

PROVIDER ORGANIZATIONAL STRUCTURES NEEDED FOR BUNDLED PAYMENTS

Work Session Recommendations

What Organizational Structures Should Be Eligible to Receive Bundle Payments and Warranties?

- Criteria
 - Significant buy-in and trust from all parties (providers, payers, etc.)
 - Do not set bar for participation too low; more than incremental steps; capacity strained practices can be supported through collaboratives
 - Administrative infrastructure must be in place, both providers and payers
 - Capability to provide full continuum of care, e.g., home-based care
 - Integration between hospital and physician practices

What Organizational Structures Should Be Eligible to Receive Bundle Payments and Warranties? (cont'd)

- 2.1.1. An individual physician or group practice with the capacity and expertise to manage the full episode of care.
- 2.1.2. A multi-specialty physician group practice with the capacity and expertise to manage the full episode of care.
- 2.1.3. A hospital medical staff organization **with the capacity and expertise to manage the full episode of care.**
- 2.1.4. A physician-hospital organization **with the capacity and expertise to manage the full episode of care.**
- 2.1.6. A new intermediary organization, with representation from physicians, hospitals, and other providers included in the bundled payment, created specifically to manage bundled payments and **with the capacity and expertise to manage the full episode of care.**

What Organizational Structures Should Be Eligible to Receive Bundle Payments and Warranties? (cont'd)

- 2.1.7. An integrated delivery system that includes the full range of services and providers included in the bundled payment **with the capacity and expertise to manage the full episode of care.**
- 2.1.8. Any organization **with the capacity and expertise** to accept accountability for delivery of the complete range of services needed in an episode of care in return for a bundled payment.

What Intermediate Steps Should Be Taken to Facilitate the Transition to Bundles Payments and Warranties?

- Pay for Performance interventions
- Other critical steps:
 - Commitment to transparency (i.e., public reporting)
 - Remove barriers around utilization rates
 - Education and TA around quality improvement/Lean/process redesign
 - Build national standard on what an episode of care is for specific conditions
 - Target funding on evidenced-based care (empirically and nationally-based)
 - Gain-sharing between hospitals and physicians

What Intermediate Steps Should Be Taken to Facilitate the Transition to Bundles Payments and Warranties? (cont'd)

- 2.2.1. Pay non-surgeon physicians in hospitals on a case rate basis for patients in major DRGs.
- 2.2.2. Establish financial rewards for hospitals and physicians that reduce
 - hospital readmissions (or penalties for those that do not).
- 2.2.3. Remove restrictions on gain-sharing between hospitals and physicians for
 - efforts to improve efficiencies in hospital care.
- 2.2.4. Give preference to providers that provide warranties on their care.

What Intermediate Steps Should Be Taken to Facilitate the Transition to Bundles Payments and Warranties? (cont'd)

- 2.2.5. Provide rewards and/or penalties to all providers involved in an episode of care, based on the total cost of the episode relative to regional or national averages.
- 2.2.6. Bundle hospital and surgeon payments for surgical procedures.
- 2.2.7. Bundle hospital and post-acute care payments for major DRGs.
- 2.2.8. Payers must support through changing existing payment systems
 - No payer is willing to provide “the big punch” to move beyond diddling

What Restrictions, If Any, Should Be Placed on the Way Bundled Payments Are Divided Among Individual Providers?

- Transparency on methodology and mechanisms on payment distribution (BUT transparency is not enough)
- Safeguards must be in place for the participants AND PATIENTS
- Level-playing field required from a negotiating standpoint

What Restrictions, If Any, Should Be Placed on the Way Bundled Payments Are Divided Among Individual Providers? (cont'd)

- 2.3.1. Prohibit bundled-payment recipients from rewarding physicians based on the rate of admissions to the hospital or facility involved in the bundled payment.
- 2.3.2. Limit the ability for providers to divide bundled payments in ways that result in unusually high or low payments to some providers, or that result in some providers being paid below accepted estimates of minimum costs for quality care.
- 2.3.3. Establish penalties for recipients of bundled payments which have unusually high rates of utilization of services.
- 2.3.4. Establish quality monitoring and incentive programs to discourage limiting services.

What Aspects of Payment Systems Are Most Important to Align Across Multiple Payers?

- 6.2.1. The incentives implicit in the payment systems should be similar.
- 6.2.2. The definitions of the patients/conditions to which particular payment systems will apply should be identical, or as similar as possible.
- 6.2.3. The quality/performance standards for which providers will be held accountable should be identical, or as similar as possible.
- 6.2.4. The quality/cost/value measures, the methodologies for collecting/reporting them, and any categories to which providers are assigned should be identical, or as similar as possible.
- 6.2.6. The types of organizations or care systems that will be eligible for payment and the standards they will need to meet should be identical, or as similar as possible.

What Aspects of Payment Systems Are Most Important to Align Across Multiple Payers? (cont'd)

- 6.2.5. The definitions of the services or processes **that will be included and excluded from coverage** under the payment system should be identical, or as similar as possible. **CONCERNS OVER LEGALITY (Anti-trust)**
- 6.2.7. The payment levels for the services under the payment system should be identical, or as similar as possible. **CONCERNS OVER LEGALITY, more of a long-term issue**
 - Appropriate role of state and federal government around payment levels for services being identical?