

Can Medicare Acute and Post-Acute Care Payment Bundles Improve Care for Dual Eligibles?

[Session 3.5]

PREPARED FOR:

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Presentation Overview

- **Study Description, Goals, and Methods**
- **Overview of Dual Eligibles**
 - Use of Services
 - Benefit Options under Medicare and Medicaid
- **Current Reform Efforts**
 - Integrated Health Plan Models
- **Proposed Reforms**
 - Medicare Post-Acute Care Payment Bundling
 - Care Coordination and Care Transitions
 - System Efficiency
 - Pre-Acute Care (Reduced Ambulatory Care Sensitive Admissions)
- **Policy Recommendations**
- **Discussion**

Study Description

- **Previous research paper on Medicare payment bundling and long-term care commissioned by AcademyHealth and presented at the 2010 Annual Research Meeting and 2011 National Health Policy Conference**
- **Current research study funded by The Commonwealth Fund**
 - Using payment bundling incentives as a point of departure to manage dual eligibles' (duals) care coordination and services costs across acute and post-acute care (PAC) settings
 - Medicare payment bundling could reduce duals' need for Medicaid-funded long-term services and supports (LTSS) as well

Study Goals

- **Develop the foundation of a policy framework considering the implications of Medicare payment bundling on financial incentives for acute care and PAC under Medicare, with possible implications for Medicaid-funded LTSS**
- **Apply this framework for payment policy reform recommendation to duals, which could be used to achieve better care coordination, improved outcomes for beneficiaries, and reductions in health care expenditures**

Study Methods

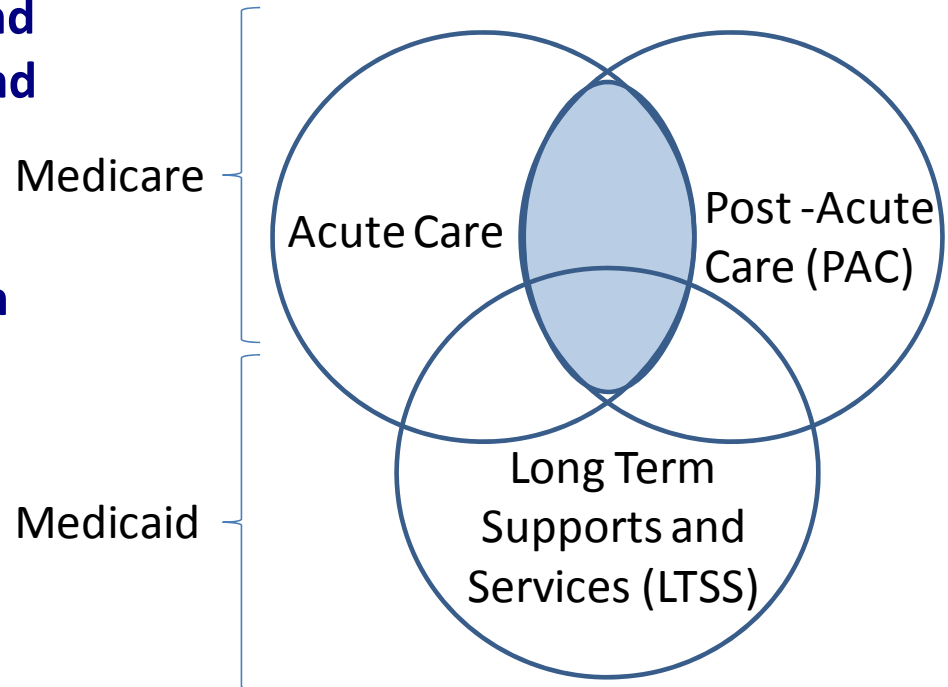
- **Comprehensive literature review on topics including:**
 - Medicare payment bundling, care coordination, and patient transitions
 - Clinical (medical, behavioral, and functional) issues of duals
 - Integrated Medicare-Medicaid health plans
- **Key informant interviews with discharge planners, health plan administrators, PAC and LTSS providers, and patient advocates from:**
 - Hospital of the University of Pennsylvania, CMI, VSNY CHOICE Health Plans, Veterans Health Administration (VA), American Health Care Association (AHCA), American Association of Retired Persons (AARP), Association for Community Affiliated Plans (ACAP)
- **Advisory board meeting with experts on Medicare and Medicaid payment systems from:**
 - The Urban Institute, Mathematica Policy Research, Institute for Healthcare Improvement, Brown University

