

Integrating episode-based payment with population-based payment

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Roadmap of today's presentation

- Recap Commission's recent work on alternative payment models (APMs)
- Relationship between Medicare's current episode-based and population-based APMs
- Three options for combining episode-based payment arrangements with new population-based payment model
- Questions for commissioners to consider

The Commission's recent work on alternative payment models

- June 2021 report recommended CMS implement a smaller number of APMs that are designed to work together
- Center CMS's APM strategy around a single multi-track, population-based payment model
- Update benchmarks using administratively determined growth rates
- Interest in supplementing the population-based payment model with episode-based approaches
- Follow-up chapter on APMs in June 2022 report

Combining episode-based and population-based payment models

- Potential benefits:
 - Can help ensure specialists and facilities have incentives to provide efficient care during episodes
 - Can lead to larger cost reductions for some types of care than either model individually
- Potential drawbacks:
 - Depending on market conditions, approach may not be effective in extending incentives to episode-based providers
 - ACOs may not want to share savings with specialists and other episode-based providers

How Medicare's episode-based payment models work

- Target price includes cost of services incurred during defined period of time following triggering clinical event (minus a discount factor)
- One entity (e.g., physician group or hospital) is held accountable for cost and quality of care during episode
- Providers are paid on FFS basis
- Savings and losses are determined by reconciliation between target price and actual spending

Current “model overlap” policies create potential for “double paying” shared savings bonuses

- In some population-based models, beneficiaries can be concurrently attributed to an episode-based model
- When concurrent attribution occurs, participants in both models are eligible for shared savings bonuses
- In some cases, bonuses that are paid to participants in one model are not counted toward spending in the other
 - In this scenario, Medicare effectively “double pays” bonuses
- Medicare should use “model overlap” policies that avoid double paying

Options for integrating episode-based payment with a population-based payment model

All 3 options assume Medicare would operate an episode-based payment model

- A new Medicare-run episode-based payment model would be used to pay for a few types of proven episodes—e.g.,:
 - hip and knee replacements
 - other hip and femur procedures
 - urinary tract infections
- To prevent Medicare from “double-paying” bonuses, in options that concurrently attribute a beneficiary to a Medicare ACO and this new Medicare episode model, the episode bonus/penalty would be included in the ACO’s annual spending tally
- We assume the Medicare episode model would be mandatory

All 3 options assume ACOs could enter into their own arrangements for episodes not included in Medicare's episode model

- ACOs could enter into their own arrangements with providers for episodes not covered by Medicare's episode-based payment model (e.g., bariatric surgery episodes)
- ACOs could use any type of arrangements they want for these other episodes—e.g.,:
 - episode-based payment arrangements
 - pay-for-performance
 - agreements to refer ACO beneficiaries to preferred low-cost episode providers
 - no episode-related arrangements

Options differ based on which beneficiaries would be attributed to Medicare's episode-based payment model

	Beneficiaries in two-sided ACOs	Beneficiaries in one-sided ACOs	Beneficiaries not in an ACO
Option 1	✓	✓	✓
Option 2		✓	✓
Option 3			✓

For all three options:

- ACOs would have an incentive to ensure care is delivered efficiently in the types of episodes not covered by Medicare's episode model
- ACOs would have an incentive to keep beneficiaries healthy to prevent all types of episodes from occurring, since episodes can be quite costly

Option 1: All beneficiaries are attributed to Medicare's episode-based payment model

	Beneficiaries in two-sided ACOs	Beneficiaries in one-sided ACOs	Beneficiaries not in an ACO
Option 1	✓	✓	✓

- **Pros**
 - Episode providers would always have an incentive to deliver efficient episode care
 - Episode providers would be paid using a consistent payment model, thus reducing complexity
- **Cons**
 - ACOs would have only a weak incentive to manage episodes once they had begun, and would not be able to design their own payment arrangements for these episodes

Option 2: Beneficiaries in one-sided ACOs and those not in an ACO would be attributed to Medicare's episode model

	Beneficiaries in two-sided ACOs	Beneficiaries in one-sided ACOs	Beneficiaries not in an ACO
Option 2		✓	✓

■ Pros

- Two-sided ACOs would have an incentive to ensure efficient episodes, and would be able to design their own payment arrangements for these episodes

■ Cons

- Two-sided ACOs might not choose to set up their own episode-based payment arrangements, since these arrangements can be administratively complex
- Episode providers could be paid using multiple episode payment models, thus creating complexity
- Episode providers would sometimes have no incentive to deliver efficient care
- One-sided ACOs would have only a weak incentive to manage episodes once they had begun, and would not be able to design their own payment arrangements for these episodes

Option 3: Only beneficiaries not in an ACO would be attributed to Medicare's episode model

	Beneficiaries in two-sided ACOs	Beneficiaries in one-sided ACOs	Beneficiaries not in an ACO
Option 3			✓

■ Pros

- All ACOs would have an incentive to ensure episode care is delivered efficiently, and would be able to design their own payment arrangements for these episodes

■ Cons

- ACOs might not choose to set up their own episode-based payment arrangements, since these arrangements can be administratively complex
- Episode providers could be paid using multiple episode payment models, thus creating complexity
- Episode providers would sometimes have no incentive to deliver efficient care

Discussion

- Which of the three options do commissioners prefer?
- Are there other pros and cons that our options should note?
- Are there modifications that would improve these options?
- Are there other options commissioners wish to consider?

Summary of options

Which beneficiaries would be attributed to Medicare's episode-based payment model?

	Beneficiaries in two-sided ACOs	Beneficiaries in one-sided ACOs	Beneficiaries not in an ACO
Option 1	✓	✓	✓
Option 2		✓	✓
Option 3			✓

In all three options:

- Medicare's episode-based payment model would only cover a few types of proven episodes
- When a beneficiary is concurrently attributed to a Medicare ACO and Medicare's episode-based payment model, the episode bonus/penalty would be included in the ACO's annual spending
- ACOs could enter into their own episode-based arrangements with providers for episodes not covered by Medicare's episode-based payment model