

Wading through Bundled Payments

Presenter: Chris Johnson, CHFP



Chris Johnson



Senior Consultant, TruBridge, LLC

- Director of Revenue Cycle
- Director of Patient Financial Services
- Project Manager for Revenue Cycle Redesign
- Certified Healthcare Financial Professional

Does wading through Bundled Payment options feel like a rainstorm?

- Overview
 - Definition
 - Background
 - Example Pilot Programs
- Advantages and Disadvantages
- 5 Steps to Action



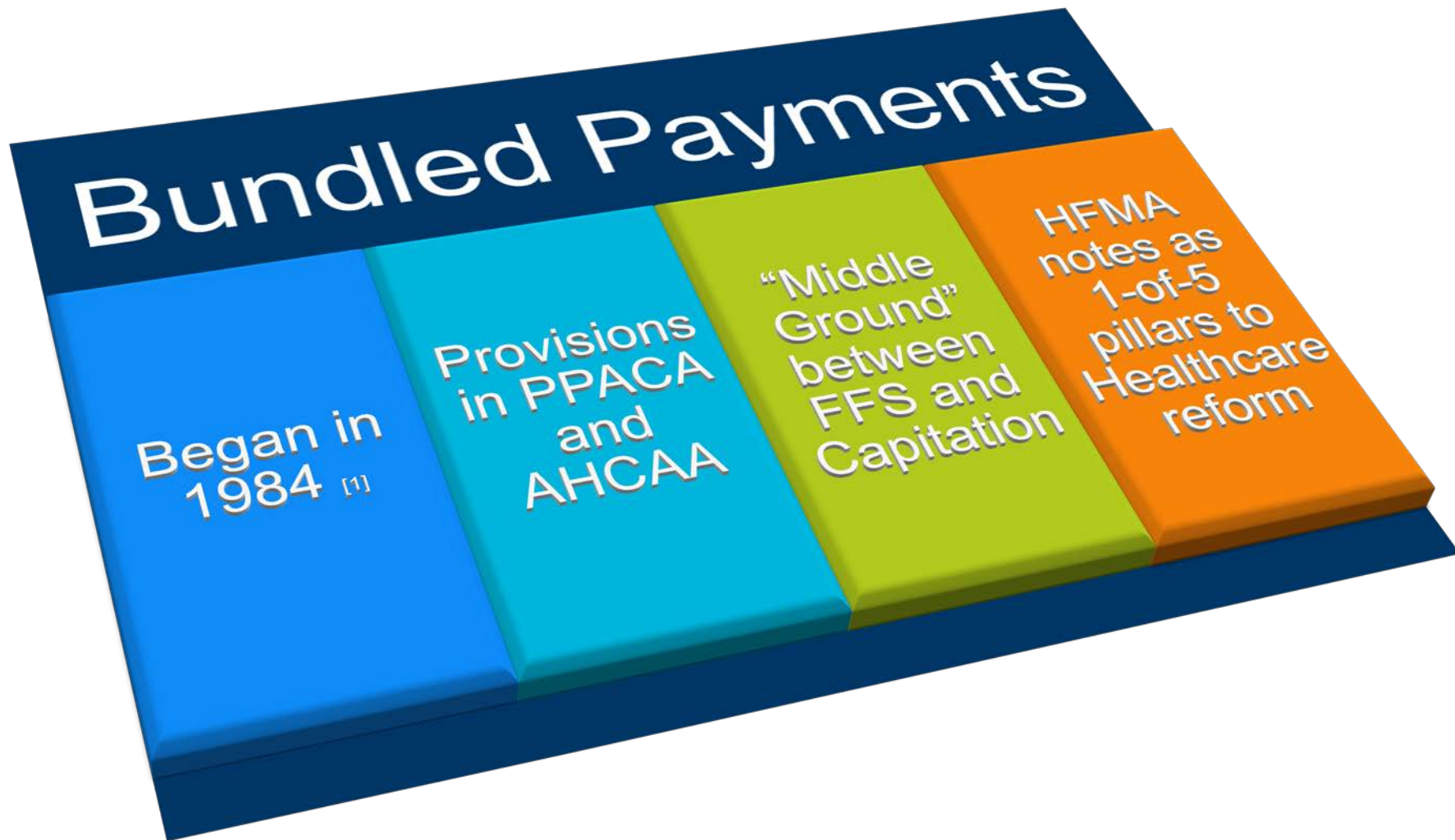
Bundled Payments Defined



Reimbursing a provider, or group of providers, for the provision of services with a defined episode of care under a single fee or payment.