Overview of Duals

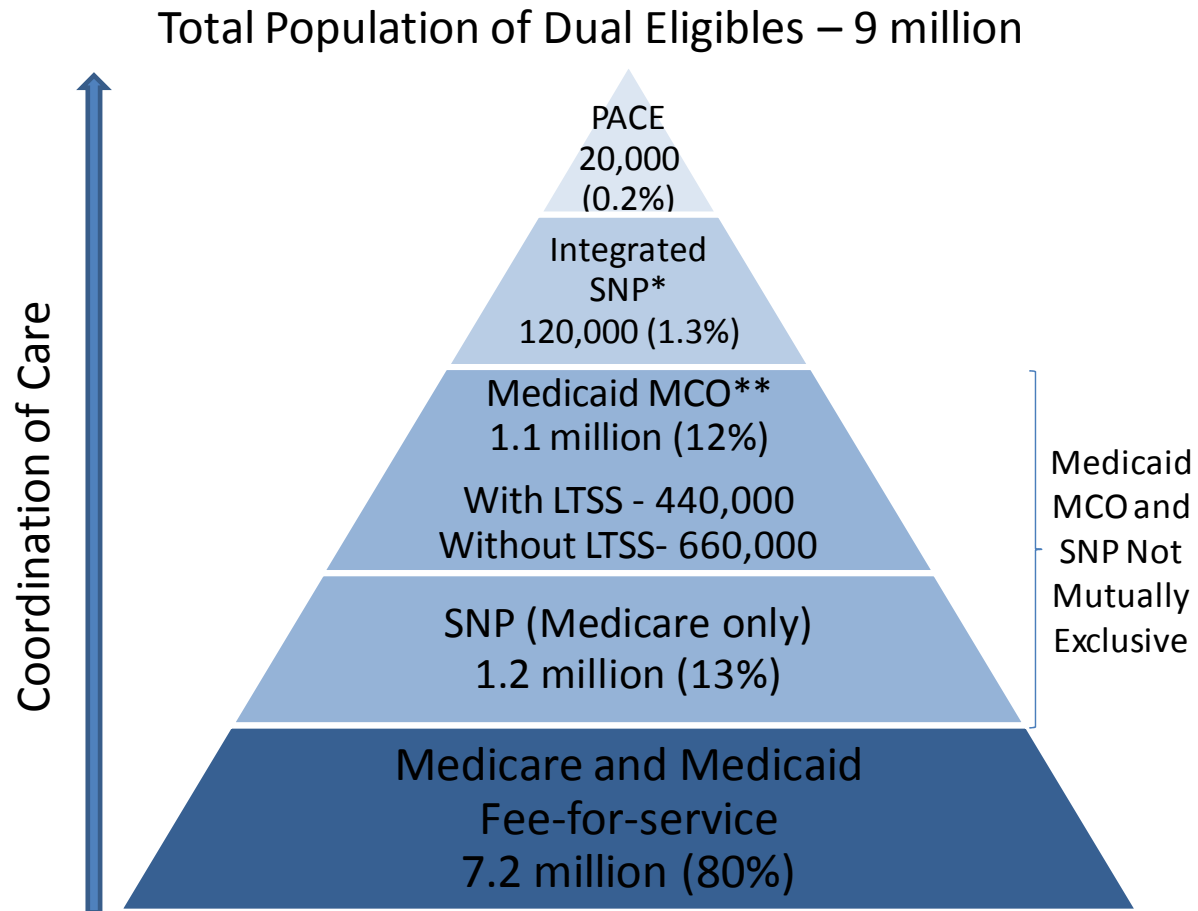
- **Currently 9 million and growing, due to an aging population, economic trends, and the looming Medicaid expansion**
- **Heterogeneous and complex**
 - Low income elderly or under 65 years old and disabled
 - Tend to have multiple chronic conditions, functional impairments, and mental and behavioral health issues
- **Duals represent a disproportionate share of program spending in Medicare and Medicaid**
 - 16% of Medicare population but 27% of Medicare spending
 - 15% of Medicaid population but 39% of Medicaid spending
 - Use of LTSS accounts for nearly one-half of Medicaid spending
- **The ACA has brought significant attention to this population through creation of the Medicare-Medicaid Coordinated Care Office**
 - Working to align programs, increase access to data, and implement demonstrations

Overview of Duals: Intersection between Acute Care, PAC, and LTSS

- Duals rely on a mix of services spanning acute care, PAC, and LTSS, funded by Medicare and Medicaid
- 28% of duals use LTSS, which comprises the largest component of Medicaid spending for duals



Overview of Duals: Enrollment by Managed Care/Fee-for-service



*SNP = Special Needs Plan; Integrated SNPs provide Medicare and Medicaid benefits through a single health plan

