

Bundled Payment

2019

Bundled Payment: Powerful Reimbursement Model

Public and private payers are using many new payment models. One of the most significant is bundled payment.

A bundled payment covers all the services a patient receives during a specific episode of care.

1. Payment includes the services of hospitals, physicians, nursing homes, home aides, and others.
2. Episodes of care vary, but might include:
 - Hospital stay
 - Hospital stay, plus the nursing home care
 - Treatment for specific conditions, such as cancer or heart attack, during a set period of time
 - Treatment for other combinations of conditions, providers, or time frames
3. Payment is lower than the combined amount of the individual services.
4. Providers must meet quality standards.
5. The providers themselves—not the payer—assume the financial risk for the cost of the services.

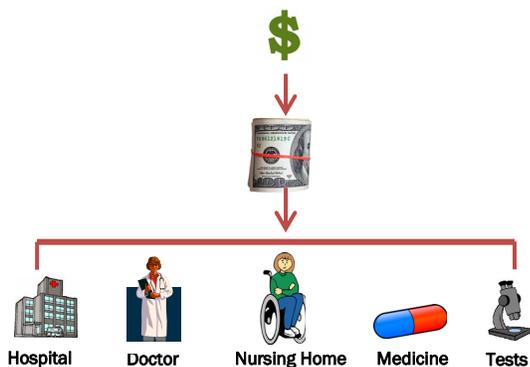
Bundled Payment

One payment, covers all services, shared by all providers, encourages coordination & communication

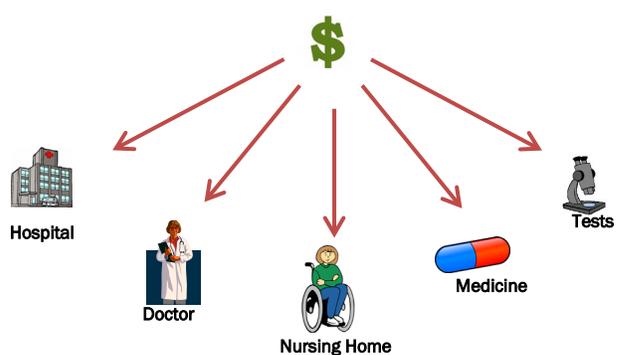
Fee-for-Service

Payments to each provider, for specific services, encourages excess use, fragmentation of care

Bundled Payment



Fee-For-Service Payment



Major Bundled Payment Initiatives

Medicare: The Centers for Medicare & Medicaid Services (CMS) began introducing bundled payment demonstration projects in 2013. These three are now in operation.

	Comprehensive Care for Joint Replacement (CJR)	Bundled Payment for Care Improvement Advanced (BPCI Advanced)	Oncology Care Model (OCM)
Summary	Bundled payment for knee and hip replacements	Bundled payment for inpatient and outpatient procedures	Bundled payment for oncology care
Episode	All hospital, physician, and post-acute care costs within 90 days of discharge	Same as CJR	All hospital, physician, and post-acute costs for a period of 6 months after chemo begins.
Payment	Fee-for-service payment initially, but then CMS adjusts payment to reconcile with a bundled price. If spending is below bundled price, provider may qualify for a bonus. If spending is above the bundled price, provider may face a penalty. ¹	Same as CJR	Same as CJR ² Providers also receive \$160 monthly payment for coordinating care
Quality	CMS evaluates provider performance on a set of quality measures. It uses this to decide how much bonus or penalty the provider will receive.	Same as CJR	Same as CJR
Conditions	Hip/knee replacement	29 inpatient episodes, including heart attack, arrhythmias, spine fusion, congestive heart failure, hip or pelvis fractures 3 outpatient episodes, including percutaneous coronary intervention, cardiac defibrillator, back & neck except spinal fusion	Oncology care covering nearly all types of cancer
Voluntary/Mandatory	Mandatory for all hospitals in 34 geographic regions. Voluntary for hospitals in 33 regions (before Jan 2018, mandatory in these regions.)	Voluntary	Voluntary
Telehealth	Allows coverage for telehealth in a patient's home	Same as CJR	No additional telehealth coverage
Providers	2018: 465 hospitals	2018: 1,550 hospitals and physician practices	2018: 184 physician practices; + 13 private payers are participating.
AAPM	Model qualifies as an Advanced Alternative Payment Model under MACRA, allowing physicians to qualify for 5% annual pay incentives, 2019 - 2014	Same as CJR	Same as CJR, but only for providers that accept risk of losses.
Dates	4/16 - 12/20	10/18 - 12/23	7/16 - 6/21

¹ Providers must begin sharing in any losses during the second performance year.

² Providers have the option of not sharing in losses, but will receive a smaller bundled payment if they do.

One CMS demonstration project just finished, and another one was cancelled:

- ✓ **Cardiac Care:** This demonstration project would have paid hospitals in 98 regions a bundled payment to cover the costs of providing coronary bypass surgery and heart attack care. CMS canceled the project in November 2017.
- ✓ **Bundled Payment Care Initiative:** Completed in September 2018, this demonstration project allowed providers to choose from four different bundling models. Most selected payment bundles that included either the acute care hospital stay, plus post-acute care for up to 90 days, or just the post-acute care itself. The most common conditions covered included hip and knee replacement, congestive heart failure, chronic obstructive pulmonary disease, and coronary artery bypass graft. Some 1,400 providers participated.

States are also trying out bundled payments. Arkansas operates a mandatory multipayer demonstration project testing bundled payments for asthma, ADHD, and congestive heart failure, among others.

Commercial payers are active in bundled payment arrangements. Horizon Blue Cross Blue Shield is bundling payments for pregnancies, deliveries, joint replacements, and breast cancer. United Healthcare and many others are bundling payments for oncology. Blue Cross Blue Shield of Massachusetts was the first payer in the country to introduce a bundled payment program with its “Alternative Quality Contract” (AQC) program.

Employers such as Lowe’s, Walmart, and JetBlue are participating in bundled payments for knee and hip replacement, spine care, and bariatric surgery. Pepsi pays for cardiac and complex joint replacement therapy via bundled payment.

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