	#	#	#
Baseline					
Total PBPY Cost of Care of Program Participants	\$	\$	\$	\$	\$
Total Affected Spend	\$	\$	\$	\$	\$
% Reduction in Total Cost of Care from Funding		%	%	%	

Your Financial Plan

	Current	Year 1	Year 2	Year 3	3-Year Total
USES OF FUNDS					
Direct Charges					
Personnel		\$	\$	\$	\$
Fringe Benefits		\$	\$	\$	\$
Travel		\$	\$	\$	\$
Equipment		\$	\$	\$	\$
Supplies		\$	\$	\$	\$
Contractual		\$	\$	\$	\$
Construction		\$	\$	\$	\$
Other		\$	\$	\$	\$
Total Direct Charges		\$	\$	\$	\$
Total Indirect Charges		\$	\$	\$	\$
Total Uses of Funds		\$	\$	\$	\$
SAVINGS					
<u>Current Program Census</u>					
Number of Program Participants	#	#	#	#	#
Baseline					
Total PBPY Cost of Care of Program Participants	\$	\$	\$	\$	\$
Total Affected Spend	\$	\$	\$	\$	\$
% Reduction in Total Cost of Care from Funding		%	%	%	
<u>Proposed Expansion</u>					
Number of New Participants Targeted		#	#	#	#
Baseline					
Total PBPY Cost of Care of Program Participants	\$	\$	\$	\$	\$
Total Affected Spend	\$	\$	\$	\$	\$
% Reduction in Total Cost of Care from Funding		%	%	%	

Population Size

- Current Program should include statistics on number of beneficiaries currently served (for entirely new organizations, this may be zero)

- Proposed Expansion area represents number of new beneficiaries impacted

Your Financial Plan

	Current	Year 1	Year 2	Year 3	3-Year Total
USES OF FUNDS					
Direct Charges					
Personnel		\$	\$	\$	\$
Fringe Benefits		\$	\$	\$	\$
Travel		\$	\$	\$	\$
Equipment		\$	\$	\$	\$
Supplies		\$	\$	\$	\$
Contractual		\$	\$	\$	\$
Construction		\$	\$	\$	\$
Other		\$	\$	\$	\$
Total Direct Charges		\$	\$	\$	\$
Total Indirect Charges		\$	\$	\$	\$
Total Uses of Funds		\$	\$	\$	\$
SAVINGS					
<u>Current Program Census</u>					
Number of Program Participants	#	#	#	#	#
<u>Baseline</u>					
Total PBPY Cost of Care of Program Participants	\$	\$	\$	\$	\$
Total Affected Spend	\$	\$	\$	\$	\$
% Reduction in Total Cost of Care from Funding		%	%	%	
<u>Proposed Expansion</u>					
Number of New Participants Targeted		#	#	#	#
<u>Baseline</u>					
Total PBPY Cost of Care of Program Participants	\$	\$	\$	\$	\$
Total Affected Spend	\$	\$	\$	\$	\$
% Reduction in Total Cost of Care from Funding		%	%	%	

Total Cost of Care Per Beneficiary Per Year

-This should represent the average total health care expenditures of program participants currently served and for proposed expansion populations
- For entirely new organizations, data for current census may be zero

Your Financial Plan

	Current	Year 1	Year 2	Year 3	3-Year Total
USES OF FUNDS					
Direct Charges					
Personnel		\$	\$	\$	\$
Fringe Benefits		\$	\$	\$	\$
Travel		\$	\$	\$	\$
Equipment		\$	\$	\$	\$
Supplies		\$	\$	\$	\$
Contractual		\$	\$	\$	\$
Construction		\$	\$	\$	\$
Other		\$	\$	\$	\$
Total Direct Charges		\$	\$	\$	\$
Total Indirect Charges		\$	\$	\$	\$
Total Uses of Funds		\$	\$	\$	\$
SAVINGS					
<u>Current Program Census</u>					
Number of Program Participants	#	#	#	#	#
Baseline					
Total PBPY Cost of Care of Program Participants	\$	\$	\$	\$	\$
Total Affected Spend	\$	\$	\$	\$	\$
% Reduction in Total Cost of Care from Funding		%	%	%	
<u>Proposed Expansion</u>					
Number of New Participants Targeted		#	#	#	#
Baseline					
Total PBPY Cost of Care of Program Participants	\$	\$	\$	\$	\$
Total Affected Spend	\$	\$	\$	\$	\$
% Reduction in Total Cost of Care from Funding		%	%	%	

