



Designing and Implementing Bundled Payments

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IHA Organization

- Statewide multi-stakeholder leadership group that promotes quality improvement, accountability and affordability of health care in California; incorporated in 1997
- Actively convenes all healthcare parties for cross-sector collaboration on health care topics; administers regional and statewide programs; and serves as an “incubator” for pilot programs and projects
- Organized as a 501(c) (6) non-profit association; does not operate as a trade association
- Mission: to create breakthrough improvements in health care services for Californians through collaboration among key stakeholders

IHA Projects

Performance Measurement and Analysis

- Total Cost of Care, Appropriate Resource Use, Clinical Quality, Patient Experience, and use of HIT measurement
- Physician group level measurement and public reporting

Payment Innovation

- Value Based Pay for Performance – California statewide
- AHRQ Bundled Payment Demonstration
- CMMI's Bundled Payments for Care Improvement Initiative

Administrative Simplification

- Standard coded Division of Financial Responsibility
- California ICD-10 Collaborative

Knowledge Sharing

- Conferences, policy briefs, white papers, research, etc.

Bundled Episode of Care Payments

What is it?

- A fixed, single price for a defined “bundle” of services during an episode of care.
- For example, in the case of a procedure (e.g., knee replacement) the bundle might include the surgeon, anesthesiologist, hospitalist, inpatient stay, device, and treatment of complications, including readmissions, with a warranty period
- Bundled payment may be applied to procedures, conditions or chronic care conditions

Bundled Episode of Care Payments

Why do it?

- Benefit from new opportunities to develop quality and service enhancements such as implementation of evidence-based care pathways.
- Bend the cost curve and reduce cost variability
- Achieve administrative and gain sharing approaches ahead of payer mandates
- Increase revenue or offset losses through shared savings arrangements

The Value of Bundled Payment

AHRQ Evidence Report/Tech Assessment #208:

- Bundled payment yields $\leq 10\%$ decline in spending
- Decreased utilization of services in the bundle by 5-15% through decreases in length of stay/utilization
- Small changes in quality measures in both directions

Cutler and Ghosh, NE Journal of Medicine 3-22-12:

- Medicare's 17 most expensive episodes, capped at 25th and 50th percentile regions = \$4.7-10 billion annual in estimated savings.
- Same cap to 245 episode types = \$15-29 billion in annual estimated savings.

* *NE Journal of Medicine 3-22-12*

U.S. Bundled Payment Landscape



Medicare Acute Care Episode (ACE) Demonstration

- 2009-2011 with acute ortho/cardiac procedures
- Four southwestern states
- Savings/margin results; volume impact mixed

GEISINGER

Geisinger ProvenCare

- Not-for-profit rural health plan (Pennsylvania)
- Cardiac and maternity bundles
- Comprehensive process redesign
- Introduced concept of 90-day “warranty”
- Improved quality and efficiency, saved money



Prometheus Payment

- Acute conditions, chronic care procedures
- Focus on potentially avoidable complications especially chronic care
- Incorporates complex risk-adjustment methodologies
- Virtual bundle (global budget): no down-side risk 1st year

U.S. Bundled Payment Landscape



Center for Medicare and Medicaid Innovation (CMMI) Bundled Payments for Care Improvement Initiative (BPCI):

- BPCI developed by CMMI through its statutory authority also established through the ACA
- Targets fee-for-service Medicare beneficiaries
- Tests several models of care

Medical Travel Programs:

- Self-insured employers, bundled pricing
- Employee and caregiver travel and lodging, copay/deductible's often waived
- Cleveland Clinic, Mayo Clinic, Johns Hopkins, Geisinger, etc.



