



*Advising the Congress on Medicare issues*

# A path to bundled payment around a hospitalization

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April 9, 2008

# Overview

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- FFS creates an incentives for providers to deliver more care, rather than the right mix of care
- Bundled payment has potential to reward collaboration across providers that results in the right mix of care
- Changes in incentives for such a complex, “siloed” industry could result in unintended consequences
- Therefore, the Commission is pursuing incremental steps – a policy path

# Policy path

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- First step: Information dissemination
  - CMS could report information confidentially

# Policy path

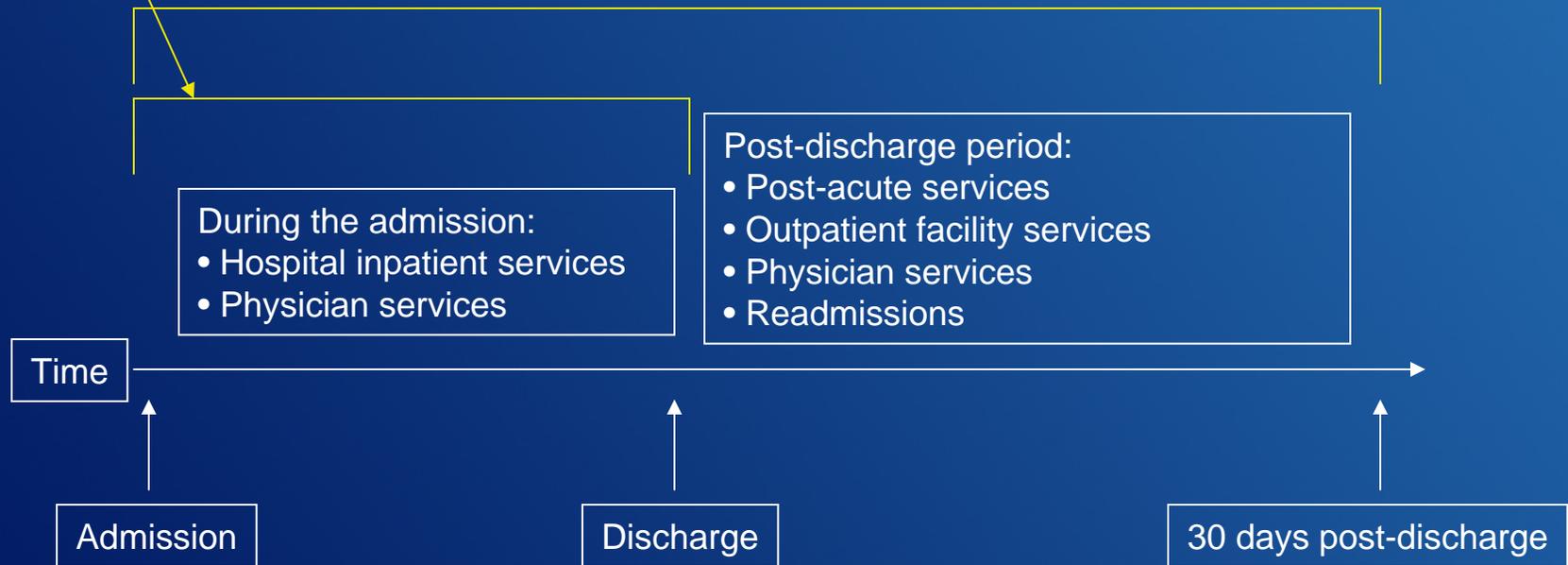
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- Second step: adjust payment based on resource use over an episode of care for select conditions
  - “Virtual bundling” – adjust payment to hospitals and inpatient physicians based on aggregate use of services over an episode

# How virtual bundling could be designed

Accountable providers:  
payments subject to  
adjustment

Performance measure: Medicare  
spending across entire episode



# Policy path

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- Concurrently, create a voluntary pilot program to test actual bundled payment for select conditions
  - Bundling payment raises new issues because entity receiving payment has wide discretion in how it shares the payment
  - Pilot allows CMS to consider policies to reduce the chance of unintended consequences and determine how Medicare can share in savings

# May want to reconfigure recommendations to address two points

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- Should disclosure of information on resource use first be confidential and then publicly available?
  - May be a stronger incentive for providers to review performance and make needed changes
  - Public may be entitled to this information
- Should the Commission recommend that the Congress consider both virtual bundling and the readmissions policy idea?

# Allow for a focus on readmissions

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- Alternative to virtual bundling
- Hospitals with high rates of readmissions have their payments penalized
  - Many, but certainly not all, readmissions are avoidable
  - May be a more logical extension of the rationale behind payment changes for never events and hospital-acquired complications
  - May be easier to implement
  - With shared accountability, physicians could also have financial incentives to avoid unnecessary readmissions