

Using episode bundles to improve the efficiency of care

ISSUE: Under Medicare’s value based purchasing program, a measure of Medicare spending per beneficiary encourages hospitals to reduce spending per episode. However, given the design of the program, the incentive is small. CMS’s hospital readmission policy, the bundled payment initiative, and accountable care organizations (ACO) generally reinforce the incentives to lower episode spending. Only ACOs encourage providers to decrease the number of episodes.

KEY POINTS: At this meeting, we will discuss potential refinements to the Medicare spending per beneficiary measure to increase its impact on the efficiency of care.

ACTION: Commissioners should be prepared to discuss the materials and related issues.

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