IHA's Bundled Payment Projects

Agency for Healthcare Research and Quality (AHRQ)* Bundled Payment Demonstration

- Grant awarded to IHA in September 2010
- Period of performance: 2010-2013

Center for Medicare and Medicaid Innovation's (CMMI) Bundled Payments for Care Improvement Initiative (BPCI)

- IHA “facilitator convener” application has progressed to phase 1 (January-June 2013)
- Period of performance: 2013-2016

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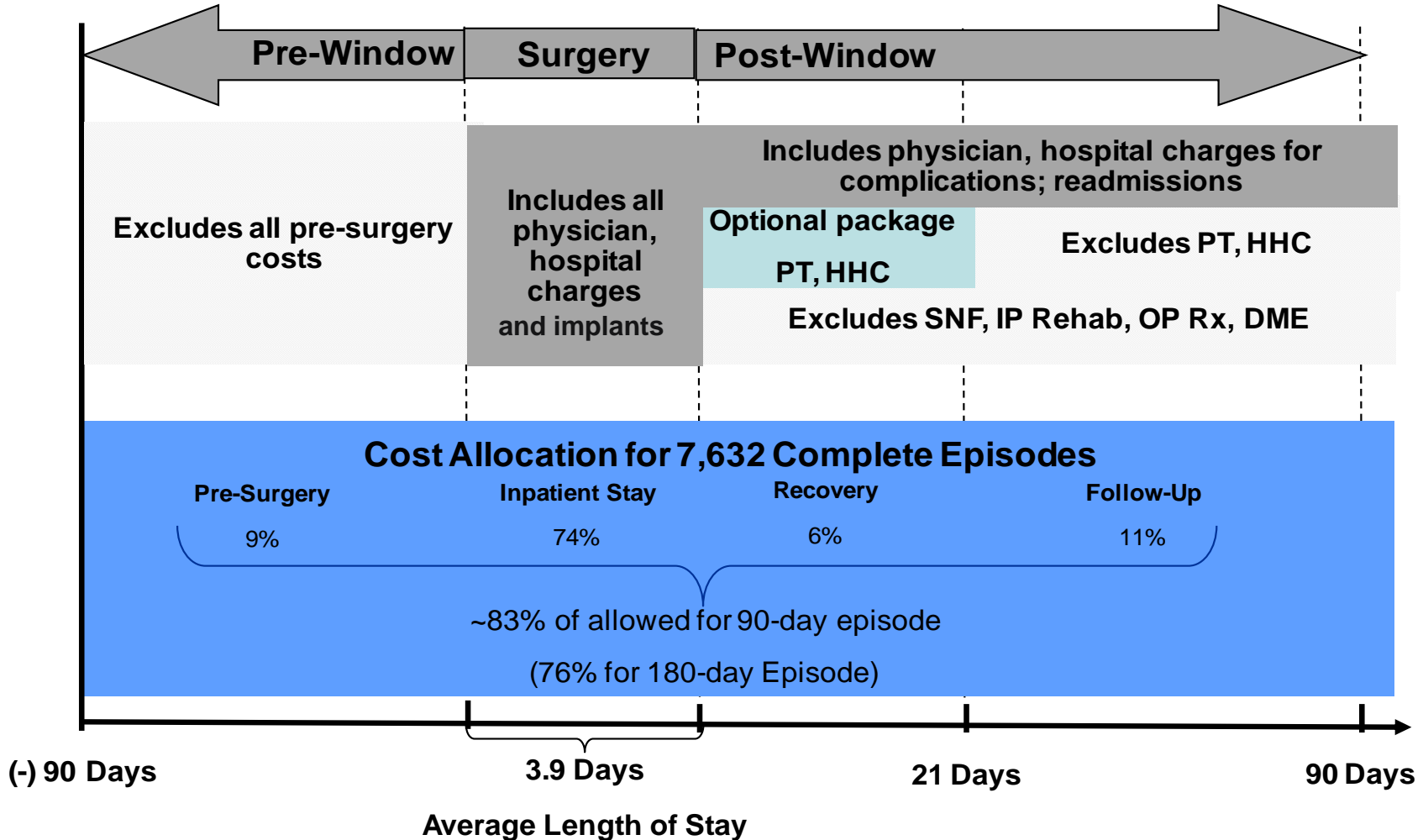
AHRQ Bundled Payment Demonstration

AHRQ Grant Deliverables:

- Test feasibility/scalability of bundled payment episodes in multi-payer environment
- Develop 10 episode definitions
- Achieve 20 contracts between physician/facilities teams and health plans
- PPO, Medi-Cal, Medicare Advantage, HMO populations
- Research evaluation study (RAND, UC Berkeley)
- Disseminate key lessons and best practices

