

Bundled Payment

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Bundled Payment

- Fixed payment per episode
 - Span site of care
 - Span time

Current initiatives

■ Public

- Medicare
- Arkansas

■ Private

- Numerous private initiatives with varying scope
 - Prometheus Payment
 - IHA Bundled Episode Payment (with Aetna)
 - United Healthcare: 5 medical oncology groups throughout the country
 - Humana, partnered with 21st Century Oncology: radiation therapy services
 - Anthem BCBS: two providers in WI, surgical procedures
 - Harvard pilgrim: group of orthopedic surgeons in MA

Medicare

■ Bundled payment for care improvement (BPCI)

- Link payments for multiple services during one care episode
- 4 payment models:

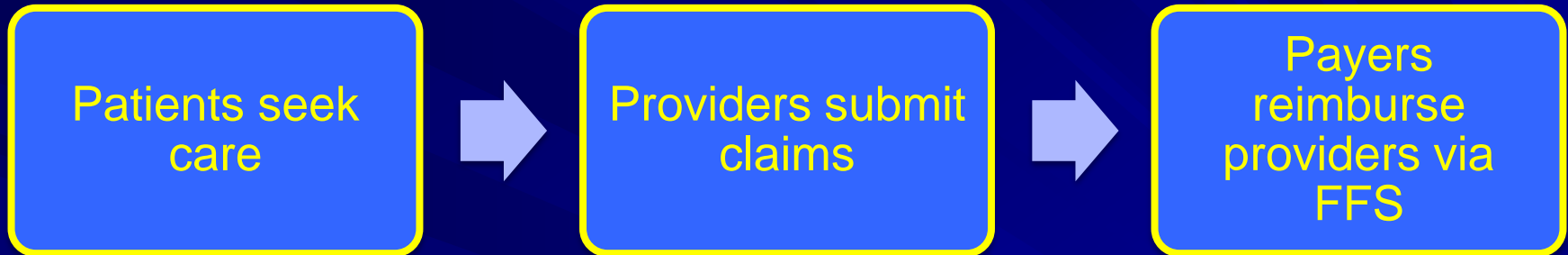
	Model 1	Model 2	Model 3	Model 4
Episode	All acute patients, all DRGs	Selected DRGs, hospital plus post-acute period	Selected DRGs, post-acute period only	Selected DRGs, hospital plus readmissions
Services included in bundle	All Part A services paid as part of the MS-DRG payment	All non-hospice Part A and B services during the initial inpatient stay, post-acute period and readmission	All non-hospice Part A and B services during the post-acute period and readmissions	All non-hospice Part A and B services (including the hospital and physician) during inpatient stay and readmissions
Payment	Retrospective	Retrospective	Retrospective	Prospective

Arkansas Summary

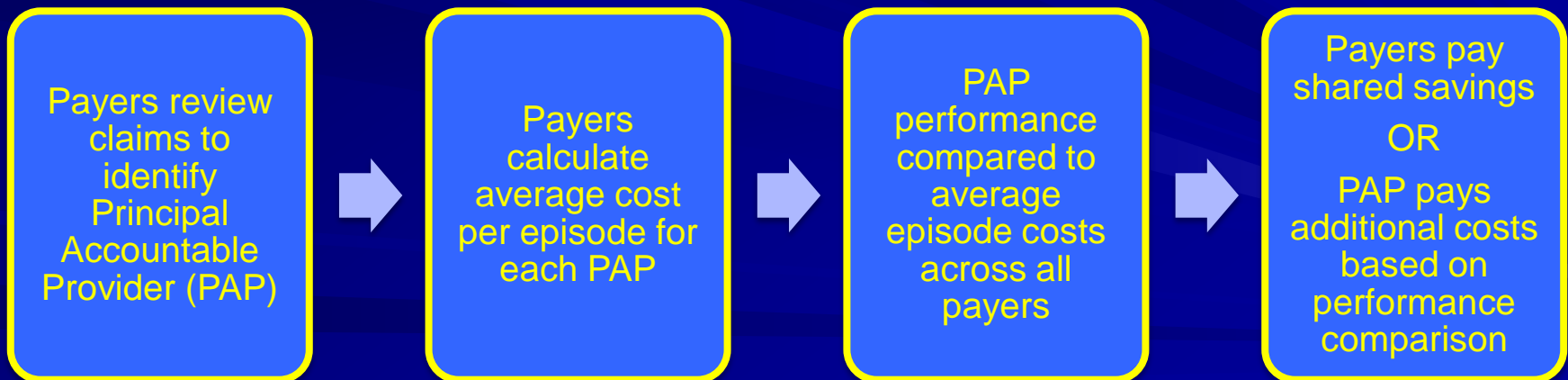
- Multi payer
- Episodes: upper respiratory infections, total hip and knee replacements, congestive heart failure, ADHD, pregnancy, and development disabilities
- Based on Principal Accountable Provider
- 2 sided risk
- Built on FFS chassis

