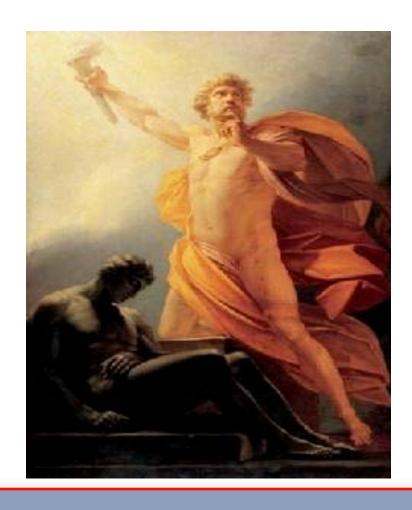
## Bundled Payments 2016: It's Prime Time



## Then.... And Now



## What The "Experts" Said:

- It's too complicated...because health care is so simple, right?
- It maintains fragmentation....because consolidated dominant systems are soooo patient-centered, right?
- It doesn't save money/stop the production of episodes....because ACOs are doing such a stellar job at it, right?

## The Truth:

- Getting incentives right means having a portfolio of payment options, not a one size fits all
- Implementing bundled payments is being done at scale in several states, and new operational solutions are coming out to scale even better
- Providers are reengineering faster at the episode level because they have line of sight on accountability and results

## **Common Myths & Realities**

- Bundles are only good for procedures, and even then they don't address the appropriateness of procedures
- 2. Bundles are a way station on the path to total costs of care payments, so why bother?
- 3. It's difficult to figure out who gets the money and how it then gets redistributed

- Bundles can cover about 2/3 of all costs of care – the Manageable Zone. Conditionbased bundles (e.g. vascular disease) include procedures and therefore address appropriateness of treatments.
- 2. There's a reason the middle of the cost distribution is called the Manageable Zone and why most providers prefer bundles to capitation
- 3. For the foreseeable future, bundled payments will be prospectively budgeted, paid FFS and retrospectively reconciled to solve that problem.

# National Perspective on Bundled Payments

#### The Good:

- Medicare (CMMI) has jolted the system off the status quo, and there's no turning back
- States have followed suit, increasing the momentum
- Private sector employers are pushing ahead, slowly, but some private sector health plans have gotten into high gear

#### The Bad:

- CMMI has made many incentive design mistakes
- States have had a tendency to take a one-size-fits-all approach
- Employers are mostly focused on national COEs
- National health plans are just getting engaged (despite the rhetoric)

#### The Ugly:

- CMMI seems deaf to constructive criticism
- Providers are getting ripped between two conflicting sets of incentives
- Claims and benefits administration systems have been stuck in the 20<sup>th</sup> century



## **Results To-Date**

- BPCI is saving money for Medicare
- Horizon BCBS NJ has across the board savings and half as many quality "defects" in contracted episodes
- Arkansas continues to see improvements in costs and quality
- Employers are experiencing similar gains

**Bundled Payment Update** 

## So Where Do We Go From Here?

- Fully scalable operational solutions are now being deployed in the private sector
- Employers are realizing that they can implement the bundled payment "COE" concept locally, not just nationally
- CMS is eager to have another mandated bundle, most likely in cardiac procedures
- Health plans recognize that bundled payments are effective at engaging specialists

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