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:

<table>
<thead>
<tr>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Episode</strong></td>
<td>All acute patients, all DRGs</td>
<td>Selected DRGs, hospital plus post-acute period</td>
<td>Selected DRGs, post-acute period only</td>
</tr>
<tr>
<td><strong>Services included in bundle</strong></td>
<td>All Part A services paid as part of the MS-DRG payment</td>
<td>All non-hospice Part A and B services during the initial inpatient stay, post-acute period and readmission</td>
<td>All non-hospice Part A and B services during the post-acute period and readmissions</td>
</tr>
<tr>
<td><strong>Payment</strong></td>
<td>Retrospective</td>
<td>Retrospective</td>
<td>Retrospective</td>
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</tbody>
</table>
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

- Patients seek care
- Providers submit claims
- Payers reimburse providers via FFS

2. Episode bundled payments for 12-month performance period

- Payers review claims to identify Principal Accountable Provider (PAP)
- Payers calculate average cost per episode for each PAP
- PAP performance compared to average episode costs across all payers
- Payers pay shared savings OR PAP pays additional costs based on performance comparison
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: HCI3 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


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