

Bundled Payments for Care Improvement: The Value Proposition Around Acute Hospitalizations

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*Webinar
October 19, 2011*



AGENDA

- Overview: The Bundled Payments for Care Improvement Initiative with Valinda Rutledge
- Expert Voices: The Value Propositions for Care Improvement Around Acute Hospitalizations
- Questions

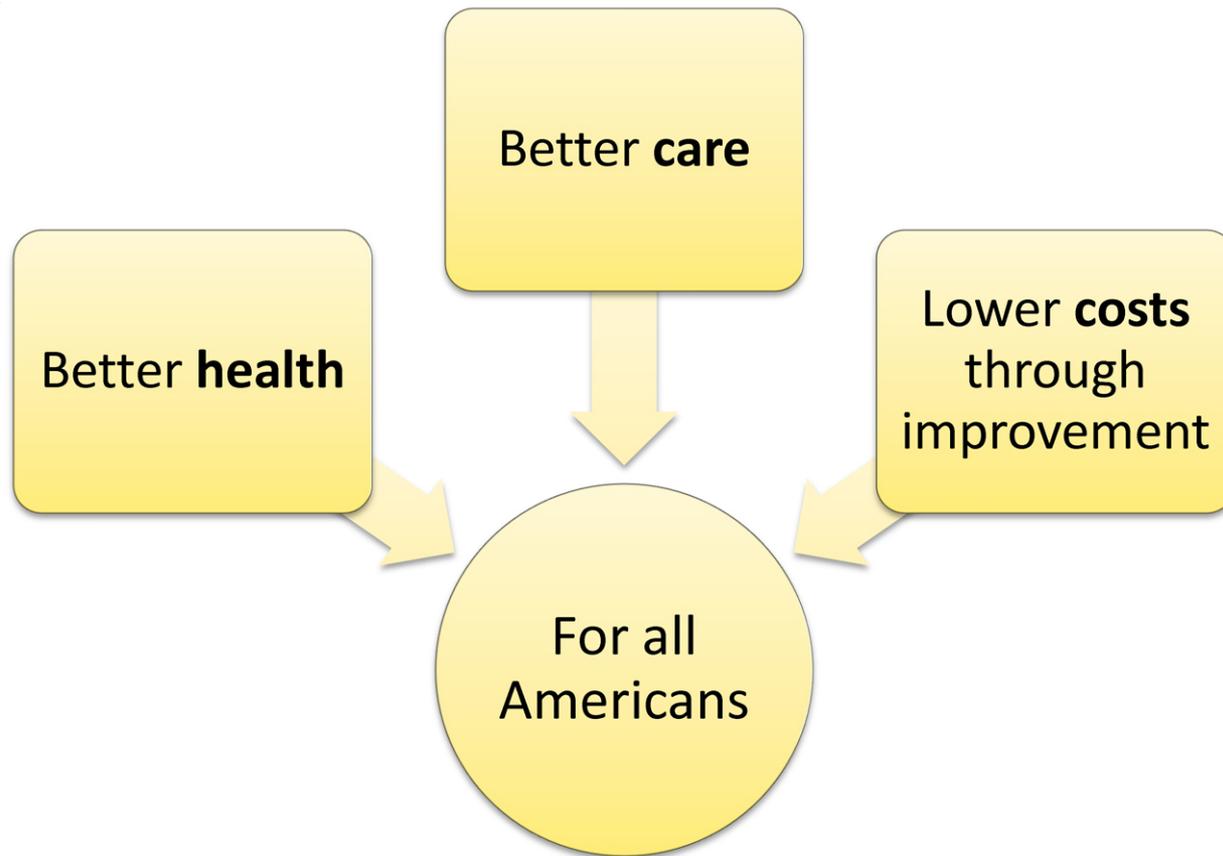
Speaker



Valinda Rutledge, MBA

Director, Patient Care Models Group,
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Our Goal: The Three-Part Aim



Bundled Payments for Care Improvement Initiative Goals

- Align payment with how patients experience care
- Foster quality improvement while decreasing the cost of an episode of care
- Support and encourage providers interested in continuously redesigning care
- Give providers as much flexibility as possible in redesigning care to meet the needs of their community
- Remove barriers and provide opportunity for partnerships with providers and other stakeholders

