Welcome to “Let’s Get Ready to Bundle”

- **Please mute your audio ☺**
- **Upcoming virtual seminars**
  - Thurs. 9/17: Robin Lunge’13 “Making Sausage: Influencing Public Policy & Advocating Change”
  - Wed. 10/14: Prof. David Goodman “Health Care Variation in Europe & Asia: What do we know, and what does it mean?
- **Symposium**
  - April 7-9, 2016: “Scaling Up: What Happens When You Go Big?”

Lets Get Ready to Bundle

How to Think About Bundled Payments

Friday, August 21, 2015
12:00 PM - 1:00 PM

Lisa M. McDonnel, MCHDS'15

Kenny J. Cole, MD, MHCDS'15

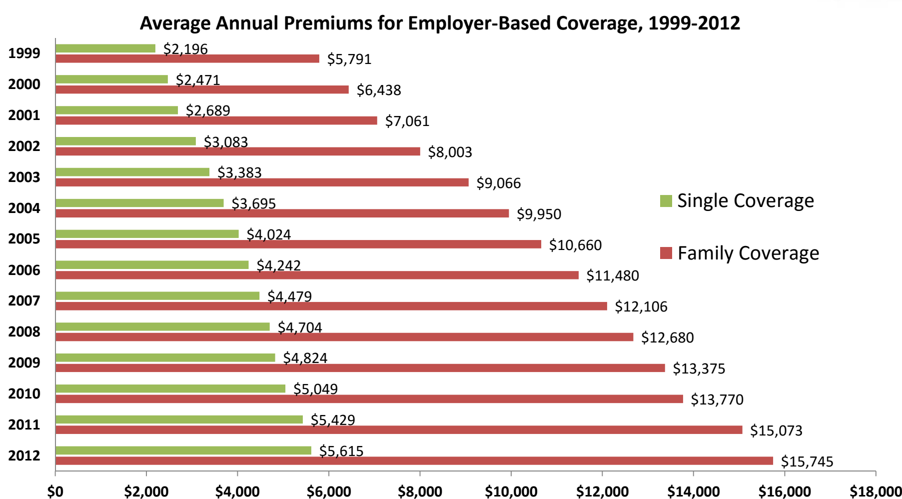
Presentation Objectives

Evaluate the differences in bundled payment models, their key attributes, and variations in design that will influence bundled payment effectiveness

Review the elements necessary to structure a successful bundled payment arrangement

Discuss ways that bundled payment models can be leveraged to drive change and how you will measure success

Why Change Is Needed…
The Rising Cost of Employer-Sponsored Health Insurance



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2012

Why Is Healthcare So Expensive?

