Why Bundled Payments Are a Win-Win for Specialists and Health Care Consumers

written by Theresa Hush | March 30, 2017



Bundled payments, a health care payment innovation that has been widely praised for controlling costs, recently got a bad rap. Secretary of Health and Human Services Tom Price has delayed implementation of the final Medicare rule for several bundled payment programs that were set to start this year. He has criticized the bundled payments initiative for moving too fast and "experimenting with patients' health."

Other industry experts disagree. They strongly favor the concept for both improving care and cutting costs.

Bundled payments reimburse physicians and hospitals according to a set fee that includes all care associated with a procedure or medical episode. Far from new, they have been a part of provider and insurance company package pricing and negotiations for decades. However, within the mainstream reimbursement system, bundled payments are still limited to specific

procedures and types of care, commonly including organ transplants, cardiac surgery and joint replacements.

Bundled Payments Ensure Price Transparency for Consumers

The fact that health care is far from affordable for many Americans has been center stage during the debate over the ACA Repeal. Consumers want and need relief because they are paying a greater share of the burden for both coverage and direct payments to providers. Yet they have no ability to make any sense of what they are paying for, because prices are so misleading.

By contrast, a bundled payment gives clear information to consumers about the full cost of a procedure and associated hospital stays and follow-up care. Bundled payments are, by design, constructed for price transparency.

Some bundled payment mechanisms are also linked to performance and quality metrics. This is essential, but not always universal. However, most insurers retrospectively monitor quality to ensure that consumers are not hurt by providers skimping on services to make the bundled payment profitable at the patient's expense. Medicare Bundled Payments for Care Improvement (BCPI) includes quality measurement of the initiative's implementation.

The future of bundled payments will center on patient choice. This assumes that insurance companies and others post bundled payment prices and quality metrics so that patients can make informed choices by knowing both cost and quality. There will also need to be safeguards in the system to make sure that the

reimbursement does not create unintended consequences.

Bundled Payments Help Specialists Gain Control of Treatment Plans and Services

Specialists have a lot to gain under reimbursement through bundled payments. The first advantage is freedom to structure the treatment plan and services delivered to a patient. Under the fee-for-service system, insurers micromanage aspects of care—both prospectively through pre-authorization processes and retrospectively through claims denials—to control costs. Under a bundled fee, the care team can include all necessary components of care without hassle to their staffs or to the patient.

Second, specialists have much to lose under various other Risk models, especially ACOs. If they are fully participating providers, they essentially redline their territory and become exclusive to a broader business entity, as CMS ACO participation rules dictate. If they participate as an "other entity" under the rules, they maintain their referral base with other health care systems but can suffer under MACRA MIPS attribution methodologies for patient costs, which assess them for the full costs of patients who see the specialists regularly but haven't seen a primary care provider.

Participation in bundled payments creates the opportunity for specialty groups to market and sell their services to ACOs and other physician groups and physician (and hospital) contracting organizations. Those arrangements will support ongoing referrals and should be structured to protect the specialists from cost attribution by ensuring a connection with the patient's primary care provider.

Third, specialists stand to gain from bundled payments by setting pre-established terms with hospitals and other providers. This creates an avenue for marketing to consumers and employers as well as negotiating insurance contracts. Established, transparent prices are a big win, not a trade-off, for the group’s competitive positioning in a market with an overabundance of specialty groups.

Providers who act early to establish bundled payments reap additional rewards from taking the initiative while the market is open and voluntary. They can drive negotiations that will better position their group and evaluate their costs experience under a still-voluntary payment mechanism. They can also negotiate payments with patients for elective procedures if they already have a high reputation for good outcomes, and market broadly to groups in a wider market.

Finally, the physician-hospital relationship is enhanced by having package pricing, because hospitals also win in the bundled payment arena. They can have greater assurance of their volume for procedures, and physicians can take advantage of preferential scheduling as well as other benefits.

How Bundled Payments Are Structured

Bundled payments are often designed by the insurance payer, which defines the care to be included in the package price. Most often this includes, for procedural care, the services rendered by all physicians (surgeon, assistant surgeon, anesthesiologist, radiologists and consultants), the facility fees (inclusive of inpatient stays), and accompanying laboratory or other services. Sometimes post-acute therapy such as physical therapy is covered, but often, not. The episode of

care usually also includes other care after hospital discharge, such as surgical follow-up visit(s).

The CMS Bundled Payments for Care Improvement (BCPI) initiative for Medicare reaches farther than most programs by defining 48 distinct episodes of care eligible for bundled payment over time. But the inclusion of the packages allows for gradual expansion of provider fees to be included in the bundle; it also allows for both retrospective payments based on a package as well as prospective payment bundles.

Five Ways To Make Bundled Payments Work for Both Specialists and Patients

Make bundled payment packages as inclusive as possible of services, incorporating all expected physician, facility and ancillary services. If post-acute services are always performed and critical to the outcome, they should be included. Bundled payments should be an offensive strategic move, not defensive. Other providers (including hospitals) should be able to see the value of securing volume and services from a reputable specialty group and be willing to create an inclusive package. The consumer will only be attracted if the care package is as comprehensive as possible.

Ensure that Quality Measurement and Improvement is a key component. Bundled payments are meant to be a value-based initiative, which means that quality and outcomes should be measured. Patient-reported improvement in functionality should be on the list of quality measures, as well as pain and pain management. Once bundled payments are adopted as a mainstream specialty reimbursement, selection and

reimbursement indexed to quality will also follow. Early adopters should establish data and performance improvement into the culture shift that will accompany transition to bundled payments.

Create feedback loop with Primary Care Physicians (PCPs), not only to ensure better continuity of care, but also to gain insight into the ongoing functionality improvements for patients. PCPs should provide information back to specialty groups on patient outcomes at extended intervals so that specialists can understand the long-term implications of their procedures and treatments.

Seek early opportunities to form and demonstrate bundled payments, and identify areas of Risk. Medicare's BCPI program or single insurer arrangements are a good beginning, but specialists should develop their bundled payments initiatives for all types of patients and a variety of coverage. A bundled payment initiative should not be directed only to the lowest risk patients; rather, it should be based on all risk levels and socio-economic groups. Participation in multiple insurer and payer initiatives will help groups structure exclusions or extra payments for outlier cases and individuals of varying risk levels.

Safeguard patients with shared decision-making processes. The creation of care episodes should not be construed to exempt providers from clear discussions of benefit and harm related to the procedure or treatment. There is a potential danger that we shift the emphasis to the shopping part of the health care transaction, at the expense of informed decision-making. One way to alleviate this is to define the process of decision-making, and measure that activity separately, along with the patient decision.

Bundled payments have been part of the mix of cost control tools for a long time, but are only recently getting serious inspection. As costs continue to rise, along with medical debt, the options for simply pushing costs off on consumers will become less tenable. The possibility of bundled payments as a central feature of specialty reimbursement is very likely to be on the horizon, regardless of what happens with Medicare. The advantages of bundled payments, which can be adjusted to patient risk, evaluated for quality and outcomes, and which motivate coordination of care, are too good to be ignored.

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