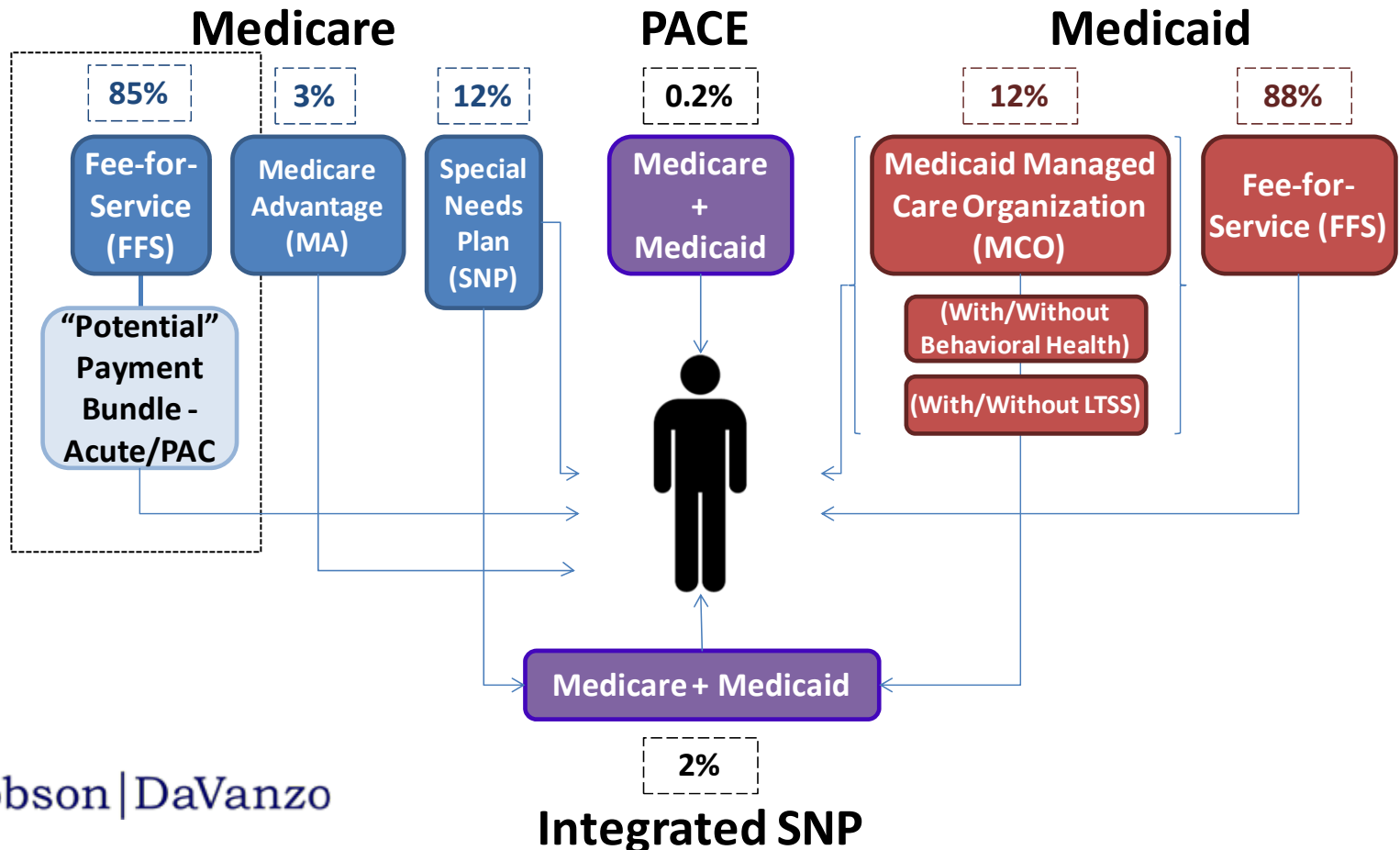
** MCO = Managed Care Organization

Current Reform Efforts: Integrated Medicare-Medicaid Health Plans

- **Challenges**
 - Risk pools for plans are often very small
 - Upfront costs are considerable
 - Tailoring programs to different populations of duals is complex
 - Temporary in nature – PACE is the only permanent, national program
- **Lessons learned from previous demonstrations**
 - Many plans lack capacity to expand scale substantially
 - Barriers to enrollment of duals into MA – Medicare cannot mandate enrollment into managed care – has slowed the take up of integrated Medicare-Medicaid health plans
 - Capitated programs have not achieved predicted level of savings
- **An approach to payment and delivery reform targeted to fee-for-service beneficiaries could be useful**

A Fee-for-Service-based Approach to Reform Could Address Over 80% of the Duals Population in the Near Term