It depends on who you ask…

Why PROVIDERS Think Healthcare Is So Expensive

- Trial Lawyers
- Rx
- Medical Devices
- Insurance Companies
- Patients

JAMA. 2013;310(20):2199-2200. doi:10.1001/jama.2013.282135

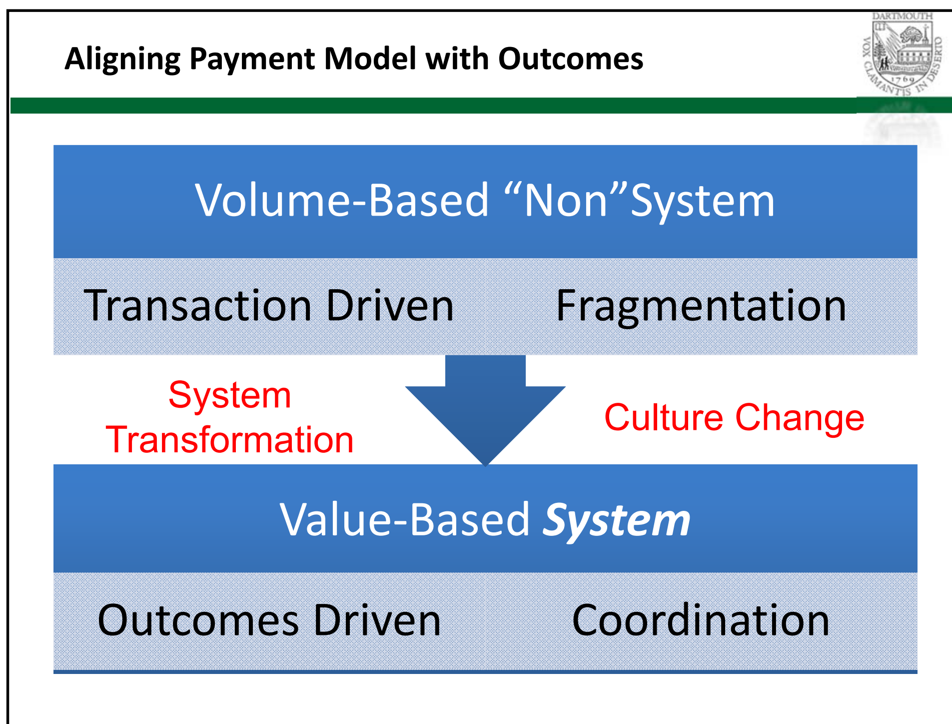
Why is Healthcare *Really* So Expensive?

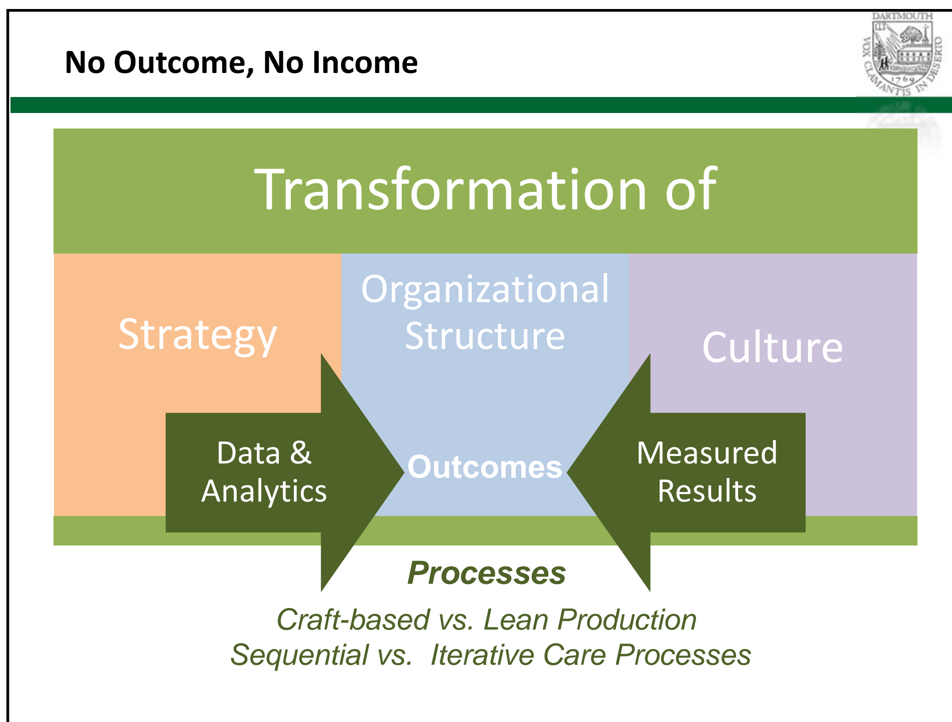
- **Fee-for-service reimbursement**
- **Fragmented care delivery**
- **Administrative burden on providers, payers and patients**
- Population aging, rising rates of chronic disease and co-morbidities, as well as lifestyle factors and personal health choices
- Advances in medical technology
- Tax treatment of health insurance

