Approaches to bundling post-acute care services

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Why bundle post-acute care?

• Encourage care coordination between providers
• Encourage more efficient resource use across an episode of care
• Narrow the wide variation in PAC spending
How does bundling fit into broad payment reforms?

• Improve delivery of PAC while broad reforms are planned
• Focus on episodes is a natural stepping stone to broader reforms
• Analysis of basic bundling options will contribute to better designs
• Improve risk adjustment methods
Bundling design decisions

- Type of bundle: Combined inpatient hospital-PAC or PAC-only
- Hospital readmissions: Include or exclude
- Time period: Short or long
Methodology

- 30-day and 90-day bundles constructed around a hospital stay
- Risk adjustment: MS-DRGs + CRGs
- Spending measured with Medicare payments, standardized for wages and special payments
- Assume providers will continue to receive FFS payments up to price established for bundle
Issue 1: Combined inpatient hospital-PAC bundle or PAC-only bundle

- **Current policy**
  - Hospital
  - Physician services during hospital stay
  - PAC provider: SNF, HH, IRF, LTCH
  - Physician services during post acute care
  - Readmissions

- **PAC-only bundle**
  - Post-acute care only bundle
  - Readmissions (may be included in bundle)

- **Combined hospital-PAC bundle**
  - Hospital + post acute care bundle
  - Readmissions (may be included in bundle)
## Features of combined PAC-hospital and PAC-only bundles

<table>
<thead>
<tr>
<th>Option</th>
<th>Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined hospital-PAC bundle</td>
<td>• Stronger incentive to coordinate care</td>
</tr>
<tr>
<td></td>
<td>• Step closer to broader reforms</td>
</tr>
<tr>
<td></td>
<td>• Payment may influence whether to refer patients to PAC</td>
</tr>
<tr>
<td>PAC-only bundle</td>
<td>• May not achieve the same levels of care coordination</td>
</tr>
<tr>
<td></td>
<td>• Decision to refer patients to PAC separate from payment</td>
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Comparing combined hospital-PAC versus PAC-only bundles

- Accuracy: percent of variation in spending explained*
  - 72% for combined hospital-PAC bundles
  - 26% for PAC-only bundles

- Results reflect
  - Wide variation in PAC spending
  - Risk adjustment methods have not focused on explaining cost differences across PAC

- Decision may hinge on other factors

*Note: Data are for 30-day bundles that exclude readmissions. Data are preliminary.
Issue 2: Options for handling hospital readmissions

- **Include in bundle**
  - Creates strong incentive to coordinate care
  - Complex to design and administer but paying providers FFS up to a target would sidestep some complexities

- **Exclude from bundle**
  - Extend readmission policies to PAC providers
Factors that influence readmission design

- Readmissions are infrequent but costly
- Ability to explain differences in spending increases when readmissions are excluded from bundle

<table>
<thead>
<tr>
<th>Bundle type</th>
<th>Readmissions included</th>
<th>Readmissions excluded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined</td>
<td>67%</td>
<td>72%</td>
</tr>
<tr>
<td>PAC-only</td>
<td>22</td>
<td>26</td>
</tr>
</tbody>
</table>

Data shown are for 30-day bundles and potentially preventable readmissions. Data are preliminary.
Issue 3: Bundle length—Features of short bundles

• Services more likely to be related to initial hospital stay
• Lower associated risk may be more manageable by a broader set of providers
• Excludes some PAC use
• May result in higher service provision since providers will be paid separately for services furnished after bundle is over
• Less care is coordinated
Features of long bundles

- Includes most PAC use
- Likely to include care unrelated to initial hospital stay
- Providers have more flexibility but more risk
- Providers may under-furnish care because risk is extended over longer period
- Transition to broader reforms
Comparing 30-day and 90-day bundles

• Overlap: The majority of 90-day spending and readmissions occur within first 30 days

• Ability to explain differences in spending is lower for longer bundles

<table>
<thead>
<tr>
<th>Bundle type</th>
<th>30 days</th>
<th>90 days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined</td>
<td>72%</td>
<td>58%</td>
</tr>
<tr>
<td>PAC-only</td>
<td>26</td>
<td>23</td>
</tr>
</tbody>
</table>

Data shown are for bundles that exclude readmissions. Data are preliminary.
Next steps

- Select bundle options—type, readmissions, and length
- Refine risk adjustment
- Model alternative payments using
  - Distribution of current practice patterns
  - Private plan experience
  - Efficient providers
Design options for Commissioner discussion

- Type: combined hospital-PAC or PAC-only?
- Readmissions: Include or exclude?
- Length: Short or long?