- The landscape of benefit options for duals in Medicare and Medicaid is complex and largely uncoordinated across programs



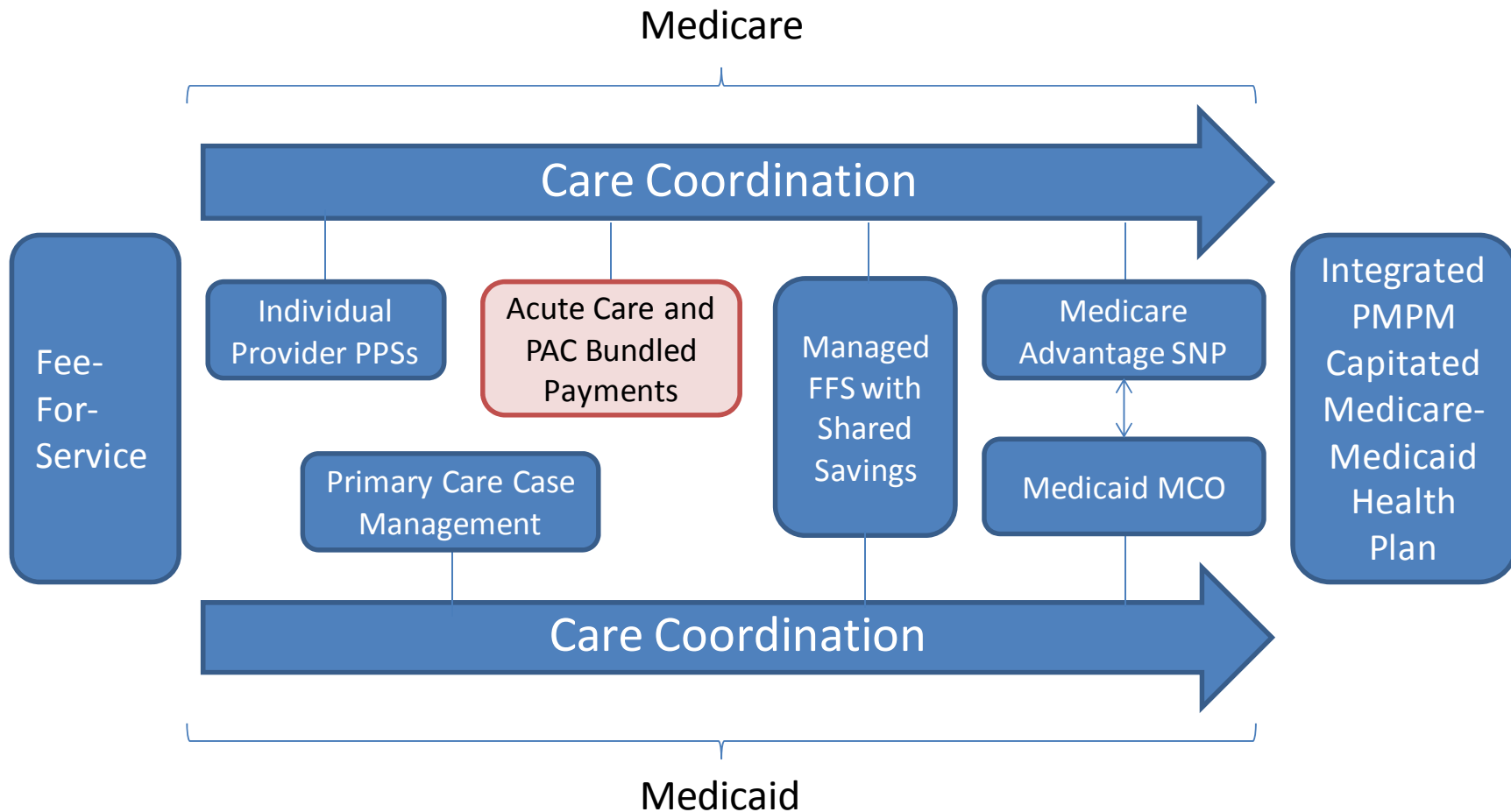
Proposed Reform: Focus on the Medicare Program

- **Medicare could take the lead in addressing many of the problems faced by duals**
 - Medicare represents 55% of the \$319.5 billion that was spent on duals in 2011
 - The federal government, through Medicare and cost-sharing with Medicaid, represents 80% of total spending on duals
- **In the near term, savings may be more likely from improving acute care and PAC through reductions in hospital readmissions and improved hospital discharge and PAC planning**