- **Insurance benefit design**
- **Lack of transparency about cost and quality, limited data to inform consumer choice**
- Consolidation and competition
- High unit prices of medical services
- Medical malpractice and fraud and abuse laws
- Structure and supply of the health professional workforce

"What Is Driving U.S. Health Care Spending?: America's Unsustainable Health Care Cost Growth." Bipartisan Policy Center, September 2012

6


Aligning Payment Model with Outcomes
Volume-Based "Non"System
Transaction Driven
Fragmentation
System Transformation
Culture Change
Value-Based System
Outcomes Driven
Coordination


No Outcome, No Income
Transformation of
Strategy
Organizational Structure
Culture
Data & Analytics
Outcomes
Measured Results
Processes
Craft-based vs. Lean Production
Sequential vs. Iterative Care Processes

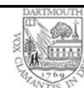
Objectives of Bundles and other Value-Based Payment Models

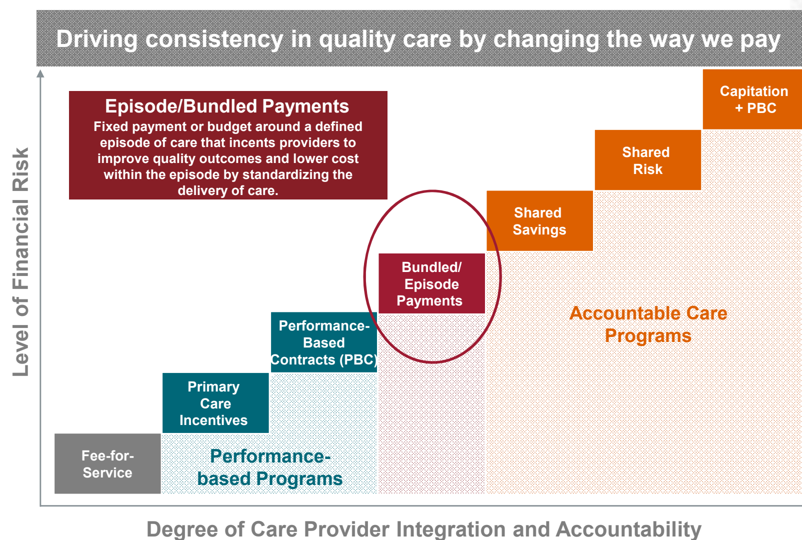
Paying for value through outcome-based payment models that reward care providers for improvements in quality and cost-efficiency

Transforming the delivery system to be more accountable for cost, quality and experience outcomes, helping make health care more affordable

Aligning incentives across employers, consumers and care providers to achieve the Triple Aim of better health, better care and lower costs

Bundled Payment in the Accountable Care Continuum





Episodic Cost Variation is a Significant Driver of Bundles

CIVHC CENTER FOR IMPROVING VALUE IN HEALTH CARE

Data retreived from www.cohealthdata.org May 7, 2013, Colorado All Payer Claims Database Knee Replacement static report (http://www.cohealthdata.org/view/reports/StaticReports/APCD_Static_Report_KneeReplacement_MASKED.pdf). Includes claims data from the eight largest commercial payers in Colorado (large-group fully insured and individual lines of business) and Medicaid claims from 2011 and represent the average payments to facilities for knee replacements. Data has not been adjusted for patient severity of illness.

Drivers of Bundling Adoption

Payers
- -Support narrow networks and centers of Excellence
- -Align provider incentives
- -Encourage providers to move toward increased accountability
- -Reduce costs and improve quality

Employers
- -Reduce cost & care variability
- -Ensure quality and appropriateness of care
- -Increase worker productivity

Providers
- -Taking early steps toward population health in the future
- -Experiment with risk while sharing in cost savings
- -Improve partnership between hospital and physicians
- -Increase market share through steerage
- -Community recognition, e.g. Center of Excellence

State & Federal Government
- -Aging population (Medicare/ duals)
- -Encourage innovation to reduce cost/improve quality (SIM grants active in many states)
- -State budget crises
- -Using influence and purchase power to drive reform across all populations

Survey Question

Are preparing for bundled payments?