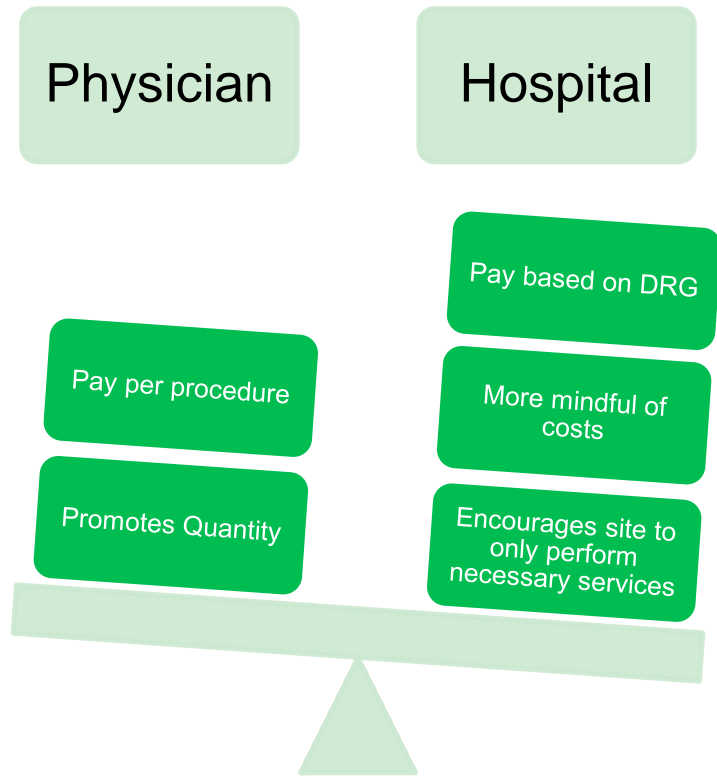
The reimbursement of healthcare providers on the basis of expected costs for clinically-defined episodes of care.

Background

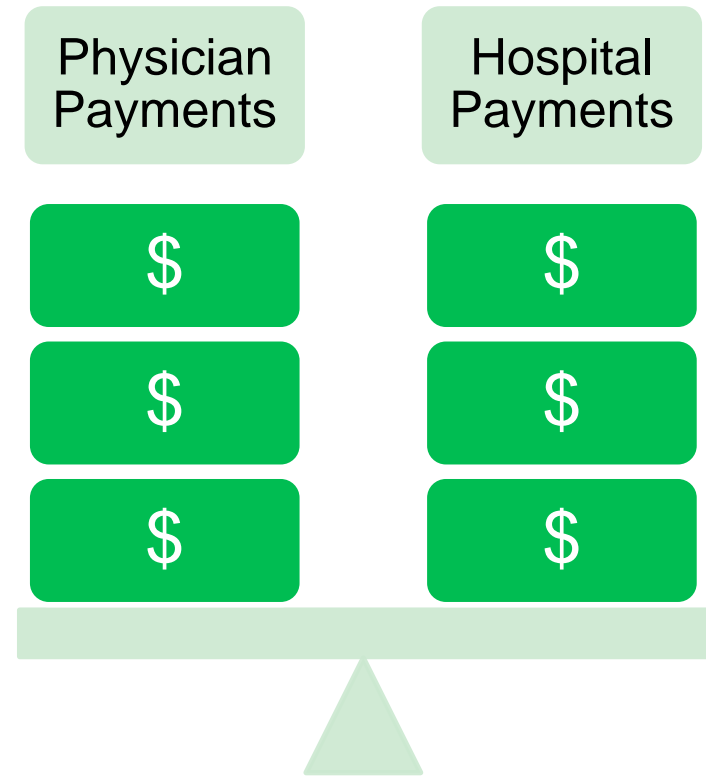


1. Miller HD (2009). “From volume to value: better ways to pay for health care”

Providing Balance



Health plans create disputes between physicians and hospitals when they pay the physician “per-procedure” and the hospital on “DRG”



