



Bundled Payments: Using Data to Drive Intentional Action

Bundled payments have emerged as a reimbursement method that can support health care providers' efforts to redesign care and improve outcomes for specific patient populations and clinical episodes of care. Bundled payments are designed to provide hospitals, health systems and practitioners with financial incentives to work together to deliver care in a more coordinated manner.

Using internal and external datasets for defining the patient population and informing decision-making is the first important step to implementing bundled payment programs successfully, and the topic of this issue brief.

Key Takeaways

- 1 Success in bundled payments is achieved through data-driven care delivery redesign.
- 2 Procedure-based bundles that incorporate services lines with high patient volumes and post-acute care have greater opportunity for being successful.
- 3 A comprehensive organizational approach includes getting administrative and clinical leadership buy-in, and assessing and planning for operational and clinical readiness.

Data for Decision-making

Hospitals and health system teams can use existing internal and external data to derive actionable information to better understand the needs of their patient population and opportunities for improving patient outcomes. Analyzing internal data, such as electronic health record queries and financial reports, along with external datasets, such as Medicare administrative claims, can help identify which episodes of care to consider for bundled payments.

To weigh the opportunities and risks of bundling an episode of care, health care teams should consider episode volume and disposition variation, episode cost, target structure and organizational approach (see Table, "Considerations for Episode of Care Selection"). Ultimately, it is important to remember that these decision points are unique to each organization; therefore, teams should carefully assess opportunities and risk.

Considerations for Episode of Care Selection



Topic

Episode of Care Volume and Disposition Variation

Key Questions

- Is there a large patient volume?
- Is the population relatively stable in size and characteristics (i.e., predictable)?
- Which care pathways exist?
- Are there established post-acute provider relationships?

Key Takeaways

- Higher volume reduces the risk that a few high-cost episodes can eliminate any cost savings.
- Population stability over time provides a profile that can be used to better identify care patterns, opportunities for variation reduction and statistically significant metrics.
- Existing cross-continuum care pathways or partnerships may result in larger return on care redesign investment.



Considerations for Episode of Care Selection (continued)



Topic

Episode of Care Cost

Key Questions

- What are the costs associated with the current care pathway?
- Are there opportunities for reducing unnecessary clinical variation?
- Are post-acute providers part of the system?

Key Takeaways

- Service lines focused on reducing variable costs have greater opportunity for achieving savings through care redesign.
- Episodes in which a large proportion of the cost is incurred during the post-discharge period increase the feasibility of achieving the target goal.



Target Structure

- Who are the patients that make up the episode of care outliers?
- How are the targets determined?
- What data do you have?
- What can you reasonably monitor?
- What additional data would you need?

- Understanding how targets are designed (regional vs. provider specific) is necessary to understand financial opportunity.
- Defining the outlier patient population and determining if the outlier rate is higher than expected and can be impacted via care redesign are important.



Organizational Approach

- Is there cultural buy-in across the system?
- Is there operational and clinical readiness?
- Are there clearly identified opportunities and strategies to move the needle?

- A comprehensive organizational approach:*
- Examines and includes organizational buy-in, operational readiness and clinical readiness.
 - Identifies opportunities and a strategic plan to achieve goals.
 - Includes metrics available from existing data sources to measure bundle success.

Case Example: Northwestern Medicine's Participation in BPCI Advanced

Northwestern Medicine (NM) is an integrated health system in Northeast Illinois — with its flagship academic medical center located in Chicago — that treats more than 1 million patients each year. NM participated in the Bundled Payments for Care Improvement (BPCI) initiative. Under this scope of work, NM leaders focused on three key performance drivers: readmissions, skilled nursing facility (SNF) utilization and SNF average length of stay. Total program savings were \$3.8 million from third quarter 2015 through second quarter 2018.

With this initial success, in January 2018, NM decided to apply for the BPCI Advanced initiative. When selecting episodes of care to target within the new initiative, the health system considered several key factors: system strategic priorities, existing quality initiatives, and clinical champions and leadership support. Next, Medicare claims datasets were analyzed to determine which episodes of care occurred more than 100 times within the year.

Physician engagement was key to moving forward. Discussions with clinical leaders identified if and how the health system could pursue quality improvements and increase efficiencies within the 90-day episodes. In addition, NM compared baseline episode expenditures with 2018 preliminary target prices to obtain a rough approximation of financial performance.

The information collected on each episode of care informed NM's decision to focus on chronic heart failure — across its entire system — and chronic obstructive pulmonary disease (COPD), major joint replacement (MJR) and sepsis — at its lead hospital. To ensure success, NM continuously analyzes episode-specific data. This information will assist care teams in determining the performance of each episode of care and influence whether an episode of care is dropped from or will remain in the BPCI Advanced initiative.



The AHA Center for Health Innovation hosted a series of five webinars on bundled payments in early 2019 focusing on how hospitals and health systems are implementing these programs. These webinars built upon a two-part introductory webinar series in late 2018 that defined bundled payments and episodic care programs and shared current research, hosted in collaboration with the University of Pennsylvania's Center for Health Incentives and Behavioral Economics (CHIBE). The 2019 webinars emphasized the population health foundational capabilities articulated in the [AHA's Population Health Framework](#): understanding populations, engaging new partnerships, taking system-level action, and measuring and sustaining progress.

This issue brief highlights information from the January 2019 webinar, which focused on the importance of analyzing internal and external datasets to inform decision-making, and described the characteristics of successful bundling programs. Webinar presenters were Gloria Kupferman, chief data strategy officer, AHA; Darcie Hurteau, senior director, informatics, DataGen; Kate Poglitsch, chief of analytics, DataGen; and Jessica Walradt, manager, value-based care, Northwestern Medicine.

To learn more about bundled payments and access webinar recordings and complementary issue briefs in this series, visit <https://www.aha.org/bundled-payment/aha-center-health-innovation>.