Examples of Active Bundled Payment Models

Hospital DRG Payment

- Facility receives a fixed payment for all facility services (excludes physician) provided to a patient during an inpatient hospitalization
- Episode begins upon admission and concludes at discharge

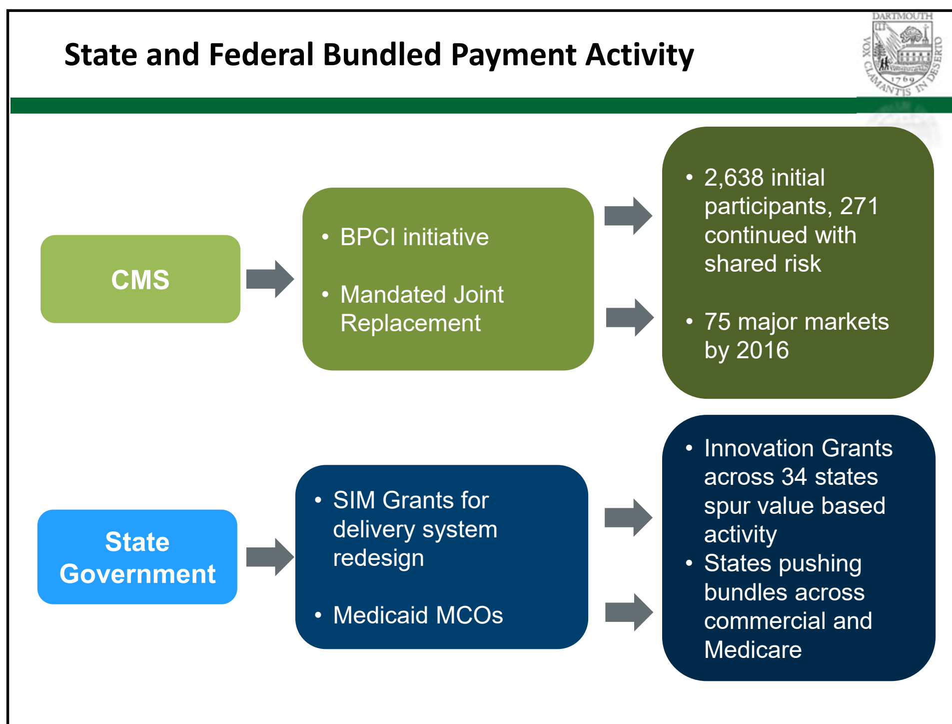
Transplant Bundles

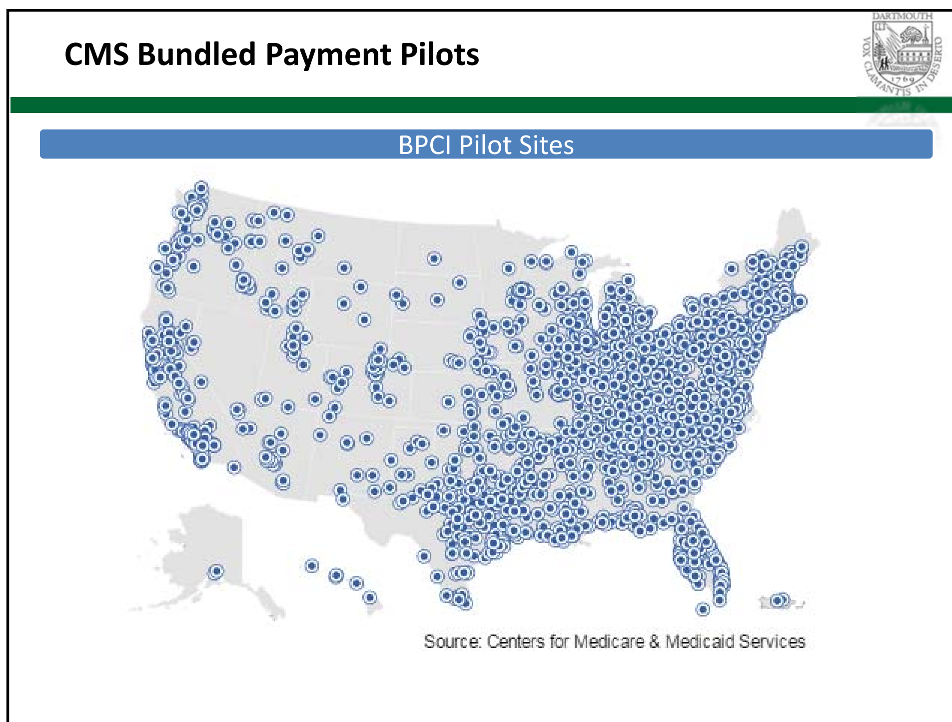
- Facility receives a fixed, prospective payment for all professional and facility services associated with a transplant case, including organ acquisition
- Episode typically begins pre-operatively and concludes 12 months following the transplant procedure

