

Examining Outcomes in Bundled Care Models

Bundled care models are the future of healthcare reimbursement - HNI is at the forefront of innovating acute & transitional care models to drive improving outcomes while controlling costs



Bundled Care: HNI's Tools-Enabled Clinical Model Drives Outcomes & Cost Savings

HNI & CMMI: Evolving Models for Effective & Efficient Care Delivery

- ✓ **Q1 2018** – BPCI-A model announced as an evolution of the legacy BPCI model
- ✓ **Q4 2018** – BPCI-A launches
- ✓ **Q4 2018** – HNI initiates BPCI-A bundles at 11 sites with Signify (convener partner)
- ✓ **2019-22** – HNI achieves 2% NPRA despite large retroactive trend factor adjustments
- ✓ **2022** – CMS / CMMI engages HNI to collaborate on model improvement, care navigation & tools utilization (VitalsMD)
- ✓ **2023** – HNI re- enters BPCI-A independently without convener support
- ✓ **Q1 2023** – BPCI-A episode tracking tools introduced to VitalsMD platform
- ✓ **Q3 2024** – Release of VitalsMD Transitional Care module; BPCI-A tools expanded to include real-time NPRA performance tracking
- ✓ **Q3 2024** – TEAM mandatory program final rule & participants announced
- ✓ **Q4 2024+** – HNI continues exceptional BPCI-A program performance, expanding CMMI & Affinity Group partnership in 2025

HNI's Headline Results:

See following page(s) for additional detailed results

HNI is a proven leader in the Center for Medicare & Medicaid Innovation (CMMI) bundled payment models and recognized as an innovator in developing tool- enabled clinical models that align cost with quality. HNI combines bedside software solutions with disciplined medical management to align appropriate network utilization - the results have been exceptional over the last 6 years:

- + Consolidated 2% NPRA savings (net of CMS 3% payment) from 2019-22
- + >7.5% NPRA savings expected in '24 despite trend factor adjustments
- + Performance exceeding benchmarks in 7 of 9 clinical episodes today
- + Continuous tools development & partnership with CMMI, CMMI Affinity Group and the Lewin Group

HNI continues to take a leading position in bundled care models because we recognize coordinated & aligned care is the future of healthcare. We're doing the work today to align patients, providers & payors for tomorrow.

What are bundled care / BPCI-A models?

The Bundled Payments for Care Improvement (BPCI) program, administered by CMMI, launched in 2013 as part of efforts to shift Medicare payments from fee-for-service to value-based care. Evolving from the original BPCI model, BPCI-Advanced (BPCI-A) was launched in 2018, as an advanced model that introduced downside financial risk for participants. Participants agree to manage financial & clinical outcomes for specific episodes of care (e.g., joint replacements, cardiac care) within a 90-day period post-hospital admission. Payments & penalties are based on whether participant's actual spending exceeds or reduces costs while delivering higher quality standards.

Key elements of reimbursement:

1. Price per Episode (Target)
2. Net Payment Reconciliation Amounts ("NPRA" payments)
3. Downside Risk (Penalties)

Quality measures impact on payment: Participants must meet CMS quality standards to qualify for savings & avoid penalties

1. Readmission rates ("RTA")
2. Patient experience scores ("PES")
3. Complication rates
4. Timely discharge to home or lower-cost post-acute settings

Why it matters – TEAM model & mandatory Bundles:

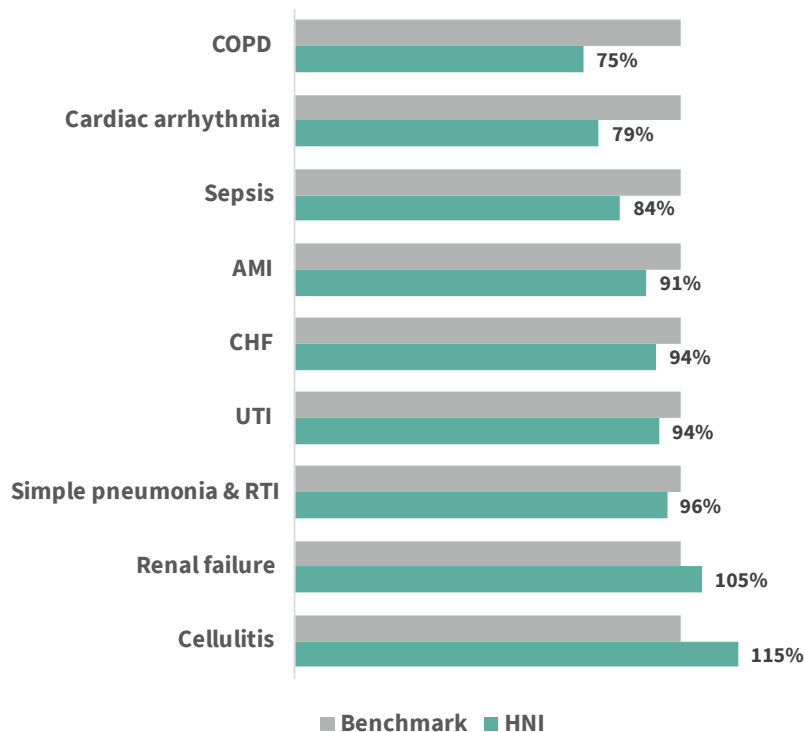
Transforming Episode Accountability (TEAM) Model launches January 2026. This mandatory program includes over 700+ acute hospitals in 188 CBSAs. The initial model will cover 5 clinical episodes and participants will be held accountable for cost & quality over a 30- day period post- discharge.

