

Bundled Payment: An AHA Research Synthesis Report

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TRANSFORMING HEALTH CARE THROUGH RESEARCH AND EDUCATION



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- What is Bundled Payment?
- Bundled Payment and Health Reform
- Experience with Bundled Payment
- Key Issues for Consideration

What is Bundled Payment?

- Combines reimbursement for multiple providers into a single, comprehensive payment that covers all of the services involved in a patient's care
- Bundled payment aims to:
 - Control cost
 - Integrate care
 - Improve the patient care experience
 - Improve outcomes

Why Bundled Payment?

- Fee-for-service payment fails to:
 - Encourage cooperation among providers
 - Control the volume or cost of services
 - Reward providers for quality care
- Full capitation:
 - Exposes providers to risk that few can manage
 - Raises concerns about withholding services

What Do We Know About Bundled Payment?

- Could potentially reduce spending on an episode of care
 - 5-year Medicare Heart Bypass Center Demonstration saved \$42.3 million (10% of expected spending)
 - Geisinger ProvenCare reduced hospital costs by 5%
- Providers' readiness to participate in bundled payment programs varies.
 - 209 hospitals submitted pre-applications for Medicare Heart Bypass Center Demonstration out of 734 that expressed interest.
 - About 20% of eligible providers have signed up for Blue Cross Blue Shield of Massachusetts' Alternative Quality Contract.
- Bundled payment can spur quality improvement.
 - ProvenCare, based on 40 best practice steps from AHA and ACC guidelines, reduced average length of stay for CABG by 0.5 days and 30-day readmission rates by 44% over 18 months.

Bundled Payment and Health Reform

- PPACA creates voluntary, five-year national pilot program on bundled payment - for Medicaid by 2012 and Medicare by 2013
- Pilots may involve hospitals (including long term care hospitals and inpatient rehabilitation facilities), physician groups, skilled nursing facilities and home health agencies for episodes of care that begin three days prior to hospitalization and up to 30 days post-discharge
- Can be expanded after pilot phase based on performance

