

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

1. 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
1. Bundles can cover about 2/3 of all costs of care – the Manageable Zone. Condition-based 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 20th 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

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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