# Five Ways to Manage Specialty Costs Without Bundled Payments

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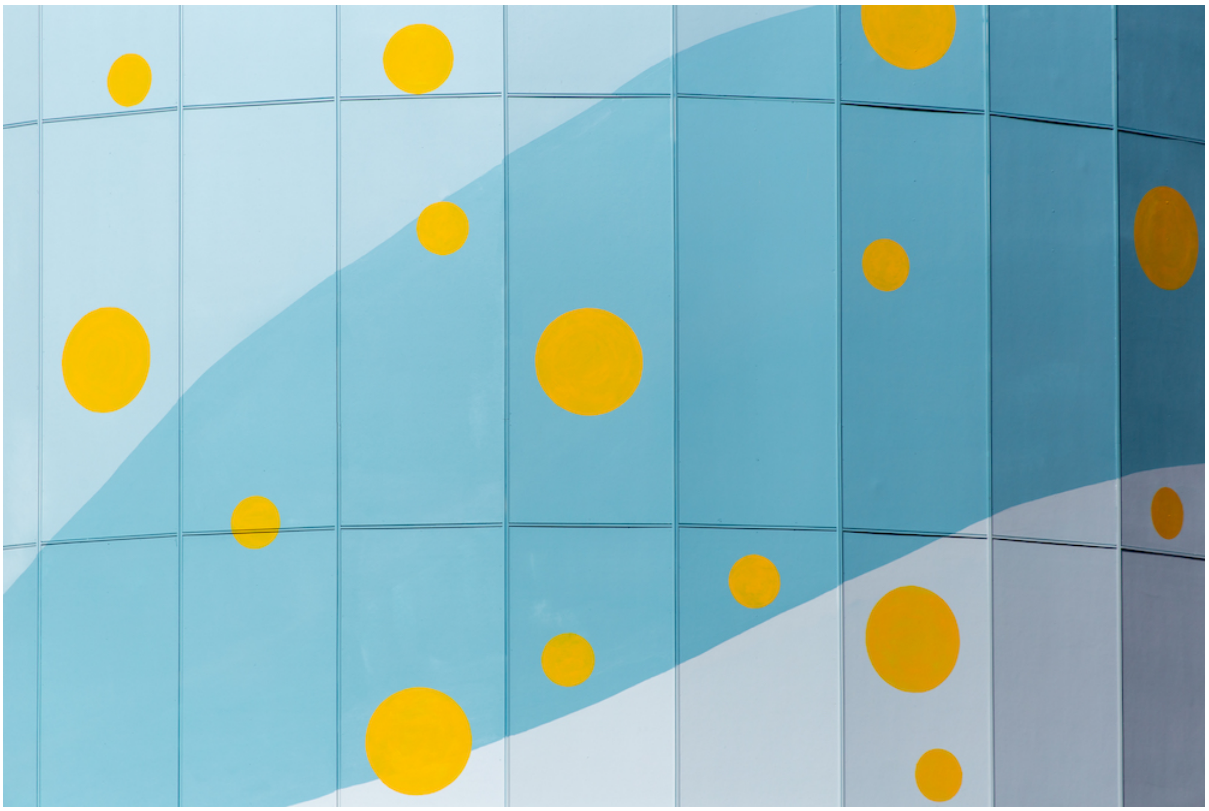

When health plans and Medicare propose controlling the cost of specialty care, expect that bundled payments will be the next suggested solution. With the introduction of every new specialty-focused payment model, an episode-based bundled payment model is involved.

But let's say you're an ACO with no interest in bundled payments arrangements. You may not even think you can put the topic on the table with specialists. Or, if you are a health system or specialty practice that is trying to control total cost of care for competitive reasons, perhaps you aren't yet willing to accept fixed fees. How can you manage specialist-driven costs for success in value-based arrangements without adopting bundled payments themselves?

Here is the bad news you may not want to accept. You *can* avoid reimbursement through bundled payments (for now). But you *can't* avoid implementing the same underlying strategy to measure and reduce your cost variations, and to drive lower costs. Unfortunately, this will be both harder and potentially disadvantageous to achieve without the incentives of real bundled payments to engage the organization and physicians.

Let’s review the landscape and your options.