Proposed Reform: Medicare Payment Bundling

- **One potential alternative to integrated Medicare-Medicaid health plans is Medicare payment bundling for the vast majority of duals remaining in fee-for-service**
- **The term “bundle” can refer to a range of services delivered to a patient under a single payment that corresponds to the duration of an episode of care and spans multiple types of providers**
 - The most narrowly-defined bundle is an individual service, as paid through the fee-for-service system
 - Examples of larger bundles move along the continuum from individual, provider-specific prospective payments systems (PPSs) on one end to a per-member-per-month (PMPM) capitated payment made throughout the year for all health care services received by the patient on the other

Payment Bundling: Role in the Care Continuum



Payment Bundling: Program Design Issues

- **The core features of a bundled payment in this context include:**
 - Definition of the bundle (length of time, services and providers included)
 - Payment amount (and how it is risk-adjusted for patient severity)
 - Entity responsible for managing the care delivered and payment received
 - Measurement of quality and outcomes
 - Safeguards for stinting (under-utilization within bundle) and over-utilization (more bundles)
- **As written in the ACA, a national pilot program would combine payments for inpatient hospital, PAC, and other services into a single bundled payment with two major components:**
 - 1) The acute care hospital “index” admission, which triggers the start of the bundle
 - 2) All care provided within 30 days of patient discharge from the index acute care hospital admission (fixed length)

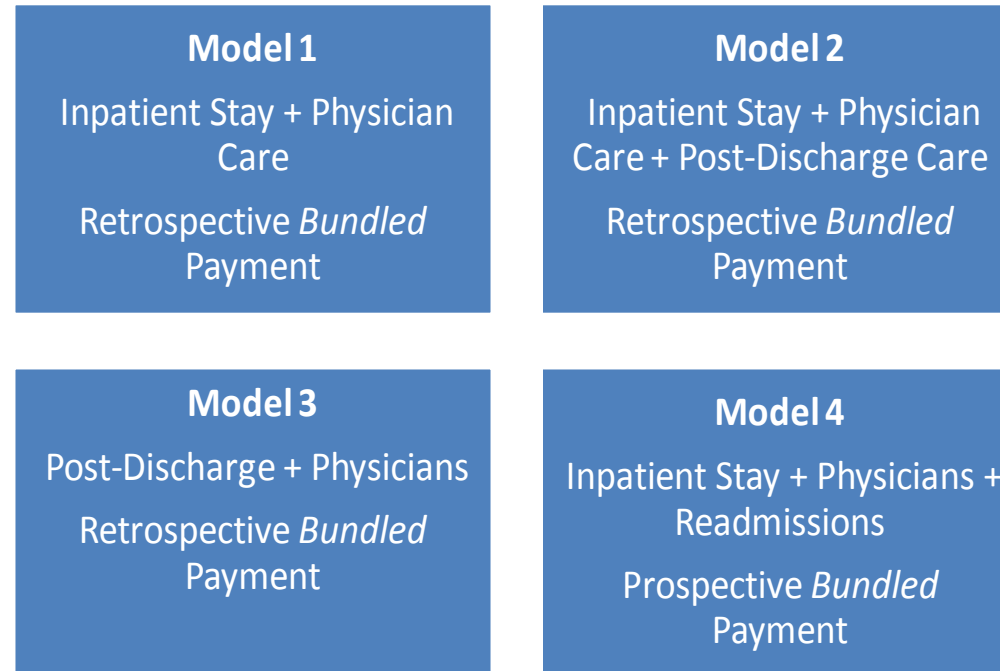
Payment Bundling: Support for Payment Reform in Literature

- **Cutler and colleagues note:**
 - The “effect of multiple large policy changes may differ substantially from the effects of small trials of single interventions. In such a situation, it is imperative to cast a wider net than traditional standards do.”
- **Thorpe and colleagues also note:**
 - “Reform-based initiatives could produce major gains in a relatively short period of time.” Reform, “...demands bold initiatives that are based on the best evidence available and swiftly implemented.”
- **Although full scale programs to test the scalability of local programs do not exist, Medicare experience with prospective payment systems suggests that providers are able to adapt the way care is provided to achieve the required results both for patients and for the Medicare program given appropriate payment incentives**

Payment Bundling: Incentives and Current Examples

- **Payment bundling has the potential to increase placement into lower-cost Medicare settings, improve care coordination and care transitions, reduce hospitalizations, and improve functional ability**
 - Under a bundled payment, bundle managers would have an increased incentive to improve care coordination and efficiency of care delivery because they are at risk for aggregated costs across providers during the episode
- **Payment bundling of acute and post-acute care services has received significant attention due to Medicare Acute Care Episode (ACE) demonstration and the Bundled Payments for Care Improvement (BPCI) Initiative**

