Feds Preview Medicare Pay Bundling Plans

BY ALICIA AULT

FROM A FORUM SPONSORED BY THE CENTER FOR AMERICAN PROGRESS

WASHINGTON – Obama administration officials last month previewed impending regulations on how Medicare will bundle payments to hospitals.

"In the weeks ahead, we'll be launching a series of different models that give providers the opportunity to receive bundled payment and keep the savings they generate," White House Deputy Chief of Staff Nancy-Ann DeParle said at the forum. "These models will cover care in hospitals and post-acute facilities," she said, adding that interested providers would be able to start using the models this year.

In 2013, the administration plans to start a second bundled payment program "that will help get us another step closer to the ultimate goal – higher quality health care at a lower cost," she said.

The bundled payment program initially will target "high-impact areas," Ms. DeParle said without elaborating as to which areas. However, she said, the program would likely hew closely to the principles delineated in a white paper issued by the Center for American Progress, a Washington-based think tank. In that report, the Center recommended a bundling program that "focuses on high-volume conditions for which interventions are well established and supported by clinical guidelines, and for which, despite those guidelines, actual treatments (and related costs) vary substantially."

The Center also urged the government to design payment methods to promote collaboration among providers, by either offering a single bundled payment amount to be divided, or an alternative method that pays each individual involved in the episode "an amount that blends existing payment methods with financial incentives based on the combined performance of all providers involved in the episode.

Initial payments should reflect the current costs of care and reward efficient delivery. Providers should also be required to publicly report quality measures. Finally, said the Center, providers should inform beneficiaries about the program and give them the option to get care from providers who aren't a part of the bundled pay program.

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The first models for bundled payments "will cover care in hospitals and post-acute facilities," White House Deputy Chief of Staff Nancy-Ann DeParle said.

Dr. Richard Gilfillan, acting director of the Center for Medicare and Medicaid Innovation, one of the Centers for Medicare and Medicaid Services, said that the bundled payment program is "about care improvement."

Though he said he needed "to be a little vague here because I can't make announcements about exactly what we're going to do and when," he did provide some details on where the CMS is leaning.

The easiest program to initiate will be bundling payment retrospectively for an acute-care episode, especially bundling hospital and physician payments together in a gain-sharing arrangement. "That's an attractive opportunity," said Dr. Gilfillan, who noted that the agency has a demonstration project of that concept in New York and New Jersey.

CMS is also looking at retrospectively bundling acute with post-acute care and for post-acute care only, he said.

Prospective bundled payment will be more difficult, said Dr. Gilfillan, former CEO of the Geisinger Health Plan in Danville, Penn. That is the insurance arm of the Geisinger Health System, which has been viewed as a model for bundled payments and accountable care organizations (ACOs).

CMS has multiple demonstration projects bundling physician and hospital pay for an acute episode. Noting that the CMS has a system in place to execute this concept, he said, "We're interested in seeing more of that."

The agency is not set up for an acute plus post-acute episode prospective payment, and is even less prepared for post-acute prospective payment. Down the road, the CMS will look at chronic care bundled payment, Dr. Gilfillan said.

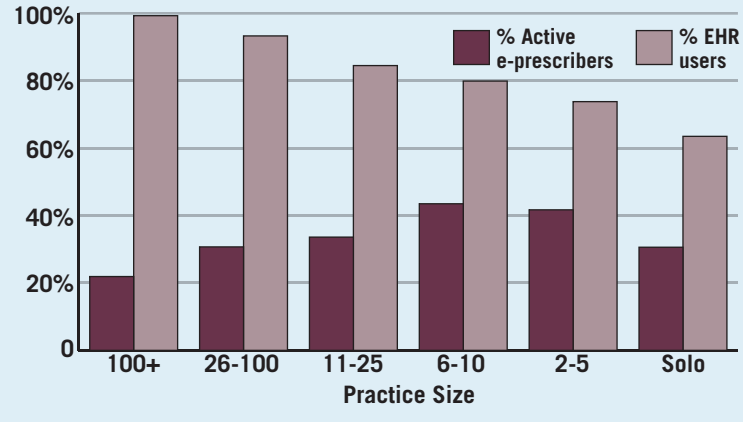
The agency initially will build on what it has already established. And, he said, the CMS is "going to start small initially but build for scaling." The bundled payment initiative will also likely "engage people who may not be ready to engage in ACOs," and it could possibly "form the framework for ACOs."

Francois de Brantes, executive director of the Health Care Incentives Improvement Institute (HCI3), told attendees that the bundled payment program may help speed the transformation to collaborative care that the ACO model envisions. HCI3 is involved in several private sector efforts to improve quality of care and bundle payments.

But he said, "while hospital-based episodes are appealing because you're dealing with a relatively reduced number of providers around the country, that's not where the savings are. The savings are in chronic care." ■

DATA WATCH

Small Group Practices Lead E-Prescribing Adoption; Large Groups Are Most Likely to Use EHRs



Note: Estimate based on sample analysis of 141,000 prescribers (or 71% of all active e-prescribers) over the Surescripts network as of December 2010.
Source: Surescripts

ELSEVIER GLOBAL MEDICAL NEWS

States Vary Widely in How They Spend Medicaid Dollars

BY MARY ELLEN SCHNEIDER

FROM HEALTH AFFAIRS

A look at Washington state's Medicaid program could provide clues for how to control costs as states prepare for the massive 2014 expansion of Medicaid under the Affordable Care Act.

Washington has provided widespread access to outpatient services and prescription drugs while keeping down spending on inpatient care, according to an analysis published in Health Affairs (2011;30:1316-24 [doi: 10.1377/hlthaff.2011.0106]).

The per-beneficiary cost for inpatient stays was 35% below the national average in Washington, while outpatient visits and prescriptions were each 15% above the national average, wrote Todd P. Gilmer, Ph.D., and Richard G. Kronick, Ph.D., who were both at the University of California, San Diego, when the article was written. Dr. Kronick is now deputy assistant secretary for health policy at the Department of Health and Human Services.

Dr. Gilmer and Dr. Kronick analyzed Medicaid claims data for 2001-2005 to see how the volume and the price of services affected the variation in spending across the states. They limited their analysis to claims for Medicaid-only, disabled beneficiaries receiving cash assistance.

"Several states are using their Medicaid resources in a way that's helping to reduce the need for more expensive hospital care," Dr. Gilmer said in a statement. "This suggests that there is a great deal of room for innovation in Medicaid. By increasing access to primary care and experimenting with team-based delivery models and low-cost providers, states may be able to improve quality while reducing Medicaid spending."

Medicaid programs in Connecticut, Massachusetts, New Hampshire, and Vermont spent more than most on prescription costs and outpatient visits, but had a lower-than-average number of hospital days. The inpatient and outpatient spending offset each other, the researchers wrote, resulting in average overall spending just below the mean among all states.

A large primary care workforce was linked with reduced hospital stays for some chronic conditions, the researchers found. Paying more for outpatient visits was also linked to reduced hospital admissions, according to the study. Similarly, paying more for hospital stays was associated with more admissions.

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