BUNDLED PAYMENT FOR CARE IMPROVEMENT

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Terry Berthelot
Medicare Consultant
860-455-8222
terryberthelot@gmail.com
BUNDLED PAYMENT FOR CARE IMPROVEMENT

Agenda

• Where did it come from?
• What does it mean?
• How will it affect healthcare?
BASIC MEDICARE

• Based on age (65 or older) or
• Disability
  • Found to be disabled by Social Security Administration and eligible for Social Security Disability Benefits for 24 months, unless
  • ESRD or ALS (no waiting period)

US citizen or legal permanent resident living in the US for at least five consecutive years.
BASIC MEDICARE

• Insurance

• Covers medical care that is reasonable and necessary.

• “for the diagnosis or treatment of illness or injury or to improve the functioning of a malformed body member.”

42 USC§1395y(a)(1)(A)
BASIC MEDICARE

- Distinguish Medicare from Medicaid
  - Medicare:
    - National program
    - Not income or asset dependent
  - Medicaid
    - Administered by the states
    - Income and asset dependent

- Distinguish Traditional Medicare from Medicare Advantage
TRADITIONAL MEDICARE

• The program as originally designed.
  • Parts A and B
  • Part B is optional.

• Sometimes called “fee-for-service.”

• Should have Medigap or comparable insurance (Medicaid, QMB, Retirement).

• Should have Part D plan or comparable prescription drug coverage.
MEDICARE ADVANTAGE

• Created by the Balanced Budget Act (1997), Medicare + Choice.
• Changed to Medicare Advantage in 2003.
• Must have Parts A and B to enroll.
MEDICARE ADVANTAGE

• Same coverage rules as Traditional Medicare.
  • Different cost sharing
  • May waive traditional Medicare requirements (less restrictive, not more restrictive)
  • Provider networks and prior authorization requirements
MEDICARE ADVANTAGE

• Administered by private health insurance companies (Aetna, United Healthcare).

• No Medigap policy.

• Usually, but not always, prescription drug coverage included in package.
Efforts to Control Costs

• 1965
  - Providers were paid based on their own costs and physicians based on the fees they charged.
  - Medicare’s cost per beneficiary grew by 12.8% each year.
BPCI
WHERE DID IT COME FROM?

• 1983

  • Prospective Payment System introduced.
    • Hospitals paid a fixed rate per patient based on diagnosis-related group (DRG).
    • Costs of hospital stays sharply reduced as did spending by Medicare per beneficiary.
    • PPS since adopted for home health care and skilled nursing facilities.
BPCI
WHERE DID IT COME FROM?

• 1992
  • Part B adopted the Medicare Fee Schedule.
    • Medicare payments based on predetermined cost rather than on “usual, customary, and reasonable charges.”
  • Part B spending slowed significantly.
WHERE DID IT COME FROM?

Still

- Fragmented care with minimal coordination
- Payment system rewards the quantity of services offered rather than the quality of care furnished.
Efforts to Increase Quality

• Currently, Medicare provides bonuses to providers that achieve top-level scores on patient outcomes and care experiences.
• It penalizes hospitals for readmission:
  • After specific surgical procedures
  • After treatment for certain medical treatments
  • Higher than expected rates of hospital-acquired conditions
Affordable Care Act

• Obamacare (2010)
  • Goals:
    • Better healthcare
    • Smarter spending
    • Healthier population
BPCI
WHERE DID IT COME FROM?

• Created Accountable Care Organizations: group of providers accept joint responsibility for the quality and cost of Medicare patients and share in savings generated.

• Created the Center for Medicare and Medicaid Innovation: tasked with developing “value-based” payment reforms.
  • Goal is to test many new designs simultaneously.
  • Designed and implemented Bundled Payment for Care Improvement.
BPCI

WHAT IS IT?

• BPCI:
  • Designed to provide financial incentives
  • To improve the continuity and effectiveness of care
  • Reduce the use of unnecessary services
  • Slow spending growth by creating financial incentives for providers to coordinate care across settings
BPCI
WHAT IS IT?

• Four Payment Models:
  • **Model I:**
    • Retrospective payment
    • Acute care hospital stays
    • Includes all patients and all DRGs and all Part A services as paid as part of the MS-DRG payment.
BPCI
WHAT IS IT?

• Model II:
  • Retrospective payment
  • Acute care hospital stay and post-acute period
  • Selected DRGs
  • Covers all non-hospice Part A and B services during initial inpatient stay, post-acute period and readmissions
  • Possible to waive three day qualifying hospital stay requirement for SNF care
BPCI
WHAT IS IT?