Tenncare Perinatal Care Bundle

- Specialist receives a retrospective bonus or pays a penalty (shared risk) if the average episode cost exceeds a percentile threshold above/below the market average

The common element in each of example is a fixed, financial payment or cost target for a specific scope of services.


State and Federal Bundled Payment Activity
CMS
BPCI initiative
Mandated Joint Replacement
2,638 initial participants, 271 continued with shared risk
75 major markets by 2016
State Government
SIM Grants for delivery system redesign
Medicaid MCOs
Innovation Grants across 34 states spur value based activity
States pushing bundles across commercial and Medicare


CMS Bundled Payment Pilots
BPCI Pilot Sites
Source: Centers for Medicare & Medicaid Services

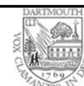
Medicare doubles down on Bundles

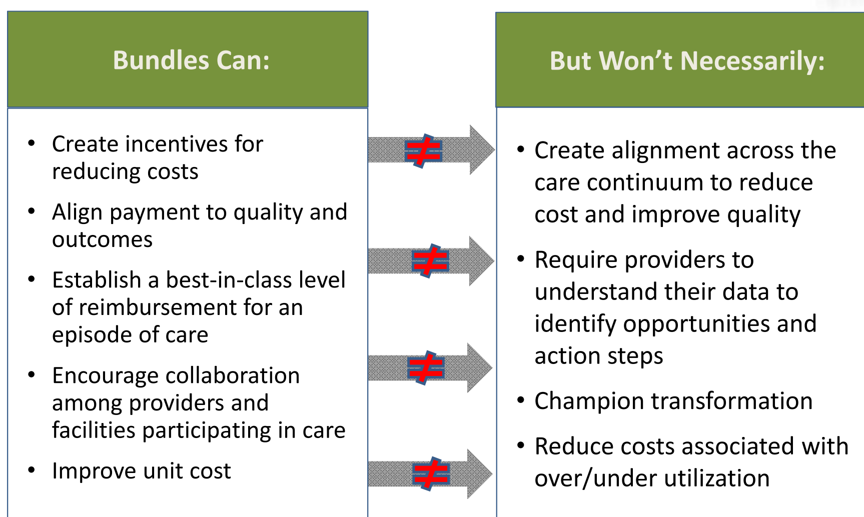
July 9, 2015, CMS announces "**Comprehensive Care for Joint Replacement"** proposed rule, mandating bundles for all eligible hospitals in top 75 MSA's.

