Bundled Payments Are Here to Stay

The Current Trends in Bundled Payment Initiatives and How to Prepare for Participation

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Just like "ACO's" and "meaningful use" were new concepts with unknown futures just a few years ago, the concept of "bundled payments" was also a term that had meaning, but an uncertain future. Now, several years later, bundled payments are a reality with new programs being rolled out by both federal, state and commercial payers. Further to this point, the Department of Health and Human Services (HHS) has recently stated that they expect "alternative payment models", of which bundled payment models are just one type, to account for 30% of all Medicare payments in 2016 and 50% by 2018.

As is typically the case, CMS got the ball rolling in 2013 with one of the first bundled care payment initiatives, the Bundled Payment for Care Improvement ("BPCI"). BPCI generally bundles payments for multiple services that Medicare beneficiaries receive during specific episodes of care, such as lower extremity joint replacement and congestive heart failure. Like other value-based payment models, CMS believes that the BPCI program will result in higher quality and greater coordinated care at a reduced cost to Medicare. In each of the four models offered under BPCI, participants have the opportunity to share in varying degrees of financial incentives or financial risk, depending on the model selected.

As of July 1, 2015, there were 2,115 participants in BPCI with 423 acute care hospitals, 441 physician group practices and 1,071 skilled nursing facilities representing 91% of the participants in the program. In addition to BPCI, CMS is starting two new bundled payment initiatives, the Oncology Care Model ("OCM") and the Comprehensive Care for Joint Replacement Model ("CCJR"), both expected to begin in 2016. Also, for the first time, CMS is proposing that the CCJR model will be mandatory for selected hospitals in 75 geographic areas. Furthermore, the hospitals selected for this program will bear financial risk if they exceed the "target" bundled price specified by CMS.

So how do all of these government-sponsored bundled payment programs translate to the commercial payer market? And who will be the key players dictating how financial incentives and/or risk will be shared amongst the providers participating in both government and commercial bundled payment initiatives?

In answer to the first question, commercial payers are already on-board, rolling out their own brand of bundled payment initiatives and looking for providers to participate. In answer to the second question, while hospitals are best suited to take the lead in these initiatives, especially for those episodes of care that begin in an acute care hospital setting, larger physician group practices may be best positioned to negotiate for a greater share of the financial incentives (and maybe less of the downside financial risk). This is simply because hospitals need physician participation to achieve success in any bundled payment program and larger physician groups have a significant number of physicians under their "control" to provide these needed services.

While participating in bundled payment initiatives may look very enticing to some and, conversely, very risky to others, the reality is that bundled payments are not likely to go away. Those providers that have the infrastructure to take on greater financial risk and the resources to manage and monitor the processes needed to successfully participate in these programs, will have

the greatest likelihood of success. Providers that are able and willing to invest in new technologies that provide real performance data and the level of analytic reporting required in these programs, will likely be the providers that are most sought after by the provider networks that are collaborating together in bundled payment initiatives.

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