

TIPS for TEAM: How to Reduce the Top Driver of Higher Variable Costs in Surgery Episodes

written by Theresa Hush | December 15, 2025



One of the largest and most significant changes to specialty care payments in Medicare commences in January. TEAM (Transforming Episode Accountability Model) is poised to put hospitals at risk for total costs of care for the highest cost Medicare surgical episodes, including Coronary Artery Bypass Graft (CABG), Lower Extremity Joint Replacements (LEJR), major bowel procedures, surgical hip femur fracture repair (SHFFT), and spinal fusion.

Granting one year's grace on assuming risk to meet an average cost formula, the model will force shifts in the way hospitals and physicians have typically handled surgical cases. Hospitals, which will be at risk for all episode costs for the procedure itself and the next 30 days, will need to collaborate with their surgical teams and primary care physicians on methods of lowering costs.

Failure to achieve cost levels below the targeted levels will mean that hospitals that don't meet the cost target will have to pay back CMS. In simplistic terms, the formula targets an average cost that is patient-risk- and geography-adjusted. Over time, this calculation has the potential to lower the average cost target every year. Hospitals will compete to drive toward lower benchmarks. As their cost performance will most likely be made public, it will affect hospitals' standing with private health plans' high-performance networks.

Evaluating Costs of Surgical Episodes

Much recent literature regarding TEAM has focused on comparing aggregated costs of hospitals as well as categorical costs associated with type of services, such as inpatient care, SNF, and so on. However, these comparison don't help to illuminate what is actually causing higher or lower costs, especially the variable costs of surgery: length of stay, level of services (for example, ICU), patient risk, complications, surgical returns, and do-overs.

Instead, hospitals will need to use patient episodes of care to discover the discrete reasons why episode costs are higher than others for some cases, some providers, or some patients. CMS will provide aggregated claims data, which should be integrated with clinical data from the hospital and the collaborating physicians. Only with patient-specific episodes will surgeons and other members of the clinical team be able to engage in evaluating and adjusting cost performance in each surgery, because professional reputation is at stake.

Where Is the Real Money to Be Saved in TEAM?

Roji's evaluation of actual surgical data through Roji TEAM Episodes supports the conclusion of much research into surgical costs: the top driver of variable costs comes from complications of surgery. These complications are multifactorial, caused both by breakdown in processes and communication as well as by underlying patient conditions. They include:

- Incidents related to surgery that preventive treatment may have avoided, such as development of atrial fibrillation after CABG and bleeding caused by unknown anemia for LEJR;
- Infections, including hospital MRSA related infections;
- Prolonged ventilation or other events causing extended length of stay, such as allogeneic transfusion;
- Complications caused by patient co-morbidities and frailty coming into surgery;
- Patient smoking and other lifestyle factors.

TIPS for TEAM Hospitals and Surgical Teams

Without a team approach between hospitals and their surgical teams, the TEAM payment model will impact hospitals unfairly. CMS correctly targeted hospitals as the necessary central point for collaboration. If hospitals and their surgical teams can work together on managing costs, they will be able to identify both systemic and specific processes that will achieve lower cost and better patient care.

Their first task is to begin reducing surgical complications,

regardless of cause. That leads to the next step: connecting fragmented primary-to-specialty communication and care management, addressing patient education and decisions, and addressing systemic issues in both hospital and physician care.

Roji Health Intelligence is launching its TIPS for TEAM series this week, with a focus on surgical complications. [Download your free TIPS sheet to facilitate your entry into the new accountability framework for TEAM.](#)

Founded in 2002, Roji Health Intelligence guides health care systems, providers and patients on the path to better health through [Solutions](#) that help providers improve their value and succeed in Risk.

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