Be Prepared for Medicare's Transition to Bundled Payments—or Risk Future Revenues

written by Dave Halpert | October 7, 2015

As specialists face increasing pressure to lower costs, particularly by Medicare, so-called Bundled Payments are becoming an increasingly significant—and preferred—method of reimbursement. Although this form of Alternative Payment Method (APM) is not yet mandatory, most industry experts believe that bundled payments will form the basis of how Medicare will pay specialty services in the future, especially regarding inpatient care. Develop your strategy now, or you risk economic fallout.

From a fledgling pilot initiative, Medicare's Bundled Payments for Care Improvement Initiative (BCPI) has grown to 2,100 provider groups with initiatives in one or more of 48 unique procedure or diagnosis "bundles." The majority of these categories involve cardiac and orthopedic care, but there are a large number of chronic diseases in the "Other" Bundled Payment category. So not just specialists will be affected, but primary care physicians, as well.

Medicare has already stepped up its plan for increasing reimbursements through APMs such as ACOs and Bundled Payments. The goal: 25 percent of revenue will be paid through APMs by 2019, increasing to 75 percent over the next eight years. The Medicare Access and CHIP Reauthorization Act (MACRA) lays out the essentials. By negotiating the elimination of a 21 percent cut in the Sustainable Growth Rate formula for Medicare physician payments, Medicare guaranteed that the dollars be made up elsewhere.

Bundled Payments are among the most prevalent APMs. Conceptually, the process is straight-forward: payments are tied to services surrounding a hospital event, similar to the Medicare Spending Per Beneficiary (MSPB) measure that's currently used in VBPM calculations.

Bundled Payments Reward Coordinated Care, Positive Outcomes and Savings

The purpose of APMs is to avoid Fee For Service (FFS) model incentives, which reimburse each provider for his or her services on the basis of volume rather than outcomes. FFS creates a fragmented system, with each provider acting independently, rather than interacting as a team to deliver the best care.

Bundled Payments is an Alternative Payment Model wherein payments are tied to (or "bundled" for) an episode of care. CMS determines the size of the bundled payment based on MS-DRG, patient risk and other factors. If the patient's costs are less than the size of the total allowed bundled payment (achieved through care coordination and positive outcomes), the providers may share in that savings.

Within this framework, there are four separate BCPI models, encompassing different definitions of the "episode" and whether the bundled payment is made prospectively or retrospectively:

> Model 1: Bundled Payment covers the inpatient stay, paid retrospectively;
> Model 2: Bundled Payment covers the inpatient stay, as well as services performed up to 90 days following discharge, paid retrospectively;
> Model 3: Bundled Payment covers services performed up to 90 days following discharge (not the inpatient care), paid retrospectively;
> Model 4: Bundled Payment covers inpatient stay, paid *prospectively* (meaning that "no pay" claims are submitted to Medicare and are paid by the hospital out of the bundled payment).

Within these four models, participants can select one of 48 possible episodes. These episodes will apply to variety of specialties. It is interesting to note that, of all of the participants, nearly 100 percent have selected Models 2 and 3, with the lowest variety of participating specialists.

Participating in Bundled Payments May Be Key to Future Referrals

Bundled Payments and Medicare Shared Savings Programs (MSSP) incorporate similar themes, including shared savings and care coordination. Not surprisingly, their business models have common traits.

In the BCPI, the payment is granted to an "Awardee." The Awardee may be a hospital, group or other entity that has agreed to take on the financial liability that comes with Bundled Payments. If it is determined that the episode costs more than what Medicare provisioned in its Bundled Payment, the Awardee has to cover the difference. But, if the episode concludes prior to the depletion of the Bundled Payment, the Awardee gets to share that savings and distribute it amongst BCPI participants. That distribution of both risk and reward among multiple groups is

complicated and may be cause for disagreement among providers.

As a specialist, it may be tempting to skip the risk for now, before APMs become mandatory. But beware of taking this pass: Awardees need to ensure that they have adequate control over what happens to patients following the event that triggered a Bundled Payment episode, and that means steering them toward specialty providers who are participating in their program. So, while specialists may not incur direct financial risk by avoiding BPCI, there are patient referral implications.

To avoid seeing their referrals dry up, many specialists have signed up with ACOs under the "other entity" designation, giving them an "in" with an ACO, without requiring exclusive commitment to that ACO. BCPI is similar, and you do not have to be an "Awardee" in order to participate. However, as for an ACO, you must follow a legal process to ensure that you are considered a part of the group and to determine your specific role. For this and any Pay for Performance initiative, you should evaluate the Awardee's plan to ensure that it meets your requirements for risk, gain sharing and payment distribution methodology.

Take Action Now to Get Ready

Participation in BCPI is optional, but that may not be the case for much longer. Medicare has formally announced the creation of the Comprehensive Care for Joint Replacement Model (CCJR) to cover one of the Bundled Payment areas. CCJR is designed to address the staggering variations in complication rates from one facility to another, particularly as they apply to two of the most common inpatient surgeries for Medicare beneficiaries: hip replacement and knee replacement. How? Making Bundled Payments mandatory ensures that they are the primary form of payment for these procedures.

Specialists: You may think that this does not apply to you, but remember that Lower Extremity Joint Replacements account for only one of the 48 possible bundled-payment episodes of care; there are plenty of options still on the table, and participation is gaining momentum. In August, CMS released a statement announcing a huge influx of participants in BCPI. At the time that statement was published, 2,100 participants were enrolled in a BCPI pilot to improve care and reduce costs.

What should you do to position yourself for Bundled Payments? The most important action item is to develop a plan now to incorporate these tasks:

> Analyze your data. You will need to collect data from the constituent provider groups, whether in large private groups, employed groups or Academic Medical Centers, to determine how patient utilization and costs are distributed into episodes.

Choose a Registry software vendor. An experienced Registry serves as a buffer and data auditor between the various groups and will collect data from multiple sources to package into care episodes. You also need the Registry to build a unique, patient-centric record, having the skill to match patients from one set of records (the hospital) to another (the post-acute treatment performed by a private specialist), even if each group is using separate EHR/EMR technology.

Evaluate the costs and experience of your Bundled Payment participants, before making your choices. Instead of relying on historical, relationship-based referral practices, you will need a neutral assessment of the cost and quality of various participants before you organize participation. Fortunately, the CMS Quality and Resource Utilization Reports (QRUR) provide the basis for evaluating participants against benchmarks. Again, a Registry that consults in this area can work with candidate groups to download this data, and provide you with an assessment.

Develop a distribution methodology before you go forward. This will not be easy, but it will allow all providers an understanding of their incentives and the rules before the bundled payments begin.

Practice before you leap. A Registry engagement will allow you to use your claims and clinical data to evaluate the effect of bundled payments on all providers before you go forward, so that all participants are able to work together to make adjustments. This collaboration is particularly essential when the providers are from different groups.

Be forewarned: Bundled Payments are here now—they are not a potential APM that you'll need to consider in a few years. MIPS and the CCJR all but ensure that Bundled Payments will continue and expand. Awardees have already demonstrated care coordination and improved outcomes, and more groups are taking the plunge. Consider how you may work with colleagues and technology partners now, rather than wondering later why your waiting room is empty.

As a specialist, it behooves you to learn about Bundled Payments—not just what they are, but how you can incorporate them into your practice so that you're not left without a chair when the music stops and the payments are distributed (or CMS recoups them). They can help you optimize your quality and cost composites within the VBPM now, while laying the foundation for your future APM strategy.

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