Critics response:
"…Medicare's model would discourage innovation and it could bankrupt innovative providers…"

Center for Healthcare Quality & Payment Reform, July 13, 2015

Bundled Payment Features and Limitations





Variables within a bundled payment model

Working Definition: *A fixed payment or budget around a defined episode of care that incents providers to improve quality outcomes and lower cost within the episode by standardizing the delivery of care.*

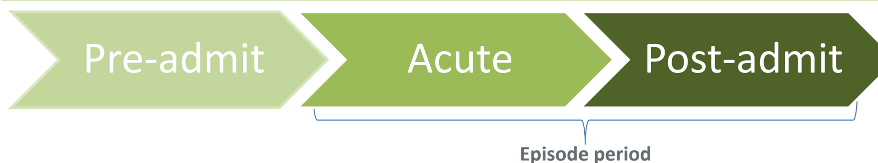
Bundled Payment Variables					
Service type	Payer Source	Episode trigger	Episode duration	Service Inclusions	Service exclusions
Prospective Payment	Retrospective Payment	Patient Benefit design	Steerage/ Volume	Guarantee period	Carve-outs
Case mix adjustment	Patient engagement	Treatment Decision Support	Who receives the payment	Specialists included	Downstream cost/gain sharing

In the ongoing CMS BPCI pilot program, providers can choose between four different bundled payment models, each with different levels of inclusion and exclusion, spread across 48 different episodes of care.

Examples of Joint Replacement Bundles: Medicare

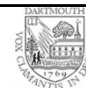
CMS Proposed Rule: Comprehensive Care for Joint Replacement

Risk share is measured and reconciled retrospectively between CMS and the hospital. The surgeon and other care providers are not included in the program. Bundle begins upon admission and continues for 90 days post-discharge.



Bundle Variables	Model Disposition
Hospital at Risk	Yes
Physician/Surgeon at risk	No
Patient Steerage	No
Appropriate Utilization Incentive	No
Hospital/Physician Collaboration Incentive	No
Quality Requirement(s)	Yes

Examples of Joint Replacement Bundles: Commercial

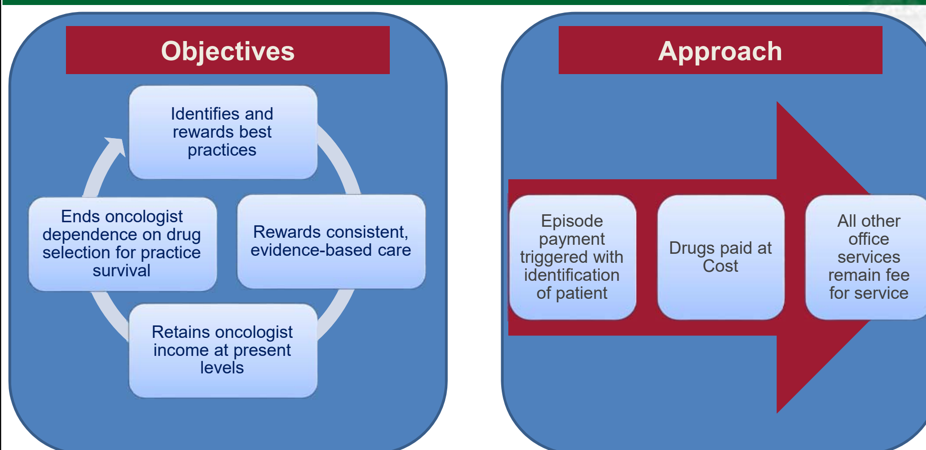


UnitedHealthcare Total Joint Replacement Center of Excellence
Payment to the COE is made prospectively. COE contracts with surgeon and all specialists and establishes reimbursement and risk sharing terms.

