Bundled Payment Models

Access to Care Bundled Payment Tool Kit

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Overview

A *bundled payment model* is a method of reimbursement in which a single, comprehensive payment is made for a solitary episode of care. Multiple providers delivering care during this episode are paid in one lump sum, as well as payment made to the hospital/facility. The bundled payment model is designed to encourage greater efficiency in the overall management of patients.

In 2011, the Centers for Medicare and Medicaid Services(CMS) presented the Bundled Payments for Care Improvement Initiative (BPCI) to encourage providers and facilities to improve coordination of care for patients. The primary goal of the BPCI is to unite providers and hospitals in a common direction to focus on coordinated patient management and no longer emphasize payment based solely on volume of care.

The Bundled Payments for Care Improvement initiative is comprised of four broadly defined models of care, which link payments for multiple services beneficiaries receive during an episode of care.

	Model 1	**Model 2**	**Model 3**	**Model 4**
Episode	All DRGs; all acute patients	Selected DRGs; hospital plus post-acute period	Selected DRGs; post-acute period only	Selected DRGs; hospital plus readmissions
Services included in the bundle	All Part A services paid as part of the MS-DRG payment	All non-hospice Part A and B services during the initial inpatient stay, post-acute period and readmissions	All non-hospice Part A and B services during the post-acute period and readmissions	All non-hospice Part A and B services (including the hospital and physician) during initial inpatient stay and readmissions
Payment	Retrospective	Retrospective	Retrospective	Prospective

BPCI Models

Model 1 the episode of care is defined by the inpatient stay in the acute care setting. Physicians are reimbursed individually for their services under traditional Medicare model. The hospital will be paid at a discount rate determine by Medicare for the episode of care.

Model 2 is a retrospective bundle in which the providers and hospital are reimbursed in a typical fee-for-service fashion. The inpatient stay and follow up following discharge are considered as one episode of care. At a point of reconciliation, the total cost of the episode is compared to the agreed upon bundle

price. If the total is less than the bundle price, the savings are shared. If the costs are above the bundled price, the facility and providers must repay that amount to CMS.

Model 3 is comparable to the 2nd model being a retrospective payment bundle. This model does not cover the acute inpatient stay but does cover the post-acute period and any readmissions. The general goal of model 3 is to improve care and efficiency during an acute admission and minimize readmissions or any complications.

Model 4 is a prospective reimbursement model in which a lump sum is paid to the responsible party, typically the hospital. Physicians are paid out of the bundle by the hospital. The hospital and physicians take on the responsibility of the costs due to complications and readmissions.

The difference between the prospective and retrospective bundling is the method in which the payor will reimburse providers and facilities for care. With a prospective bundling model, the responsible party (typically the facility) would receive a single lump sum payment. The hospital would then distribute the payment amongst the providers and the facility. If the costs exceed the lump sum payment, there would be a loss on the episode of care. In retrospective model, all providers would receive standard reimbursement from insurers for volume of care. Upon completion of an episode, the payor would calculate the total payments made to the facility and all included providers. This total would be compared to the pre-established bundle price. If the providers are reimbursed less than the bundled rate, Medicare would compensate the difference to the providers. When the aggregate payments exceed the bundled rate, the overage would need to be repay this amount to the insurer. The retrospective method is the most frequently utilized initially as it allows for greater experimentation during the development of episodic care bundles.

Considerations for Participating in a Bundle

A bundled payment model will not be beneficial for every provider or facility. Making sure participating in a bundle will benefit the surgeons' practice is the first step. Important considerations include making sure adequate volume exists to making the investment worthwhile. Other Important considerations include:

Do the partnerships with the hospital and other providers exist or be developed to coordinate care?

Will the facility and practice be able to manage changes to billing structure from traditional fee for service?

Are the data collection and reporting mechanisms sufficient? Who will make the decisions regarding payment to physicians and distribution? How will physicians participate in gainsharing?

Can the facility accept the risk due to an outlier or the costs of a severe complication? It an adequate risk protection model in place?

Potential Provider Benefits

In the bundled payment model, a single, fixed payment encompasses all services providing during an episode of care. The provider or providers participating in the bundle will know in advance how much reimbursement they will receive for episode of care. They will have the capability to determine which and how many services are delivered within the payment. In addition, in a gainsharing model, the

physicians may also receive a share of the cost savings. If the bundled is created and managed successfully, the fixed bundle price with the deduction of actual costs could potentially generate cost savings. A pathway could be developed in which the providers should share some of the savings based on metrics developed in the bundle. Having the surgeon participate in reduced operating room costs, reducing length of stay and minimizing complications are all options for surgeons to aid in reducing overall costs.

Potential Payor Benefit

The Payor would benefit when the bundle charge is less than the combined costs of all provider fees and facility charges. The goal is to minimize costs without jeopardizing care and increasing complications to patients. A bundled payment model provides predictability of price and reduces variability for covered services and procedures. Improving the predictability of a covered service hopefully will encourage improved coverage and increase access to care. The bundled payment program would protect the insurer from severe complications as the facility and surgeon take a greater share of the risk management for higher-cost complications and outliers.

Potential Patient Benefit

The patients should see improved coordinated care among all providers. Also, the billing and cost structure should be much more transparent to the patients. With presumed reduction in complications, readmissions, etc., this should provide the patient with higher quality and outcome improvements.

Potential Risks

The goal of bundled, episodic care is to encourage coordination of care and to motivate providers to deliver more efficient care with minimal costs due to complications. However, there are several areas of potential risk when participating in bundled care. One of the primary concerns is potential excessive risk burden placed upon the hospital and providers. Any severe complication or "financial outlier" could significantly damage the bundled payment model. If the bundle price is too low, any large expenditure could extinguish any cost savings from the bundle. The consequences of this possibility could lead to limiting care to patients that are at minimal surgical risk. Patients considered to have a higher risk of complication could be excluded from the ability to undergo bariatric surgery. Procedures such as revision surgery or conversions could also be limited due to inherent, increased complication risk. Avoiding restriction of care will become one of the greatest challenges of the bundled payment process. Concerns have been raised over bundled payments developing simply into a penalizing mechanism. If there is no increase in overall reimbursement, the hospital may be forced to repay CMS for any complications or readmissions over a certain level. The would save money for CMS but could put the facility at financial risk. This could also reduce access to care or have limitations placed upon procedures. Facilities will be required to alter their current mechanisms for billing and charging for utilized equipment. This could necessitate an upgrade to their infrastructure at a significant cost. Some of the bundled cost savings have been related to equipment costs in the OR. Surgeons may be pressured to alter their equipment choices or pathways (avoiding routine UGI, LOS, pathology, etc.) to meet bundling price expectations.

Summary

The bundled payment model is early in its development and implementation. While the Affordable Care Act and healthcare overall is undergoing continued turmoil, payment for episodic care will likely continue. Many issues still need evaluating and modifying before this will become common practice. Healthcare facilities have demonstrated some reluctance Although the goal of limiting costs and minimizing complications is admirable, caution needs to be given so as not to limit access to patients needing procedures. Placing increased risk on the providers and facilities could be mitigated by involving third parties to risk-share for surgical procedures. Hopefully, the bundled payment model will allow for more and predictable costs to payors. This cost containment should allow for easing of restrictions and limitations for bariatric surgery. Utilizing a gainsharing model should motivate align hospitals and surgeons and allow surgeons to participate in the decision-making process. Physicians and surgeons should continue to remain active participants in the development of more advanced payment models.