Episode Definition: Knee Replacement

Distribution of Contractual Allowed Amounts in Commercial Population (Source: Ingenix Claims Data)



Total Knee Replacement Definition

Patient Qualification

For inclusion in the pilot, patient must be:

- Covered (as primary plan) by a participating employer and health plan on date of surgery
- Undergoing surgery provided by an orthopedic surgeon contracting to provide services under the pilot for the specific health plan
- Being admitted to a hospital contracting to provide services under the pilot for the specific health plan
- Over age 18 and under age 65
- Presenting for index procedure with an ASA rating of <3 (APR-DRG SOI level of 1 or 2)

Patients are excluded from the pilot when:

- Transferred at any time during initial hospital stay
- Primary coverage with participating employer and health plan ends at any time during the episode
- Clinical history demonstrates clinical condition of:
 - Active Cancer
 - HIV/AIDS
 - ESRD
- BMI is 40 or greater

Index Procedure

Index Procedure Code:

This procedure must exist to trigger the episode.

CPT:

- 27447—Arthroplasty, knee condyle and plateau, medial and lateral compartments

ICD-9 Px:

- 81.54—Total Knee replacement

DRG:

Episode must map to one of these DRGs.

MS DRG 470

Major Joint Replacement or Reattachment of Lower Extremity without MCC

AND

APR DRG SOI of 1 or 2

Diagnosis Exclusions:

Diagnosis (any position) must NOT equal one of the following:

714.0x—Rheumatoid Arthritis

736.89—Other acquired deformities, lower limb

170.7—Malignant neoplasm of long bones of lower limb

171.3—Malignant neoplasm of soft tissue, lower limb, hip

198.5—Secondary malignant neoplasm of bone, marrow

822, 823, 827, 828. 836, 891—Fractures, dislocations and

open wounds

928—Crushing injury

AHRQ Bundled Payment Demonstration

- **Episodes defined:**
 - Total knee replacement
 - Partial knee replacement
 - Total hip replacement
 - Knee arthroscopy, with meniscectomy
 - Diagnostic cardiac catheterization
 - Angioplasty with stents
 - Maternity (two)
- **Episodes not yet defined:**
 - Cervical spinal fusion
 - NICU or hysterectomy



AHRQ Bundled Payment Demonstration

Lessons Learned:

- Physician leadership essential for success
- Small volumes in commercial populations
- Administrative systems unable to handle claims
- Lack of alignment with commercial insurance benefits
- Regulatory approvals by States required
- Plans seeking to reduce rates, hospitals to avoid risk
- ACOs and bundled payment often not deemed compatible

CMMI Bundled Payments for Care Improvement

Bundled Payment Models Offered through BPCI Initiative:

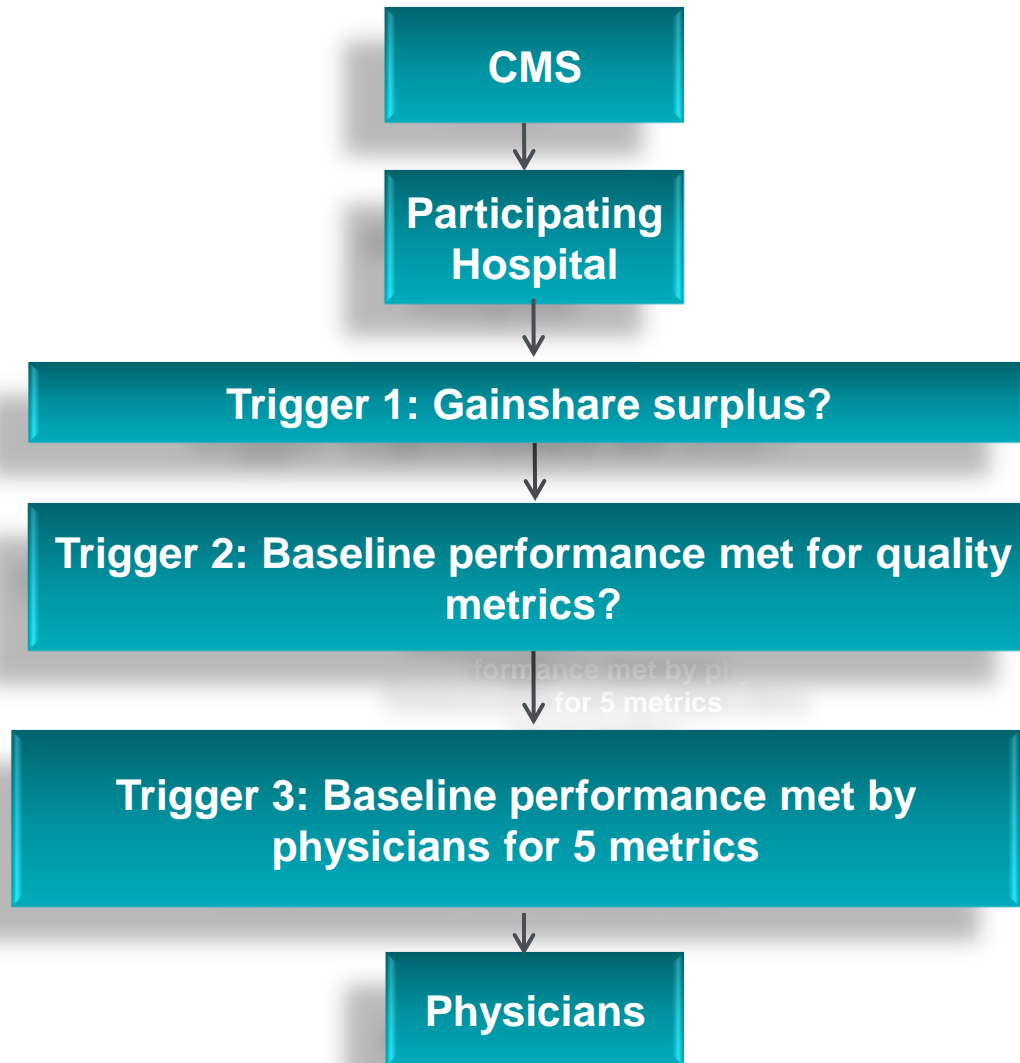
	Model 1	Model 2	Model 3	Model 4
Services Included	Inpatient hospital services only	Inpatient stay + post-discharge services	Post-discharge services	Inpatient hospital and physician services only
Includes readmissions	No	Yes	Yes	Yes
Payment type	Retrospective	Retrospective	Retrospective	Prospective
Clinical conditions	All DRGs	Select DRGs proposed by applicants	Select DRGs proposed by applicants	Select DRGs proposed by applicants
Proposed Discount to Medicare	Discounts from 0-2%	Minimum discounts from 2-3%	No minimum	Minimum discount 3.25%

CMMI Bundled Payments for Care Improvement

Quality Measurement

Quality Improvement (10)	Patient Functionality (3)	Patient/ Caregiver Experience (6)	Care Coordination and Transitions (1)	Patient Safety (2)
Sample Measures:				
<ul style="list-style-type: none"> Prophylactic antibiotics initiated within one hour to surgical incision 	<ul style="list-style-type: none"> Readmits <31 days 	<ul style="list-style-type: none"> Overall Hospital Rating – HCAHPS 	<ul style="list-style-type: none"> % Patients discharged home 	<ul style="list-style-type: none"> Surgical site infection rate

CMMI Bundled Payment Initiative Gain Share Model Flow of Funds



CMMI Bundled Payment Initiative

Federal Waivers:

- 3 day rule
- Physician self referral law; anti-kickback statute
- Title 18 SSA - 20% coinsurance
- 1128 (a) (5) and (b) (7) SSA – beneficiary inducements

Key Takeaways for Policymakers

Bundled Payment

- Involves a culture change (hospitals and providers) – building trust, breaking silos, and cross setting care delivery.
- Physician leadership is cautiously emerging.
- State/Federal regulatory issues must be addressed.
- Leadership by CMS is critical to move providers forward.
- Bundled Payment has significant potential for savings and quality improvement, but numerous implementation issues must be resolved to scale nationally.