Broad- based mandatory bundles are expected by 2030 – how are you preparing?



HNI Healthcare's Network Results in 2024 BPCI-A

Indexing HNI Network-wide Costs vs. Benchmarks:



Focusing on highest impact episodes in 2024

HNI tailored 2024 participation to cover 9 key clinical episodes where our practice and tools can have the greatest impact

Results & learnings:

- + Performance beating benchmarks in 7 of 9 clinical episodes
- + Anticipating >7.5% NPRA savings (net) in FY2024 despite trend factor adjustment headwinds
- + Organized transitional care via Transitional Care Clinics, Virtual TCM Capabilities and Integrated Outpatient Partners ensure program performance

Note: Based on CMS reporting and actual encounters through 9 months in 2024; outlines HNI Average Payment compared to CMS Target Price across all clinical episodes; excludes discontinued sites / programs

Maintaining Exceptional Results in a Challenging Environment

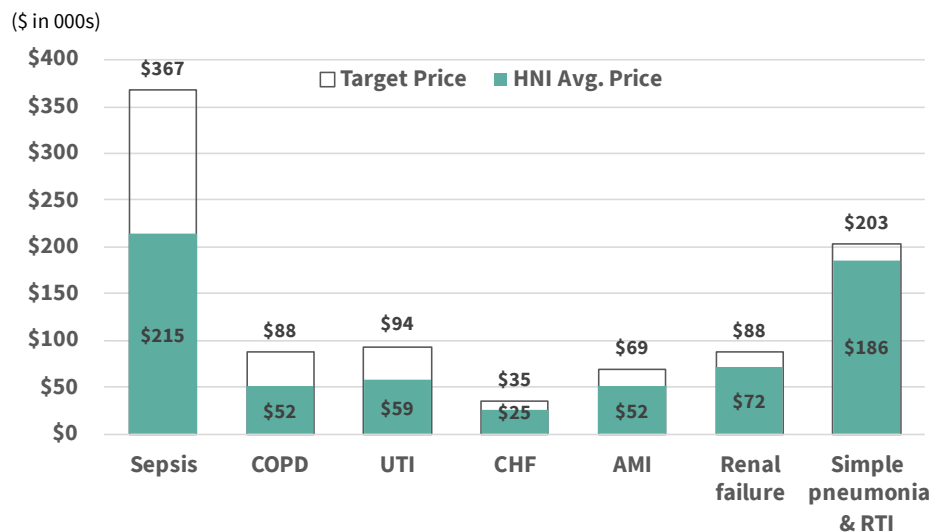
A model for clinical excellence in a medically under-served market

HNI is leveraging a mature, high-functioning HM program to drive exceptional results in a medically under-served market

Levers for success & results:

- + Continuous feedback loop & provider education
- + Embedded transitional care & navigation resources onsite
- + Utilizing HNI's purpose-built tools in VitalsMD
- + Outperforming benchmarks in all clinical episodes
- + Site-specific NPRA of 20% (maximum achievable NPRA)

Site-specific Target Price vs. HNI Average Across Bundles (YTD 2024):



Note: Based on CMS reporting and actual encounters through 9 months in 2024; HNI Average Payment compared to CMS Target Price across clinical episodes; results are site-specific for 7 enrolled clinical episodes; excludes 2 outlier patient encounters



Informing Clinical Models with Continuous Analysis & Improvement:

Lessons from BPCI-A & Pneumonia Episodes

Following the completion of BPCI-A program reporting in 2022, HNI's Clinical Quality & Improvement team conducted a rigorous review of patient outcomes in all programs, including pneumonia & respiratory infections. The team was intent on identifying causal effects of variable clinical practices on patient outcomes and overall cost of care.

Among other findings the team identified the following:

1. An inverse relationship (good) between a pneumonia patient's discharge to home and their likelihood of acute readmission within 90 days
2. A similar inverse relationship (good again) between a pneumonia patient's discharge to home and the overall episode cost
3. A fundamental tie between timely and complete clinical documentation and improved patient outcomes

Improvements in key operating measures & clinical outcomes:

| <u>Reporting Metric</u> | <u>Baseline</u> | <u>After BPCI-A Protocols Implemented</u> | <u>Change</u> |
|-------------------------|-----------------|---|---------------|
| PATH % | 67% | 91% | +2400 bps |
| SNF % | 29% | 6% | (-2300 bps) |
| RTA % | 39% | 24% | (-1500 bps) |
| CMI | 1.22 | 1.37 | +0.15 |
| GMLOS | 3.8 | 4.2 | +0.4 |
| LOS | 4.5 | 4.0 | (-0.5) |
| Avg. Spend | \$24,500 | \$19,800 | (\$4,700) |

Note: Based on CMS reporting and actual encounters across three sites of care in 2022; baseline comparison period is 2019

Key takeaways that reinforce the effectiveness of HNI's tools- based clinical model:

1. Accurate documentation and coding can impact target prices significantly
2. Accurate documentation and coding can lead to longer GMLOS, thereby providing more time for inpatient care and supporting patient ambulation to home over skilled nursing or similar settings
3. When coupled with good discharge practices, improvements in BPCI-A outcomes are substantial

HNI's years of experience building clinical models & integrated tools have made us a leader at delivering exceptional results in alternative payment models.

Mandatory bundles are here – are you ready?