BUNDLED PAYMENTS:
How to Realize Savings in the Value-Based Reimbursement World

nThrive Speakers Bureau // Sample Presentation

Agenda

- Medicare & U.S. Health Care
- Framing Bundled Payment Models
- Case Study: Joint Replacement
- Implementing a Bundled Payment Model

Value-based Payment Examples

$$\text{Value} = \frac{\text{Patient Outcomes}}{\text{Cost}}$$

Incentives for structural improvements — accreditations, designations, HITECH, etc. — expected to improve quality

Pay for Performance: Bonuses based on quality performance

Two-sided risk ACOs with quality requirements

Episode of care-based **bundled payment** programs

Capitation

Credits: Michael E. Porter and Elizabeth Olmsted Teisberg, Redefining Health Care:Creating Value-Based Competition on Results, Harvard Business School Press, 2006

Study: 3,942 major lower extremity joint replacement patients

Episode Payments

Between 2008 (the baseline) and 2015, average Medicare payments for joint replacement without complications decreased nearly 21% from $26,785 to $21,208, with significant reductions only during BPCI.

Average episode spending on cases with pre-existing complications decreased 13.8% between 2008 and 2015, which was not statistically significant. stable.

Quality of Care

From baseline to the end of 2015, the proportion of cases with prolonged length of stay decreased from 22% to 7%, while readmission and emergency room visit rates did not change. The severity of patient illness remained stable.

Navathe AS, Troxel AB, Liao JM, Nan N, Zhu J, Zhong W, Emanuel EJ. Cost of Joint Replacement Using Bundled Payment Models. JAMA Intern Med. Published online January 03, 2017. doi:10.1001/jamainternmed.2016.8263

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Hospital Savings

Hospitals earned savings (additional margins) by internal cost reductions, and for the BPCI period only, by decreasing post-acute care (PAC) spending. By the end of 2015, 51% of savings came from internal reductions, mostly from decreasing implant and supplies costs, and 49% came from decreasing PAC spending, mostly from a reduced use of institutional care. Implant costs decreased by 29% from $6,636 to $4,716 over the study period.

PAC spending decreased only when it was included in the bundle (the BPCI model). From 2013 to 2015, average inpatient rehabilitation facility spending per episode declined 54% from $2,601 to $1,185, accounting for 45% of the savings. Average skilled nursing facility spending per episode fell 24% from $2,476 to $1,875 and accounted for 19% of the savings.

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