Payment Bundling: BPCI's Four Models



- **Duals are not excluded from the BPCI initiative, unless they are enrolled in MA or have end-stage renal disease (ESRD)**
- **BPCI allows for targeted forms of risk adjustment and waivers related to duals but does NOT include LTSS in their models**

Payment Bundling: Analyses of Episode-Based Payments

- **Dobson | DaVanzo built a linked claims file across all sites of service for a 5% sample of Medicare beneficiaries from 2007 to 2009**
- **We then constructed episodes of care similar to the BPCI initiative**
 - Episodes begin with an “index” hospital admission and include all care delivered within 60 days of discharge from the index hospital admission and are clinically defined by the index hospital admission Medicare Severity Diagnosis-Related Group (MS-DRG)
- **Based on descriptive analyses, we found that duals and non-duals have comparable Medicare utilization and expenditures during a given type of acute/post-acute episode of care, but...**
 - Duals have higher rates of readmission than non-duals, but Medicare spending is similar on average
 - Duals have more transitions between providers than non-duals

Payment Bundling: Analyses of Episode-Based Payments (cont'd)

Percent of Episodes with Readmissions and Average Medicare Episode Payment by Demographic Characteristic for 60-day Fixed-Length Post-Acute Care Episodes (2007-2009)

Demographics	% of Episodes with Readmission (1)	Average Medicare Episode Payment for No Readmission (2)	Average Medicare Episode Payment for Episodes with Readmission (3)	Ratio of Average Medicare Episode Payment* (4) = (3) ÷ (2)
Live Alone	27.5%	\$18,159	\$35,263	1.94
Died during Episode	33.9%	\$18,647	\$37,670	2.02
Dual Eligible	26.5%	\$15,173	\$33,441	2.20
Female	21.6%	\$15,032	\$32,830	2.18
Rural	21.7%	\$14,562	\$31,897	2.19
85 and Older	22.5%	\$15,352	\$31,544	2.05
Non-white	26.3%	\$15,835	\$36,537	2.31
Overall Average	22.4%	\$15,335	\$33,926	2.21

Source: Dobson A, El-Gamil A, Heath S, et al. (2012). Use of Home Health Care and Other Care Services Among Medicare Beneficiaries Clinically Appropriate and Cost-Effective Placement (CACEP) Project Working Paper Series. Working Paper #4: Baseline Statistics of Acute Care Hospital Readmissions by Episode Type for Select MS-DRGs and Chronic Conditions.

Dobson | DaVanzo analysis of research-identifiable 5% SAF for all sites of service, 2007-2009, wage index adjusted by setting and geographic region, and standardized to 2009 dollars. All episodes have been extrapolated to reflect the universe of Medicare beneficiaries. Average Medicare Episode Payment includes care from all facility-based and ambulatory care settings and excludes beneficiary co-payments.

Payment Bundling: Analyses of Episode-Based Payments (cont'd)

- **A patient pathway is the chronological sequence of care settings through which a beneficiary transitions during an episode of care**
 - Each setting is considered one “stop” in the patient pathway
- **Episodes for duals have 0.36 more “stops” than non-duals, indicating that duals see more providers during episodes of care (3.70 vs. 3.34)**
 - The additional stops are primarily for physician visits, outpatient hospital care, and other types of ambulatory services
- **Findings on readmissions and patient pathways suggest that:**
 - Single episodes for duals and non-duals appear similar, although duals have more episodes per beneficiary and more readmissions within a given MS-DRG episode
 - There is an opportunity to better coordinate care and reduce hospital readmissions among duals in post-acute episodes of care

Payment Bundling: Not all Duals Need Highest Level of Coordination

- **Like other patient populations, spending is concentrated in a small subset of duals**
 - 20% of duals account for >60% of spending
 - <1% of duals are in high-cost categories for both Medicare and Medicaid
- **Spending variation among duals suggests that an integrated Medicare-Medicaid health plan may not be necessary to improve care for many duals with lower spending**
- **Medicare payment bundling may provide the appropriate level of care coordination and patient management for the many duals in fee-for-service, who represent the vast majority of duals**

Payment Bundling: Opportunity for Duals

- Medicare payment bundling could create a structure for the vast majority of duals without access to an integrated Medicare-Medicaid health plan to receive better care by overlaying fee-for-service reimbursement with a form of integrated risk
- **Payment bundling may improve care and reduce costs by:**
 - Increasing clinically appropriate placement of duals in lower-cost Medicare settings (e.g. home-based care)
 - Improving care coordination and transition planning
 - Reducing re-hospitalizations
 - Slowing placement into LTSS through better inpatient care and discharge planning