Bundled Payment Models

	Model 1	Model 2	Model 3	Model 4
Episode	All acute patients, all DRGs	Selected DRGs +post-acute period	Post acute only for selected DRGs	Selected DRGs
Services included in the bundle	All part A DRG-based payments	All Part A and B services (hospital, physician, LTC, HHA, SNF, DME, Part B drugs, etc.) and readmissions	All Part A and B services (hospital, physician, LTC, HHA, SNF, DME, Part B drugs, etc.) and readmissions	All Part A and B services (hospital, physician) and readmissions
Payment	Retrospective	Retrospective	Retrospective	Prospective

The Case for Bundled Payments

- Large opportunity to reduce costs from waste and variation
- Gain sharing incentives align hospitals, physicians and PAC providers in the redesign of care that achieves savings and improves quality
- Improvements “spillover” to private payers
- Competencies learned in bundled payments lay the foundation for success in a value driven market
- Adoption of Bundled Payments is accelerating in the industry
- Valuable synergies with ACOs, Value-Based Purchasing, PfP and other payment reform programs

Why Payers Are Investing in Bundled Payments

Bundled Payment offers a highly effective way to improve coordination and efficiency of care across settings

Volume-based payment does **not**:

- Reward high quality providers
- Coordinate payments and services across providers
- Coordinate care between acute and post-acute
- Control growing costs per case and post acute expense
- Address the unexplained variation in costs
- Provide enough value for health care purchasers

Why Providers Are Investing in Bundled Payments

- Evidence shows large potential savings, between 20 – 40% from eliminating waste, lack of coordination, overtreatment
- Variation in type of service, cost and utilization provides opportunities for significant savings.
- Declining payment and thinning margins have created an urgent need for more effective approaches to cost and quality improvement
- Bundled Payments provide a first step towards accountable care, an effective tool for established ACOs and flexibly to innovate the redesign of care
- There is a growing track record of success

How do Providers Gain From Bundled Payments?

Bundled Payment models provide hospitals, physicians and post acute providers with new opportunities to:

- Improve care
- Share in financial gains by improving efficiency
- Build the organizational know-how to succeed under value based purchasing
- Align financial incentives with hospitals, physicians and post acute providers through meaningful gain sharing arrangements
- Engage specialists in accountable care
- Develop systematic processes to avoid readmissions
- Work with others around the country engaged in this work

Model 1

The Case for Hospitals

- Quality bonuses can be embedded within gain sharing
- Gain sharing provides a powerful vehicle to align medical staff and hospitals in redesigning care
- Vehicle to engage specialists with primary care
- Potential to impact a large proportion of hospital services
- Improvements “spillover” to reduce costs and improve margin on commercial business
- Prepares the hospital for value-based purchasing by establishing physician/hospital dialogue and processes to improve care

Models 2 & 4

The Case for Hospitals

- Target high variation areas for care redesign
- Focus on largest savings opportunities
- Avoid penalties for readmission
- Tailor gain sharing arrangements with providers critical to care redesign and reduced readmission
- Improvements “Spillover” to commercial business
- Data provided for episode creation can identify variation in costs and care improvement opportunities
- Model 2 extends gain sharing to post acute providers and aligns incentives to improve discharge planning and the efficiency of Post-Acute Care (PAC)

Models 2 and 3

The Case for Post Acute Providers

Model 2

- PAC providers benefit from streamlined referrals
- PAC provider's financial stake is enlarged to the full episode
- Shared gains from reduced readmissions, improved coordination with acute care providers and quickly returning patients to the least intensive appropriate level of care

Model 3

- PAC providers can play a leadership role in redesigning post acute services and referral patterns
- Gain sharing creates incentive to improve efficiency of PAC
- Positions providers as attractive partners in a value driven market

Models 1-4

The Case for Physicians

- Meaningful gain sharing opportunities, up to 50% more than PFS equivalent.
- Does not impact FFS payment for models 1, 2, 3
- Competencies learned in bundled payment position physicians for success in value-based contracting
- Facilitates physician leadership in care redesign
- New PFS value modifier provides an opportunity to gain share on cost reductions and potentially enhance fee schedules (Models 1, 2, 3)
- Opportunity to work and learn from others nationally