Arkansas Payment Initiative

1. Same as current FFS



2. Episode bundled payments for 12-month performance period

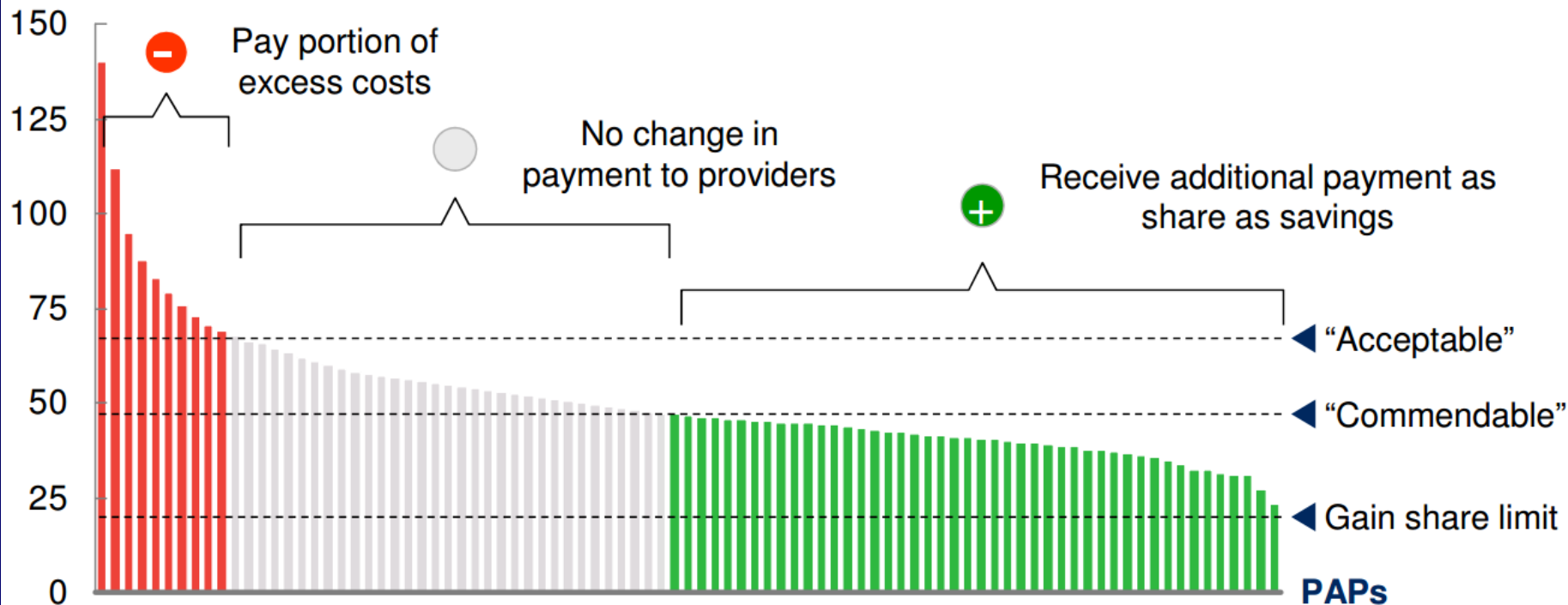


Average episode cost per principal accountable provider¹

ILLUSTRATIVE

Year 3 average cost / episode

Dollars (\$)