Episode period

Bundle Variables	Model Disposition
Hospital at Risk	Yes
Physician/Surgeon at risk	Yes
Patient Steerage	Yes
Appropriate Utilization Incentive	Yes
Hospital/Physician Collaboration Incentive	Yes
Quality Requirement(s)	Yes

Bundled Payment Success Story: UnitedHealthcare Clinical Oncology



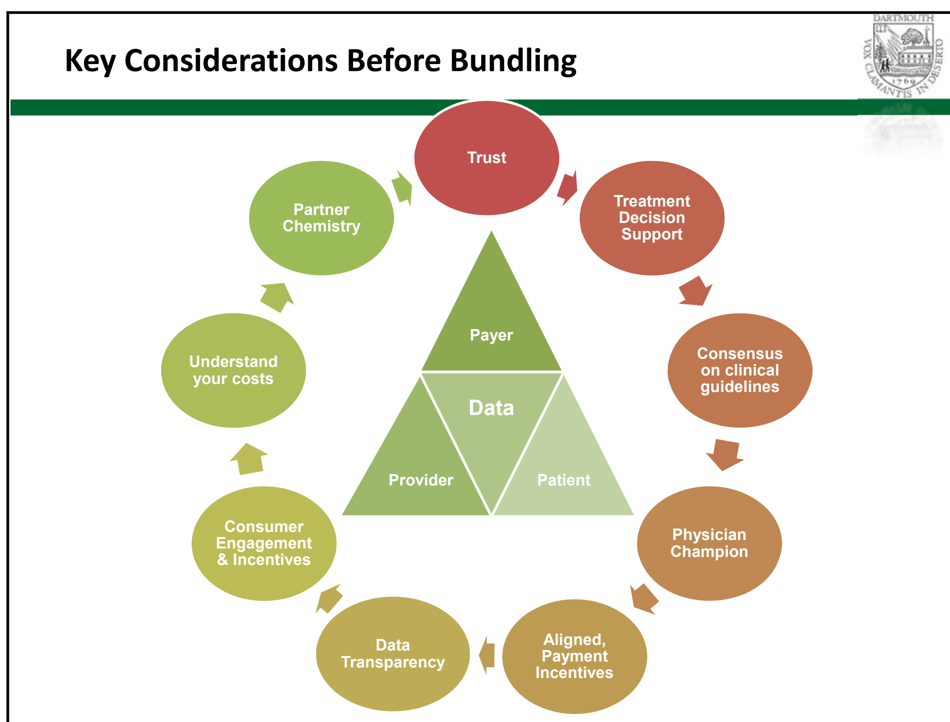
Results: Measurement between October 2009 and December 2012 across 810 cancer patients resulted in a 34 percent reduction in medical costs for a savings of $33.36 million.

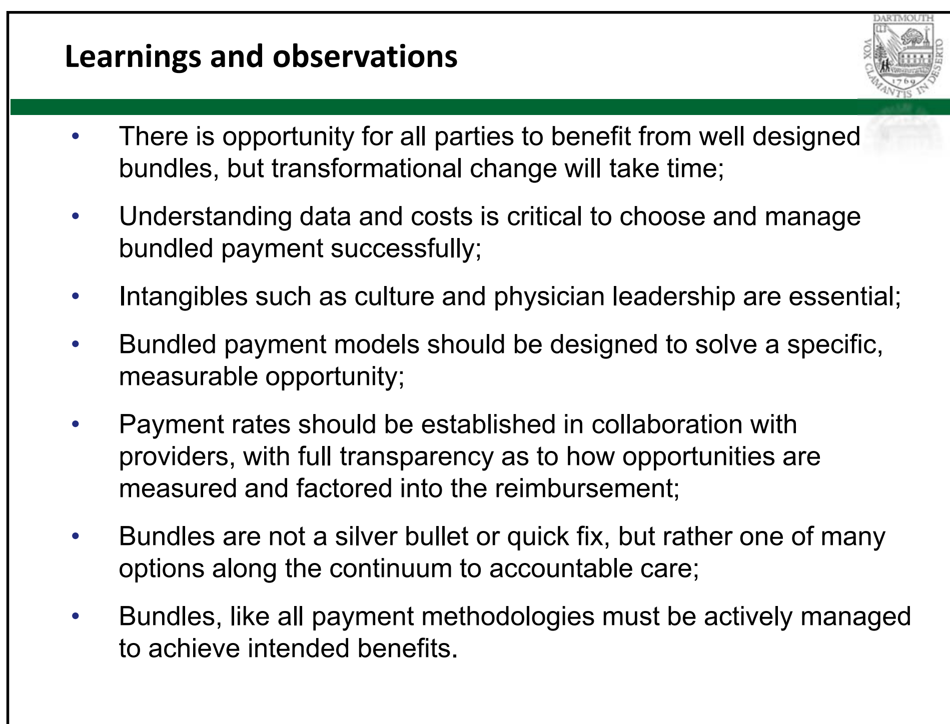
Bundled Payment Success Story:
UCLA Medical Center Kidney Transplantation