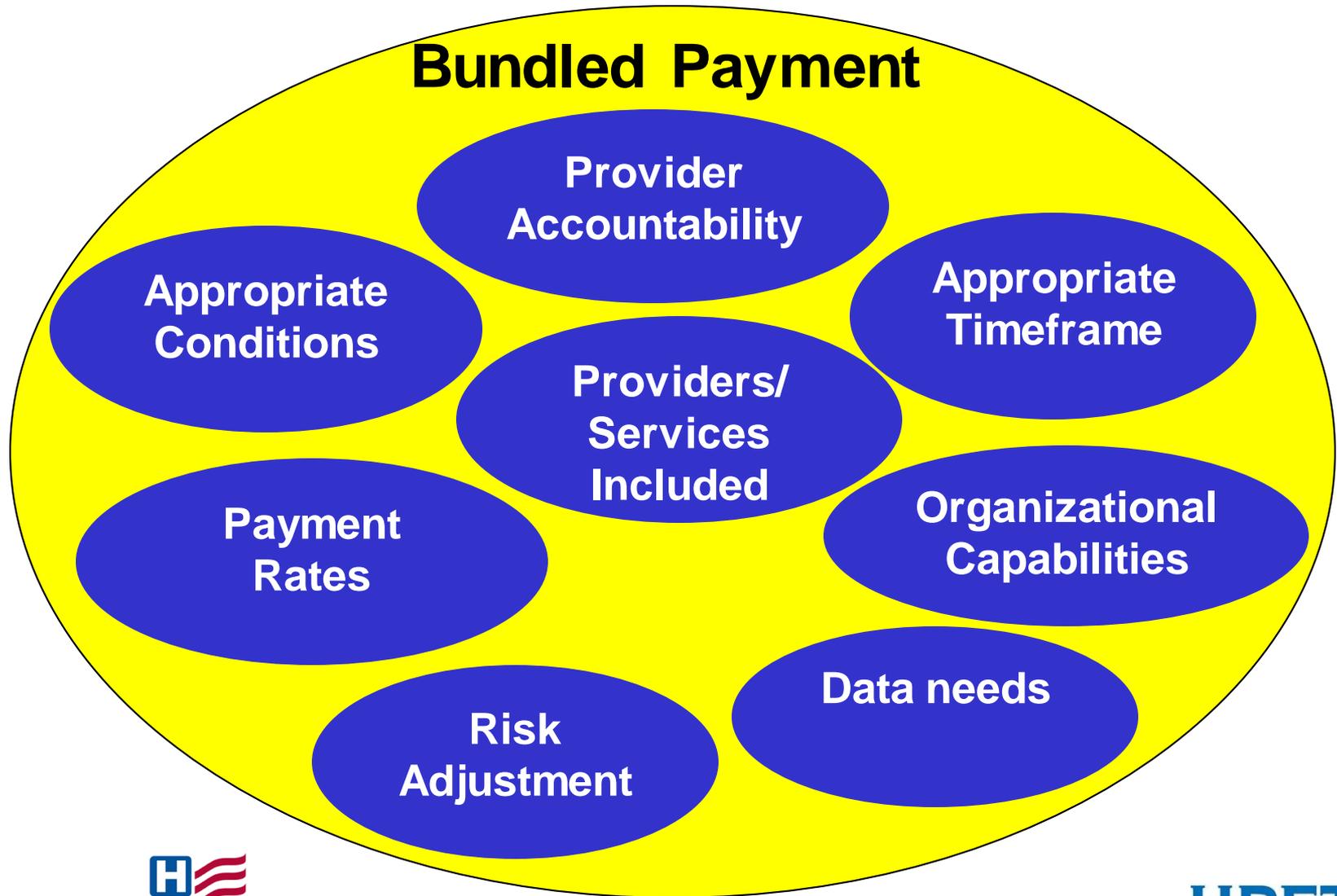
Recent Experience with Bundled Payment

- Geisinger Health System's ProvenCare (2006 – present)
 - Bundled payment for all non-emergency CABG procedures, including preoperative evaluation, all hospital and professional fees, and management of any complications (including readmissions) within 90 days of procedure
 - Lowered hospital costs by 5% and average LOS by 0.5 days; reduced complications by 21%, sternal infections by 25%, and readmissions by 44%
- Medicare Acute Care Episode (ACE) Demonstration (2009 – present)
 - Pays a flat fee to cover hospital and physician services for cardiac care and orthopedic care to five participating providers

Recent Experience with Bundled Payment (contd.)

- PROMETHEUS Payment, Inc. (2009 – present)
 - Implemented in three sites with funding from Commonwealth Fund and Robert Wood Johnson Foundation
 - Bundled payment system to cover full episode of care for several conditions and procedures
- Blue Cross Blue Shield of Massachusetts (BCBSMA) Alternative Quality Contract (2009 – present)
 - Global payment system tied to nationally accepted quality measures
 - Payment rate set for all services and costs associated with a patient's care, risk-adjusted and updated annually, and includes pay-for-performance component

Key Issues for Implementation



Appropriate Conditions for Bundling

- Bundled payment currently applied to specific conditions
 - Acute care episodes with clear beginning and end, e.g., CABG and cataract surgery
 - Conditions requiring defined services, e.g., end stage renal disease
 - Conditions with established clinical guidelines that can aid in development of goals and benchmarks
- **KEY QUESTION: Will it be feasible to apply bundled payments to a wider variety of conditions for which the progression may be largely outside the control of providers and service needs are often unpredictable, e.g., chronic, long-term?**

Providers and Services Included

- Past bundled payment programs centered on services provided by hospitals and physicians
- Future proposals for chronic, long-term conditions will need to be expanded to other providers:
 - PCP
 - Home health
 - Nursing home
 - Long-term acute care
 - Rehabilitation
- Within hospital, expand to ancillary services, e.g., laboratory, emergency services, and other diagnostic services
- Engaging multiple service providers, although challenging, can provide for optimal financial management

