Bundling Payment Issues

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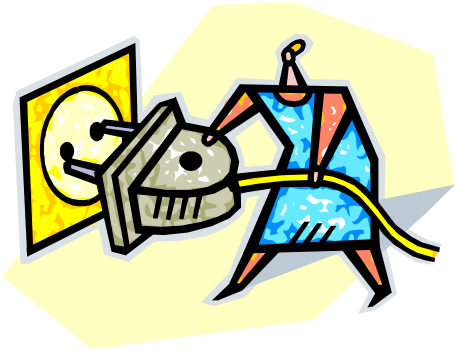
Bundled Payments: The Big Issue

- Bundled payments are the easy part (the “plug”)
- Where is the “socket” to receive payment?
  - Who accepts the payment?
  - Who manages services?
  - Who gets the savings?
  - How are savings allocated?
- “Actual” or virtual orgs?
  - Actual orgs have contracts
  - Virtual orgs can be everywhere



Private Sector Experience with Bundling

- Successes
  - Geisinger Health System's ProvenCare model
    - Working today for non-emergent CABG
    - Plans for 5 more episodes
    - Geisinger is a "ideal" delivery system
  - Transplant networks for most insurers
    - Use Centers of Excellence with "package" rates for "big ticket" transplants
    - Sometimes with guarantees

Private Sector Experience with Bundling

- Failures
  - Contact capitation in the 1990s
    - Proposed to pay a specialist a fixed amount after referral for as long as a year
    - Issues with types of services (e.g., for orthopedic surgeons) or gaming (e.g., lots of hypertensive patient contacts and few CABGs)
  - Start-ups (like HealthMarket)
    - Attempted to define a “package of services” that consumers would choose

Issues with Bundling

- Provider reluctance to take on “bundling risk”
- Severity adjusting the bundles
- Better for acute conditions, not chronic
  - Easy for a CABG with a defined procedure and follow-up
  - Not so easy for diabetes, with all kinds of comorbid conditions
- How much spending could be bundled?
  - Much spending is for end-of-life comorbid conditions
  - Chronic conditions might not be practical to bundle

Possible Uses for Bundling

- Virtual bundling by Medicare
  - For certain condition/treatment dyads, Medicare could pay a defined amount (adjusted only for geography) without needing organized systems
- Competitive bidding for treatments
  - Rather than only pay what is billed, Medicare and private payers could request bids for certain services (CABG, hip/knee replacements, etc.)
    - Would include quality measures for winning bidders
    - Reduce cost-sharing for patients using winning bidders
      - This would require minimum Medigap cost-sharing