## Bundled Payments Dominate in Emerging Value-Based Models for Specialists

Payers are leveraging provider reimbursement systems toward fixed fees like capitation and bundled payments. While they inject financial incentives into payment models to control the total cost of patient care (for the payer), providers bear the risk of cost overruns. Unlike the early ACO shared savings model, the incentives in value-based payment models depend increasingly on risk payment models like global capitation and bundled payments.

I’m using the term “bundled payments” to include any set amount for an all-inclusive, time-based patient episode of care. Bundled payments are equivalent to a capitated payment in primary care, but the parameters of services and time may be different.

Bundled payments power many Medicare value-based specialty care models, including the Oncology Care and recent End Stage Renal Disease Models, Bundled Payments for Care Improvement (BPCI) procedures and conditions, and Medicare Cost Measures. There is an initial selective implementation to evaluate the program design and cost effects in groups that have volunteered, after which the program can move into partial or whole adoption.

Commercial payers have negotiated bundled payment arrangements for years in high-volume procedures, and employers are also rapidly moving into direct contracting with providers.

## Episodes of Care and Bundled Payment Are Completely Different

Mention “episodes,” and many providers immediately think “bundled payments.” But they are not synonymous.

Episodes are created to define the services and time frame associated with a particular procedure or set of procedures, conditions, or events for an individual patient. A few examples:

> A knee replacement episode will typically include all of the various procedures involved in a knee arthroplasty, but it will also include services leading up to the procedure and inclusive of imagery, ancillary providers and services during the procedure, and after-event therapy such as physical therapy and/or rehab.
> Oncology Care Model episodes are defined as the six-month period beginning with

> chemotherapy, and include all services, not just those directly provided to the patient. A condition-based episode for diabetes will include all visits, laboratory tests, pharmaceuticals, and services tangential to diabetes, including emergency room and hospital admissions, and depression screens or podiatrist services.

Patient episodes are a necessary means of calculating costs in order to establish bundled payment models. However, they are also the best way of looking at and evaluating both outcomes and costs for types of specialty care. Because each episode is structured the same, it's possible to measure key differences between individual patient episodes, create a view of cost variation, and identify outcomes or issues that have impacted low or higher cost episodes.

## Manage Specialty Costs Through Episodes in 5 Ways Bundled Payments Can't

Bundled payments are essentially a budget without navigation tools or detection systems. The bundled payment level is a dollar amount that is divided among various professionals and facilities. Within that fee only episode analysis can reveal what has driven actual expenditures above or below that level.

You can manage specialty costs through episodes with enhanced capabilities that a fee structure can't provide:

### 1. Identify the specific services in episodes that tip costs toward higher levels, for discussion with physicians.

Episodes will have services in common and some that stand out in certain cases as higher costs. These could be a newer and higher cost anesthesia, a novel surgical approach, bundled procedures, or variations in post-event therapy. The variables that differ from episode to episode within the same procedures can become focal points for a discussion about the appropriate standard for care.

### 2. Establish the optimal care path that led to best outcomes while maintaining cost performance.

Physicians are free to create clinical advancement while there is still rigor around review of outcomes and cost. The transparency required for physician engagement in episodes should be designed to illuminate patient outcomes and excellence, and contribute to a standardization of

care.

## 3. Create consensus among specialists about facility and administrative barriers to achieving best clinical outcomes for their specialty episodes, for action by parties to the episodes.

Scheduling issues, availability of house physicians, and selection of other parts of the care team are usually not in a specialist's control, but impact cost and outcomes. Review of sample episode cases should also result in the discovery of administrative issues to resolve.

## 4. Form episode care teams based on best performance, not just availability.

The contributions of each of the episode care teams should be uniquely identified, when feasible. Collaboration and choice of episode teams could facilitate a drive for higher performance and clinical excellence, as well as help engage physicians' typical competitiveness.

## 5. Re-energize Centers of Excellence to incorporate models of treatment based on demonstrable performance.

A few highly recognized groups have embraced episodes as a way of re-engineering health care product lines that deliver highest quality outcomes and cost, and are negotiating these with employers and payers. By focusing on what is producing the best performance, rather than meeting the bundled payment budget or marketing goals, providers can turn episodes into growth opportunities.

ACOs are often hindered by a vague and administrative role within their provider environment. Episodes have the possibility of expanding your capabilities and your "brand" to become an engine for positive expansion, while ensuring that your specialty network is engaged. Use your data to broaden your view of costs and quality, and examine real services delivered to patients. You'll be inspired by what you discover.

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