Attributing Provider Accountability

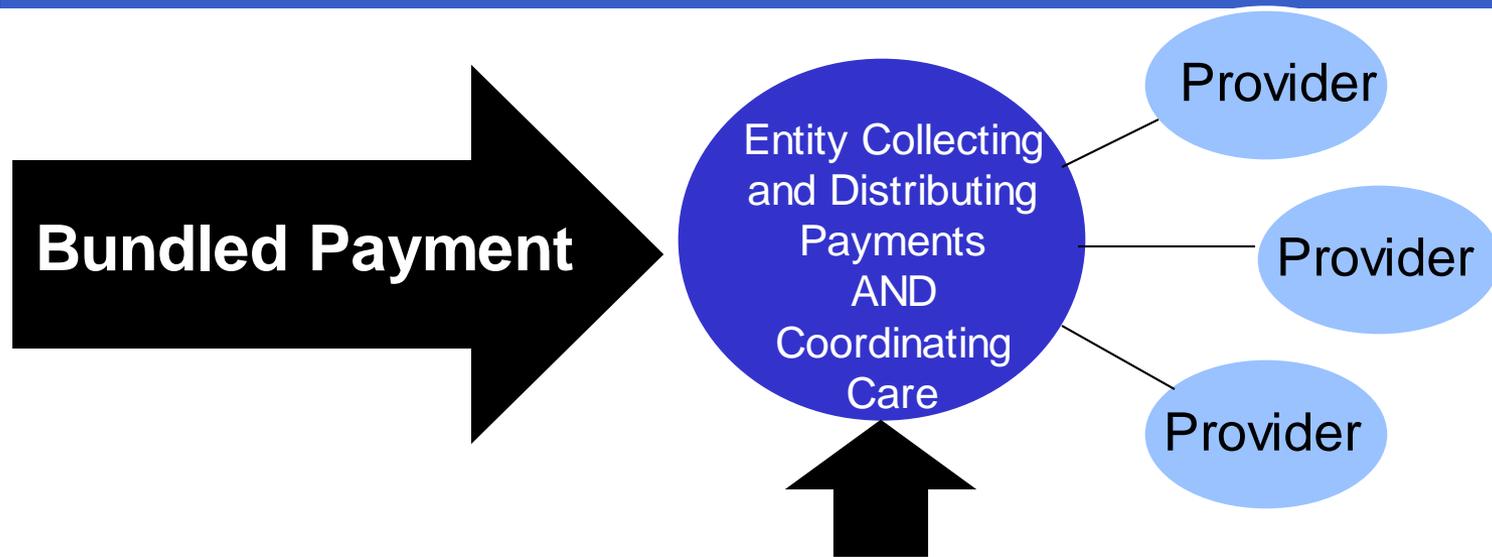
- Crucial for incentivizing providers to reduce unnecessary utilization
- Difficult to determine provider responsibility for some episodes of care. Current solutions include:
 - Determine accountability at organizational level (Medicare Participating Heart Bypass Center demonstration)
 - Reward providers for meeting quality benchmarks (Medicare ACE demonstration)
 - Allocate bundled payment based on proportion of provider's historical fees

Appropriate Timeframe

- Lack of consensus in existing literature on appropriate timeframes for acute care/post acute-care payment bundle:
 - 30 days after hospitalization (OMB, 2008)
 - 60 days post-discharge (Welch, 1998)
 - 90 days post-hospitalization (The Commonwealth Fund, 2007; Geisinger ProvenCare)

Duration of bundle determines the types and amount of services included in the bundle, as well as provider risk.

Capabilities Required



Organizational Capabilities for Care Coordination

- Third party administrator functionality
- Ability to determine patient care needs
- Effective relationship with providers
- Information technology systems
- Administrative resources

Setting Appropriate Payment Rates

- Different approaches for determining payment rates:
 - Negotiated payment amounts, e.g., Medicare bundled payment demonstration programs
 - Historical costs (possibly including deduction of certain percentage for efficiency savings)
 - Costs based on use of standard care guidelines – assumes providers deliver only recommended care, e.g., PROMETHEUS
- Need to periodically revisit and update payment rates over time

Risk-Adjusting Bundled Payments

- Adequate risk adjustment ensures:
 - Adequate case-mix adjustment
 - severity of illness
 - social determinants (e.g., language, socioeconomic status, availability of social support)
 - Closely match combined costs of acute and post-acute care services
 - Minimize unintended consequences
- Need to explore appropriate population thresholds for risk-adjusting bundled payment

Data Needs

- Current approach of using episode groupers will have to be evaluated to ensure effective, accurate information is available on:
 - Diagnosis and co-morbidities
 - Dates
 - Types and costs of services
 - Patient and provider identifiers
- EMRs will allow for more comprehensive data collection than many current data collection systems designed for fee-for-service payment.

Key References

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