Reduction in Total Cost of Care

- This is the percentage decrease in total cost of care that the proposal will produce for both the current population and the expansion area

Supporting Narrative and Schedules

- Applicants are encouraged to explain the rationale behind their budgets and potential savings through the application narrative and supporting schedules
- For every data point that applicants include on SF424A and the Financial Plan, applicants are encouraged to explain either through narrative or supporting schedule how that number was computed. For example,
 - What is included in your figure for Personnel on SF424A?
 - How did you arrive at your total cost of care estimate?
 - How did you compute your potential for reductions to total cost of care?
- Prior evidence and rigorous research will support the legitimacy of your claim
- Clear detail explaining the rationale of your estimates will ease review and add credibility to your funding request

How will reviewers assess your budget and cost savings plan?

Impact on Lower Cost Performance Metrics

Applicants are expected to show favorable credible short-term and long-term return on investment performance

- High percentage reduction in total cost of care of impacted populations
- Strong Return on Investment over three-year period
- Rapid “payback” period*

Highest rated proposals will show strong return on investment in three years or demonstrate a clear path to future positive return on investment

* *Awardees are not required to pay back funds*

These slides and any examples listed are for illustrative purposes only and do not indicate any preference for award selection. The examples listed do not represent actual organizations, models, or applications. The purpose of the examples is to provide hypothetical circumstances and provide context for how an organization might approach designing its proposal. To the extent anything in this presentation conflicts with the official Funding Opportunity Announcement, the Funding Opportunity Announcement controls.

Model Sustainability

Applicants are expected to demonstrate how programs will continue beyond the duration of the grant

- Applicants are expected to demonstrate in their narrative how initiatives will continue to function once Health Care Innovation Challenge funding finishes in three years
- Some examples of model sustainability include:
 - New partnerships and contracts with organizations adopting services
 - New funding streams from outside parties
 - Payment changes from existing reimbursement sources that may occur as new delivery models are implemented

Other Information

Glossary

Example Data for a Population using acute inpatient hospital service category

Total Beneficiaries: 5,000

Unit Cost of Inpatient Hospitalizations: \$9,069

Total Count of Annual Inpatient Hospitalizations for a 5,000 beneficiary population: 8,500

Term	Definition	Using Example Data Above for Inpatient Hospitalizations*
Expenditure Per Service	The amount health care purchasers pay per for each unit of service	\$9,069
Services Per 1,000 Beneficiaries	The quantity of health care services utilized by 1,000 beneficiaries	$8,500/5,000*1,000 =$ 1,700
PBPY Total Cost of Care	The Total Cost of Care <u>Per</u> <u>Beneficiary</u> <u>Per</u> <u>Year</u>	$\$9,069*1,700/1,000 =$ \$15,417
PBPM Total Cost of Care	The Total Cost of Care <u>Per</u> <u>Beneficiary</u> <u>Per</u> <u>Month</u>	$\$15,417/12 =$ \$1,285

* Example cost of care computations are for inpatient hospitalizations only, based on example data. Total cost of care will include all health care services paid for by health care purchasers for your population.

Resources

Access application electronically at:

- <http://www.grants.gov>

In order to apply all applicants must

- Obtain a **Dun and Bradstreet Data Universal Numbering System (DUNS)** number which can be obtained at <http://www.dunandbradstreet.com>
- Register in the **Central Contractor Registration (CCR)** database. More information at <http://www.ccr.gov>

Resources

Any Questions

- Contact InnovationChallenge@cms.hhs.gov
- FAQs are now online at innovations.cms.gov

Questions & Answers

Please use the webinar feature to submit any questions you have for the speaker.