- **Model III:**
  - Retrospective payment
  - Post-acute care
  - Most popular

- **Model IV:**
  - Acute care hospital stays
  - Selected DRGs
  - Initial hospital stay plus readmissions
  - Prospective Payment
MODEL THREE

• Post-acute care only
• Retrospective bundled payment arrangement
  • Actual expenditures are reconciled against a target price for an episode of care.
MODEL THREE

• Medicare initially makes fee-for-service payments to individual providers.
• Total expenditures for episode are later reconciled against a bundled payment amount (target price determined by CMS).
MODEL THREE

- Payment or recoupment is made by Medicare reflecting the aggregate performance compared to the target price.

Under Target:  

Over Target:
MODEL THREE

• Episode of care
  • Triggered by beneficiary’s inpatient hospital stay and begins at initiation of post-acute services with a participating skilled nursing facility, inpatient rehabilitation facility, long-term care hospital or home health agency.
MODEL THREE

- Post-acute services must begin within 30 days of discharge from the inpatient hospital stay and end 30, 60, or 90 days after the initiation of the episode of care.
- Participants can select up to 48 different clinical conditions to test in the model.
CONNECTICUT

- St. Vincent’s Medical Center
  - Model II
- Bridgeport Hospital
  - Model II
- Greenwich Hospital
  - Model II
- Stamford Hospital
  - Model II
- Yale-New Haven
  - Model II
CONNECTICUT

- Danbury Hospital
  - Model II
- Norwalk Hospital
  - Model II
- CT Orthopaedic Specialists
  - Model II
- Orthopedic Association of Hartford
  - Model II
- The Orthopedic Group
  - Model II
CONNECTICUT

- Groton Regency Center
  - Model III
- Harrington Court
  - Model III
- St. Joseph’s Center in Trumbull
  - Model III
- Manchester Manor Healthcare Center
  - Model III
CONNECTICUT

- Vernon Manor
  - Model III
- Candlewood Health and Rehab
  - Model III
- Hamden Health and Rehab
  - Model III
- Wilton Meadows
  - Model III
CONNECTICUT

- Aaron Manor
  - Model III
- Bell-Air Manor
  - Model III
- Cheshire House and Nursing
  - Model III
- Greentree Manor
  - Model III
CONNECTICUT

• Lord Chamberlain Nursing and Rehab
  • Model III
• Lord Chamberlain Manor
  • Model III
• Apple Rehab (All Model III)
  • Watertown
  • Rocky Hill
  • Old Saybrook
  • Farmington
  • Laurel Woods
CONNECTICUT

• Apple Rehab (All Model III)
  • Mystic
  • Meriden
  • Avon
  • Cromwell
  • Guilford
  • West Haven
  • Colchester
  • Shelton
  • Chester
CONNECTICUT

- Gardner Heights
  - Model III
- Hewitt Health and Rehab
  - Model III
- Ledgecrest Health Care
  - Model III
- Orchard Grove
  - Model III
CONNECTICUT

• Rose House
  • Model III

• The Kent
  • Model III

• Watrous Nursing Home
  • Model III

• Westfield Care and Rehab
  • Model III
CONNECTICUT

• Wolcott Hall
  • Model III

• Encompass Home Care Center
  • Model III

• Brookview Corporation West
  • Model III

• Avon Health Center
  • Model III
CONNECTICUT

• Masonicare (Model III)
  • Wallingford
  • Newtown

• Alexandria Manor
  • Model III

• Health Care Alliance
  • Model III

• Douglas Manor
  • Model III
CONNECTICUT

- Ellis Manor
  - Model III
- Avery Heights
  - Model III
- Noble Horizons
  - Model III
- Wavery Care Center
  - Model III
- St. Mary Home
  - Model III
BCPI
HEALTHCARE EFFECTS?

• What do you think?

• According to Secretary Burwell, by 2018, half of all payments by Medicare will be judged in part on whether the patient is healthier?
BCPI HEALTHCARE EFFECTS?

How Do We Define Healthier?
Incentive for high quality efficient care because providers will work together to ensure patients get better and/or stay out of the hospital?
BCPI
HEALTHCARE EFFECTS

• Incentive for providers to stint on appropriate care?

[Image of a cartoon figure pulling on a bag of money]
• Potential for collusive arrangements that might limit competition and ultimately undermine quality of care?
BCPI
HEALTHCARE EFFECTS

- Other concerns?
BCPI
RESOURCES

- https://innovation.cms.gov/initiatives/bundled-payments/
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