Payment Bundling: Incentive to Improve Care Transitions

- **Under payment bundling, individual providers transition from being a revenue center to being a cost center**
 - Bundle managers are financially penalized rather than rewarded for providing additional services, thus bundles provide an incentive to increase preventive care
- **Medicare beneficiaries are vulnerable after hospital discharge, and care transitions could further improve care coordination and patient health status, and reduce costs under payment bundling**
 - Care transitions programs generally use nurse practitioners or transition coaches to prevent adverse events post-hospitalization, such as medication errors or misunderstanding of self-care instructions
- **Programs shown to improve care transitions:**
 - Care Transitions Intervention™, Transitional Care Model, Guided Care Model, Project BOOST, Project Re-engineered Discharge, and others

Payment Bundling: Incentive to Improve Care Transitions (cont'd)

- **Sample of references for successful care transitions interventions:**
 - Naylor MD, Brooten B, Campbell R, et al. (1999). Comprehensive discharge planning and home follow-up of hospitalized elders: A randomized trial. *Journal of the American Medical Association* 281(7): 613-620.
 - Coleman EA, Boult C. (2003). Improving the quality of transitional care for persons with complex care needs. *Journal of the American Geriatrics Society* 51: 556-557.
 - Boult C, Reider L, Leff B, Frick KD, Boyd CM, Wolff JL, Frey K, Karm L, Wegener ST, Mroz T, Scharfstein DO (2011). The effect of Guided Care teams on the use of health services. *Archives of Internal Medicine* 171 (5): 460-466.
 - Boston University School of Medicine. The Re-Engineered Hospital Discharge Program to Decrease Rehospitalization.
 - Society of Hospital Medicine (2008). Project Boost: Boosting a Team Approach to Patient Care. (Piedmont Hospital, Atlanta: Georgia).

Payment Bundling: Incentive to Improve Care Transitions (cont'd)

- **Targeting is important – strong care management models, delivered to the right patients, can reduce hospitalizations and possibly costs**
 - During the Medicare Coordinated Care Demonstration, Washington University cared for 20% of patients deemed most complex
 - Overall reduced hospitalizations by 11.7% and total Medicare Part A and B spending per beneficiary by 9.6%
 - But, in the higher-risk group, the program reduced average hospitalizations per beneficiary per year by 17.0% and monthly Medicare Part A and B spending by 14.8%
- **The incentives created by a Medicare payment bundle could improve care quality and health outcomes, slowing placement of the duals into LTSS**

Payment Bundling: Potential Unintended Consequences

- **Over-utilization (more bundles)**
- **Stinting (under-provision of care) and adverse selection**
 - Case-mix adjustment and outlier policy
 - Phase-in or transition
 - Pay for performance
 - Quality measurement
 - Waivers
- **Lack of capacity for bundle managers and providers to measure, understand, and manage risk under complex payment rules**