- Risk sharing capped: 10% of total reimbursement from each payer
- Shared savings also capped

Arkansas colonoscopy episode

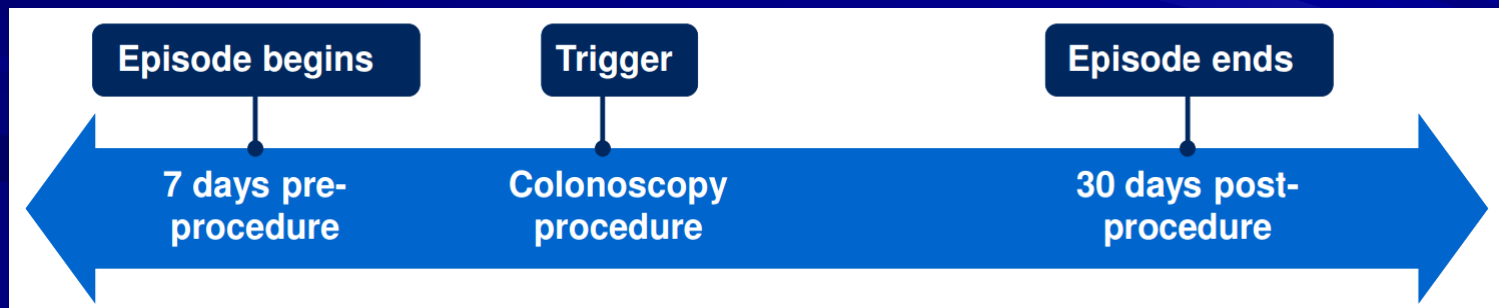
■ Definition

- Includes related services 7 days prior to and 30 days after colonoscopy procedure (i.e., Labs and imaging, any services related to complications)
- Exclusions (i.e., patients younger than 18 or older than 64)

■ Adjustments

- Risk factors (i.e., diabetes, renal failure)
- Additional procedures

■ Quality metrics factored into shared savings payment



Private Initiatives

- 2014: 0.1 percent of payments flowed through bundled payment models
- Prometheus Payment: HCl3 payment initiative
- IHA Bundled Episode Payment and Gainsharing Demonstration:
 - Evaluated bundled payment for orthopedic surgery in CA

Diffusion slow

- **Prometheus Payment: HCI3 payment initiative**
 - 3 years into the initiative, none of pilot sites had made bundled payments or executed new payment contracts
- **IHA Bundled Episode Payment and Gainsharing Demonstration:**
 - Potential savings not high enough to justify admin costs to health plans to automate claims
 - 3 of 6 health plans dropped out; 6 of 8 hospitals dropped out

Hussey, Peter S., M. Susan Ridgely, and Meredith B. Rosenthal. "The PROMETHEUS bundled payment experiment: slow start shows problems in implementing new payment models." *Health Affairs* 30.11 (2011): 2116-2124.

Ridgely, M. Susan, et al. "Bundled Payment Fails To Gain A Foothold In California: The Experience Of The IHA Bundled Payment Demonstration." *Health Affairs* 33.8 (2014): 1345-1352.

Literature review

- Bundled payment programs have reduced health care spending and utilization
 - Spending decline of 10% or less
 - Utilization decline (measured as reduction in length of stay or use of specific services) of 5%-15%
- No effect on quality

Challenges

- Multiple episodes
 - Chronic disease
- Number of episodes may increase
- Coordination of providers
- Updating
 - Different rate of increase across episodes
 - 10% of episodes accounted for 82.5% of spending growth
 - Within episode spending growth ranged from -75% to +323%

End