In a Bundled Payment the plan pays a single prospective rate for all services provided by both entities and let the providers divide the payment amongst themselves ^[2]

2. HFMA (2015) The Business of Health Care Key Concepts

Names and Services



Example Pilot Programs

Pilot Example #1

- 1987 an Orthopedic Surgeon, Hospital, and a Michigan HMO ^[3]
 - HMO referred 111 patients to the Surgeon
 - Surgeon evaluated each patient at no charge
 - Surgeon and Hospital each received a predetermined payment for any arthroscopic surgery performed
 - Surgeon and Hospital had to provide a 2 year warranty to cover any post-surgery expenses
- Result: All 3 parties benefited financially

Actual vs. Expected	HMO	Hospital	Surgeon and Associates
<ul style="list-style-type: none">• Actual• Expected	<ul style="list-style-type: none">• \$193,000• \$318,000	<ul style="list-style-type: none">• \$96,500• \$84,892	<ul style="list-style-type: none">• \$96,500• \$51,877

3. Johnson LL, Becker RL (2009) "An alternative health-care reimbursement system- application of arthroscopy"

Pilot Example #2

- More recently the Partnership for Healthcare Payment Reform (PHPR) piloted a project with 3 hospitals for a total knee replacement
 - Manitowoc Surgery Center and Anthem Blue Cross Blue Shield
 - University of Wisconsin Hospital and Unity Health Insurance
 - Meriter Health Services and Physicians Plus Insurance
- Result: 2 of the 3 were encouraged by the results and are developing additional Bundled Payment programs

Pilot Example #3

- CMS Bundled Payment for Care Improvement Initiative (BPCI)

	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

2115 BPCI ^[4]
participants as
of July 1, 2015

Acute Care Hospitals	(423)
Physician Group Practices	(441)
Home Health Agencies	(101)
Inpatient Rehabilitation Facilities	(9)
Long-Term Care Hospitals	(1)
Skilled Nursing Facilities	(1071)

National Participants

Model 1	(11)	Model 2	(741)	Model 3	(1353)	Model 4	(10)
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Michigan Participants

Model 1	(0)	Model 2	(15)	Model 3	(44)	Model 4	(1)
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4. CMS Website (2015) "innovation.cms.gov/initiatives/bundled-payments"

Advantages to Bundled Payments

Encourages Coordination of Care

- Improves efficiency
- Decreases duplicate testing
- Discourages unnecessary care

No Penalty for Sicker Patients

- Prevents failure to adequately provide post-op care

Economies of Scale

- Buy in bulk
- Negotiate better price
- Reductions in unnecessary supplies

Transparency

- Improves patient-doctor relationship
- Fixed pricing to increase patient satisfaction
- Published costs/outcomes

Disadvantages to Bundled Payments

Transparency

- Published costs
- Published outcomes

Tricking the Plan

- Overstating severity of illness
- Providing minimal level of care
- Delaying diagnosis

Administrative/Operational Burden

- Establishing fair compensation rates
- Risk offending provider partners

Bundled Formation

- Categorizing episodes
- Multiple bundles overlap

Other Considerations

System Size

- Robust enough network of providers?

Disproportionate Share

- Chronic diseases in underserved patients

Complications

- Difficult and time consuming to treat

Divvying up Reimbursement

- How many entities would share
- Physician relationships

Patients

- Improved outcomes
- Reduced complications
- Improved care coordination

5 Steps to Action

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graph TD; S1(1) --> T1[Strategic Planning]; S2(2) --> T2[Bundle Formation]; S3(3) --> T3[Recruit Payer-Provider Pairs]; S4(4) --> T4[Determine Timeline, Payment Amounts, Metrics, and Roles]; S5(5) --> T5[Marketing and Awareness];
```

1

Strategic Planning

2

Bundle Formation

3

Recruit Payer-Provider Pairs

4

Determine Timeline, Payment Amounts, Metrics, and Roles

5

Marketing and Awareness

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