- In 1986, Kaiser Permanente asked UCLA to develop a packaged price encompassing all the costs related to transplantation
- UCLA agreed to work with Kaiser to create the first bundled reimbursement model for kidney transplantation

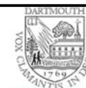
Bundled Payment Success Story:
UCLA Medical Center Kidney Transplantation

- Bundled pricing model helped UCLA improve the care delivery process
  - Clinical pathways for patients became more consistent and streamlined
  - Encouraged physicians to work together in groups as a highly effective, *integrated delivery system*
- From 1991 to 2008, UCLA was the **only** kidney transplant program in the US to achieve statistically significant better one year graft survival than predicted every single year
- 97% patient satisfaction rate


Key Considerations Before Bundling
Trust
Treatment Decision Support
Consensus on clinical guidelines
Physician Champion
Aligned, Payment Incentives
Data Transparency
Consumer Engagement & Incentives
Understand your costs
Partner Chemistry
Payer
Data
Provider
Patient


Learnings and observations
• There is opportunity for all parties to benefit from well designed bundles, but transformational change will take time;
• Understanding data and costs is critical to choose and manage bundled payment successfully;
• Intangibles such as culture and physician leadership are essential;
• Bundled payment models should be designed to solve a specific, measurable opportunity;
• Payment rates should be established in collaboration with providers, with full transparency as to how opportunities are measured and factored into the reimbursement;
• Bundles are not a silver bullet or quick fix, but rather one of many options along the continuum to accountable care;
• Bundles, like all payment methodologies must be actively managed to achieve intended benefits.

References & Suggested Sources



"Bundled Payments for Care Improvement (BPCI) Initiative: General Information." *Cms.gov*. N.p., n.d. Web. 16 Aug. 2015. <http://innovation.cms.gov/initiatives/bundled-payments/>.

CMS Proposes Major Initiative for Hip and Knee Replacements. *HHS.gov*. N.p., 9 July 2015. Web. 16 Aug. 2015. <http://www.hhs.gov/news/press/2015pres/07/20150709.html>.

"CMS.gov." *State Innovation Models Initiative: General Information*. N.p., n.d. Web. 16 Aug. 2015. <http://innovation.cms.gov/initiatives/state-innovations/>.

"Episodes of Care." *State of Tennessee*. Healthcare Financing and Administration Strategic Planning and Innovation Group, n.d. Web. 16 Aug. 2015. <http://www.tn.gov/hcfa/topic/episodes-of-care>.

Evans, Melanie. "Bundling Risk: New Demo Program Shows CMS' Eagerness to Ditch Fee for Service." *Modernhealthcare.com*. Modern Healthcare, 18 July 2015. Web. <http://www.modernhealthcare.com/article/20150718/MAGAZINE/307189986>.

Miller, Harold. "Bundling Badly: The Problems With Medicare's Proposal for Comprehensive Care for Joint Replacement." Center for Healthcare Quality and Payment Reform 13 July, 2015. Web. URL: http://www.chqpr.org/downloads/BundlingBadly.pdf

Newcomer LN *(2012) Changing physician incentives for cancer care to reward better patient outcomes instead of use of more costly drugs. Health Aff (Millwood) 31:780–785.*