Bundled Payment Models Are Designed for Success

- Evidence shows risk can be managed and savings promoted by:
 - targeting key conditions
 - expanding episode length
- Outlier payments mitigate impact of high expense patients
- No risk for disease prevalence
- Flexibility to design episode and improve care based on local needs
- Ongoing FFS payments keep administrative costs low for models 1-4

Synergies with ACOs

- Models 1, 2 and 4 incentivize collaboration with physicians for care redesign around specific DRGs
- Models 2 and 3 incentivize partnerships between acute and post acute providers to reduce readmissions
- Claims analysis for episode creation can identify variation in costs and leveraged for care redesign
- Bundled payments allow hospitals to gain share with providers outside the ACO structure
- Bundled payments expand potential savings for ACOs that receive episode payments for patients outside the ACO

Synergies with Partnership for Patients Initiative (PfP)

- Gain sharing within Bundled Payments can be linked to PfP quality metrics to provide stronger incentives for change
- Hospital or community organizations that have pledged with PfP can use bundled payments as a tool for care redesign
- Claims analysis for bundled payment can be used to support PfP
- Medical staff processes supporting PfP can be leveraged to support bundled payment cost and quality initiatives

Synergies with Other Health Reform Initiatives

Value-based purchasing

- Quality measurement, reporting and provider alignment can be leveraged across VBP and Bundled Payments

Hospital Readmission Reduction Program

- Gain sharing can be leveraged as a tool to align incentives for reducing readmissions and avoiding penalties

EHR/Meaningful use

- Investments in EHR, care management and reporting will support success in Bundled Payment initiatives. (Preference given to those meeting meaningful use)

Summary: The Case for Bundled Payments

- Large opportunity to reduce costs from waste and variation
- Gain sharing incentives align hospitals, physicians and PAC providers in the redesign of care that achieves savings and improves quality
- Improvements “spillover” to enhance private payer margin
- Competencies learned in Bundled Payments lay the foundation for success in a value driven market
- Growing track record of industry success
- Valuable synergies with ACOs, Value-Based Purchasing, PfP and other payment reform programs

Presenter Bio

Patrick Falvey, Ph.D., Senior Vice President and Chief Integration Office, Aurora Healthcare

Dr. Falvey works in partnership with clinical leadership to direct clinical improvement, decision support, medical management, credentialing and disease management at Aurora Healthcare in Milwaukee, Wisconsin. With an eye on achieving best practice through process improvement, he is responsible for operations improvement and productivity.

Presenter Bio

Stuart Guterman, Vice President, Payment and System Reform, and Executive Director, Commission on a High Performance Health System, The Commonwealth Fund.

The Program on Payment and System Reform supports the analysis and development of payment policy options that include incentives to improve the effectiveness and efficiency of health care delivery while curbing growth in health spending. In addition to other notable positions, Mr. Guterman was director of the Office of Research, Development, and Information at the Centers for Medicare and Medicaid Services from 2002 to 2005.

Presenter Bio

Bruce Lee Hall, M.D., Ph.D., M.B.A., Professor of Surgery and Professor of Healthcare Management, Senior Fellow in the Center for Health Policy, Washington University in Saint Louis. Chief Surgical Information Officer, Barnes-Jewish (BJC) Healthcare, Saint Louis.

Dr. Hall is an active surgeon at the University of Washington, St. Louis where he directs the American College of Surgeons (ACS) National Surgical Quality Improvement Program (ACS NSQIP) for his hospital and BJC Healthcare corporation. Dr. Hall has focused his research on the evaluation of quality in surgery, with a particular interest in evaluation of individual providers and their contributions to the health care system, as well as in the theory of risk adjustment.

Questions?

For further questions, please email BundledPayments@cms.hhs.gov

How to Get Involved!

- All application materials and more information can be found on the website, <http://innovations.cms.gov/areas-of-focus/patient-care-models/bundled-payments-for-care-improvement.html>
- Letters of intent are required for all models, and due on:
 - Model 1: October 6, 2011 (Closed)
 - Models 2-4: November 4, 2011
- Applications are due on:
 - Model 1: November 18, 2011
 - Models 2-4: March 15, 2012
- Data can be requested to aid in applying for Models 2-4
- Applicants are welcome to apply for multiple models