

Bundled Payments: Myths & Realities



Fair, Evidence-based Solutions. Real and Lasting Change.

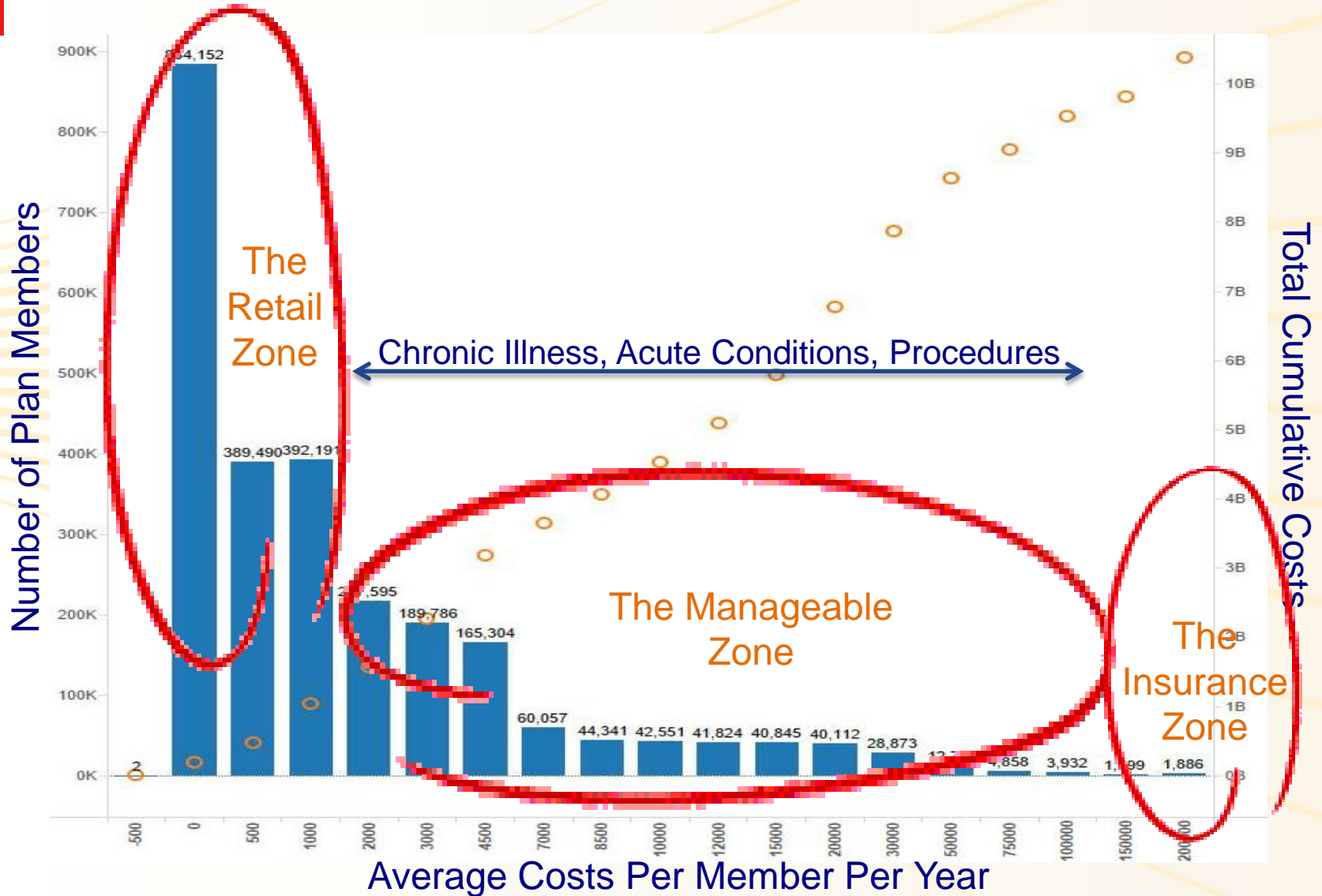
Learning Action Network

10-26-2015

About HCI³

- Not-for-profit that designs and implements programs to improve the quality and affordability of health care in the US by modifying the current incentives driving provider and consumer behaviors.

Why Bundles?