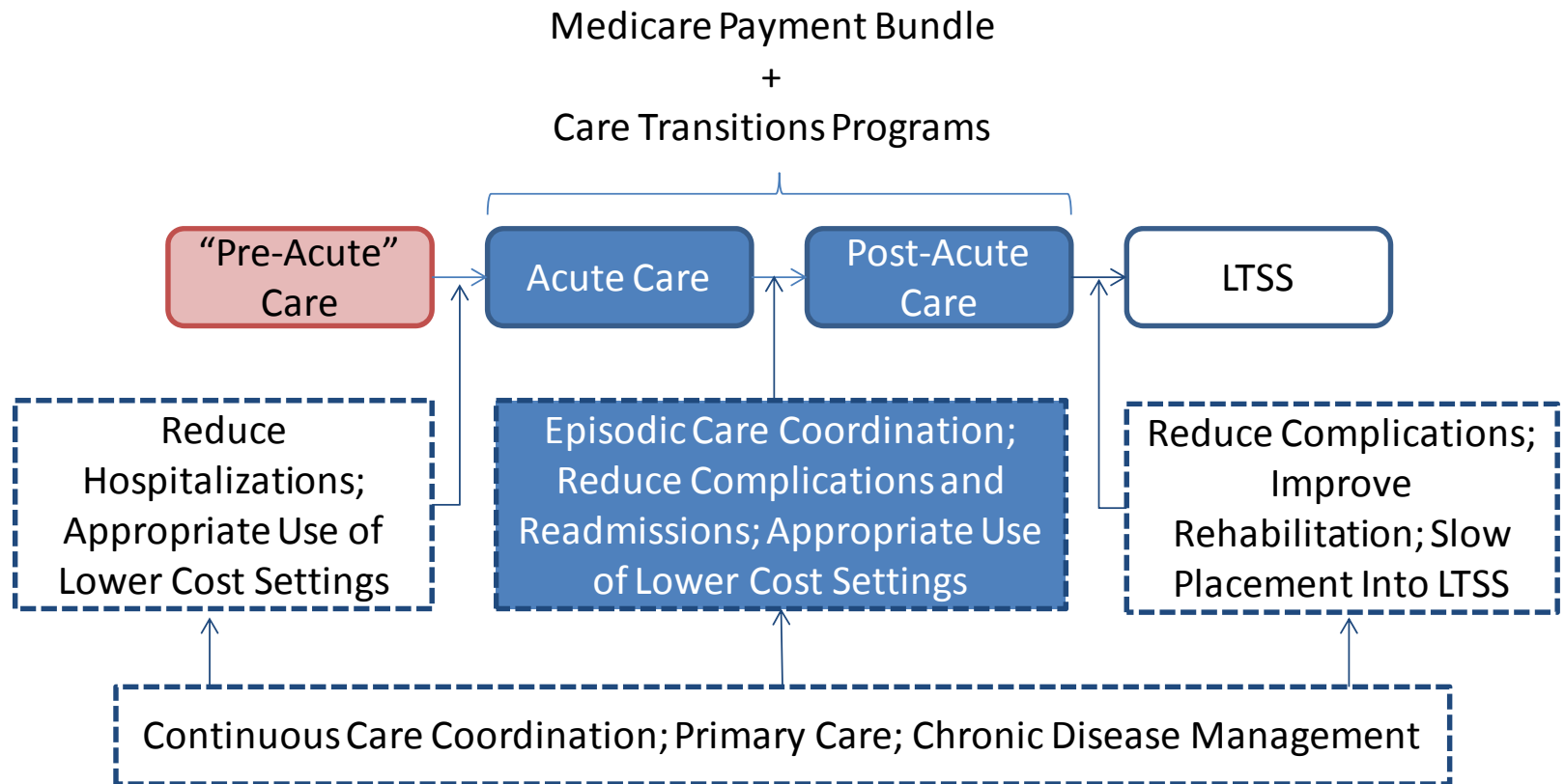
Payment Bundling: Complemented by Pre-Acute Care

- While payment bundling adds a layer of patient management at an acute and post-acute level episode, it does not address many chronic care needs
- Expansion of “pre-acute” care prior to hospitalization—such as enrolling duals into medical homes or primary care case management (PCCM)—may provide a safeguard against over-utilization and will address chronic care needs
- Pre-acute care could prevent hospitalizations (bundles) from occurring and reduce the use of high-intensity acute care, especially for ambulatory care sensitive conditions

Examples of Pre-Acute Care Models

- **Veterans Affairs (VA) Home-Based Primary Care (HBPC)**
 - Reduced hospital stays by 62%, nursing home bed days by 88%, and home health increase by 264%, reduced total cost of care by 24%
- **Community Care of North Carolina (CCNC)**
 - State-wide enhanced PCCM program with 14 community care networks targeting high-risk patients, including duals, has saved \$160 million since 2006
 - Pays PMPM fee for case management and care coordination for eight of 14 community care networks to serve as medical homes
- **If pre-acute care reduces hospital admissions for high-risk duals, then the impact on Medicare expenditures could be greater than a reduction in readmissions achieved through care transition programs**

Payment Bundling: A Framework for Payment and Delivery Reform



Policy Recommendation: Medicare Payment Bundling as Viable Near-Term Solution

- **Medicare payment bundling is a sensible, near-term policy approach to misaligned provider incentives under siloed PPSs and lack of care coordination for the vast majority of duals in fee-for-service**
 - A payment bundle combining acute care and PAC could better coordinate care, improve medication management, and reduce rehospitalizations
 - Payment bundling will incentivize care transitions, which will improve discharge planning and further facilitate care coordination
- **Pre-acute care, through medical homes or PCCM, could complement payment bundling by reducing hospitalizations and achieve better health outcomes and cost-savings for high-risk duals**
 - **By improving discharge planning and patient functional ability, payment bundling may slow the placement of duals into LTSS as well**

Discussion

- **Duals represent a heterogeneous population, with a wide range of clinical and resource needs**
- **Tension between care delivery reform and savings targets**
 - Perception of duals as an opportunity to create budgetary savings rather than an opportunity to deliver better health care to vulnerable beneficiaries may complicate reform efforts
- **Integrated Medicare-Medicaid health plans require capacity**
 - Many states lack the programmatic capacity, experience, and budgets to design an integrated Medicaid-Medicare health plan
- **Diversity of policy reforms may be necessary**
 - While integrated Medicare-Medicaid health plans may be most appropriate for some duals, this approach may not be best for all duals and the majority will remain in fee-for-service in the short to mid term

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