



*Advising the Congress on Medicare issues*

# Approaches to bundling post-acute care services

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# Why bundle post-acute care?

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- 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?

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- 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

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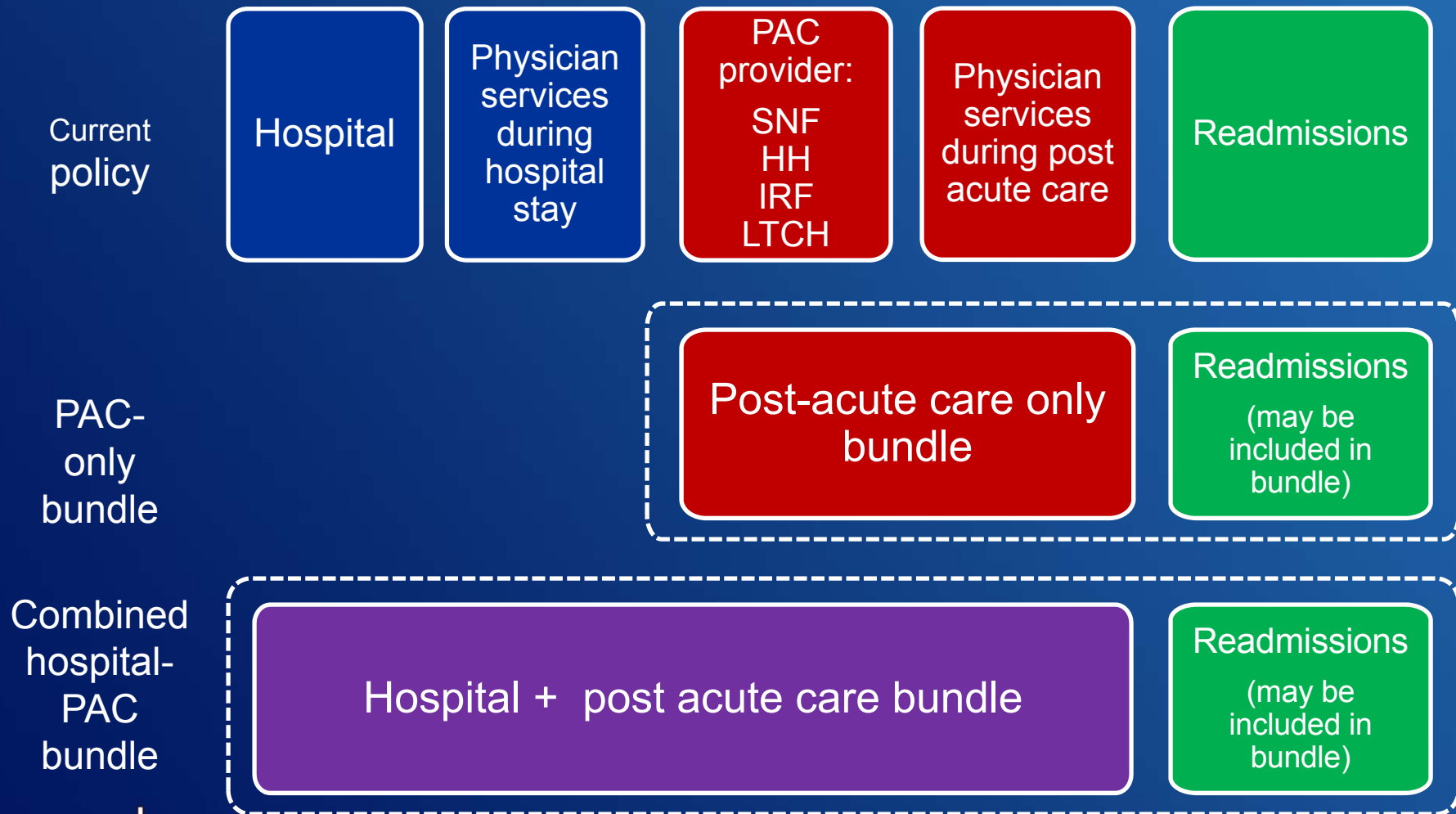
- Type of bundle: Combined inpatient hospital-PAC or PAC-only
- Hospital readmissions: Include or exclude
- Time period: Short or long

# Methodology

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- 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



# Features of combined PAC-hospital and PAC-only bundles

<u>Option</u>	<u>Features</u>
Combined hospital-PAC bundle	<ul style="list-style-type: none"><li>• Stronger incentive to coordinate care</li><li>• Step closer to broader reforms</li><li>• Payment may influence whether to refer patients to PAC</li></ul>
PAC-only bundle	<ul style="list-style-type: none"><li>• May not achieve the same levels of care coordination</li><li>• Decision to refer patients to PAC separate from payment</li></ul>

# Comparing combined hospital-PAC versus PAC-only bundles

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- 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

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- 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

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

<u>Bundle type</u>	<u>Readmissions included</u>	<u>Readmissions excluded</u>
Combined	67%	72%
PAC-only	22	26

Data shown are for 30-day bundles and potentially preventable readmissions. Data are preliminary.

# Issue 3: Bundle length– Features of short bundles

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- 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

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- 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

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- 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

<u>Bundle type</u>	<u>30 days</u>	<u>90 days</u>
Combined	72%	58%
PAC-only	26	23

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

# Next steps

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- 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

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