Common Myths & Realities

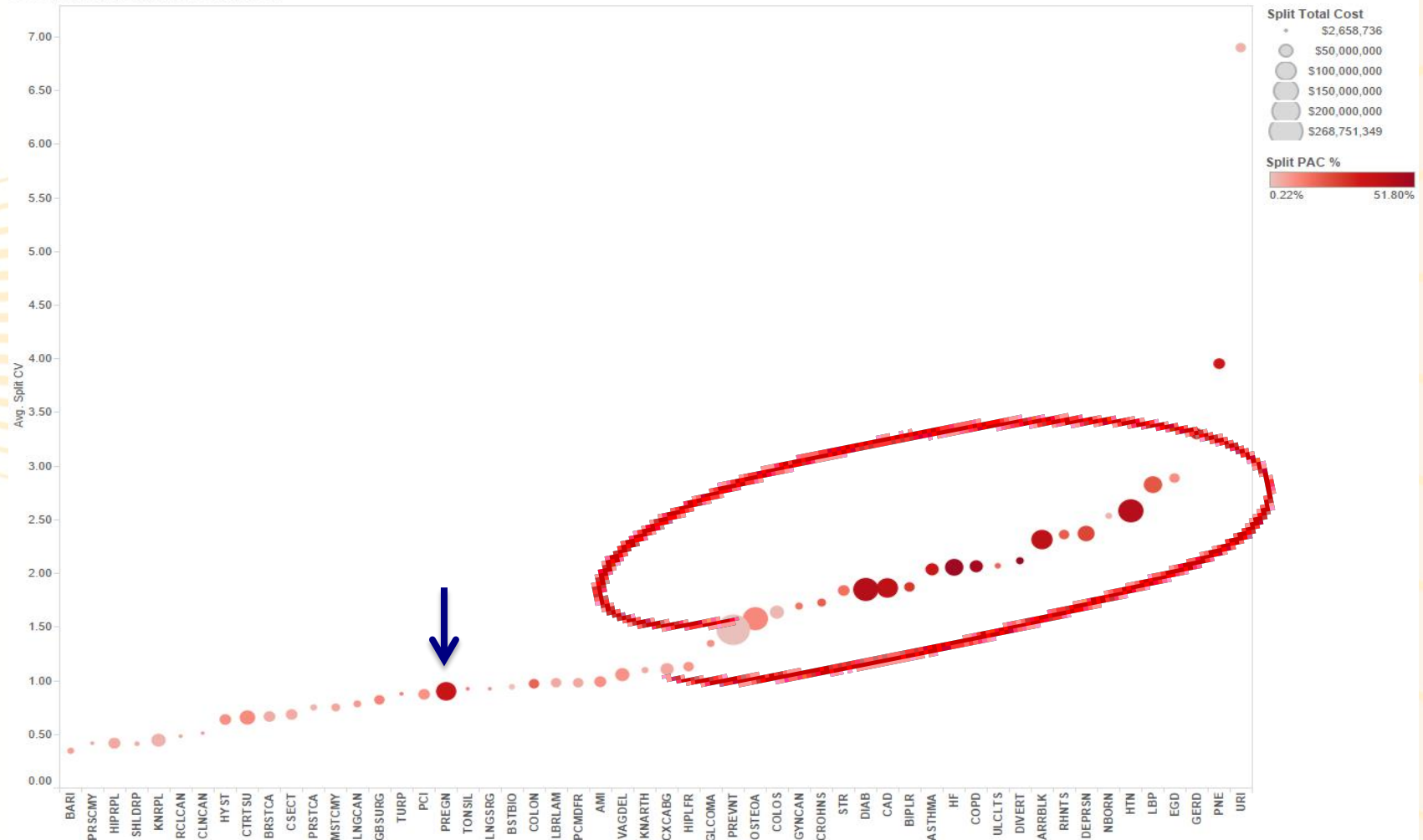
1. Bundles are only good for procedures, and even then they don't address the appropriateness of procedures
 2. Bundles are a way station on the path to total costs of care payments, so why bother?
 3. Bundled payments are complex to administer
 4. Part of the complexity is figuring out who gets the money and how it then gets redistributed
1. Bundles can cover about 2/3 of all costs of care – the Manageable Zone. Condition-based bundles (e.g. vascular disease) include procedures and therefore address appropriateness of treatments.
 2. There's a reason the middle of the cost distribution is called the Manageable Zone and why most providers prefer bundles to capitation
 3. Back room complexity is solvable with good software
 4. For the foreseeable future, bundled payments will be prospectively budgeted, paid FFS and retrospectively reconciled to solve that problem. Alternatives include fiscal intermediaries such as Remedy Partners

Some Facts

- The States of Arkansas, Ohio and Tennessee are implementing broad-scaled bundled payment programs for procedures, acute events and chronic conditions.
- The State of NY is launching a multi-year payment reform program that includes bundles for maternity/delivery and chronic conditions.
- Employers are increasing the use of bundled payments for domestic medical tourism.
- Health plans such as CIGNA, BCBSNJ, BCBSNC and others have developed large scale bundled payment programs with comprehensive automated internal operations to support those programs.

The Manageable Zone: Costs, Variation, Complications

Costs, PACs, Variation Combined



Average of Split CV (report_episode_summary (ghc2)) for each Episode Name. Color shows Split PAC %. Size shows sum of Split Total Cost. The data is filtered on Level Complete and Trim Outliers Split. The Level Complete filter keeps Complete. The Trim Outliers Split filter keeps 1.

A “womb-to-crib” Bundle

Objectives:

- Reduce variation in and overall C-section rates
- Reduce number of low birth weight babies
- Encourage obstetricians, community-based outreach organizations, birthing centers, neonatologists and pediatricians to deliver great outcomes for BOTH mother and child

Bundle all costs associated with:

- Pregnancy – triggered at delivery, grab claims for up to 9 months prior to delivery
- Delivery – vaginal delivery or c-section, including any complications, all facility and associated professional costs during the stay
- Newborn – there are 4 levels of nurseries that babies can end up in, we will include babies in nursery level 1, 2 and 3, and exclude 4. Nursery Level 4 is a neonate intensive care unit and the newborn costs for babies in Lvl 4 are 10-20x greater than Level 1-3.
- Post-discharge – for 30 days after the mother and the baby are home to capture any potential complications
- Excludes – multiple births, stillborn

Comprehensive quality scorecard to monitor outcomes for mom and baby

A Comprehensive Chronic Care Bundle

Objectives:

- Significantly reduce the rates of potentially avoidable complications for patients with chronic conditions
- Encourage the co-management of patients with multiple conditions, including depression
- Link primary care with specialty care around the patient, breaking down the artificial silos between both
- Encourage appropriate use of social workers, behavioral therapists, home health, as substitute for expensive hospital care, outpatient facility care, and even specialty care

Bundle all costs associated with:

- One year of each of the chronic conditions for any given patient. Example Patient A: Diabetes, Hypertension, Depression. Example Patient B: COPD, Heart Failure, Hypertension
- Any related complication, including potential patient safety failures such as medication errors
- Adjusted for the severity of each condition for each patient
- Beneficiary-specific budget = Sum (Expected Cost Condition 1, Expected Cost Condition 2, etc...)

Excludes unrelated costs of any other condition or procedure, for example, a knee replacement

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