

Medicare to Begin Testing Bundled Payments

BY MARY ELLEN SCHNEIDER

Physicians and hospitals now have the chance to test out bundled payments on a range of conditions under a new Medicare initiative.

In August, officials at the Centers for Medicare and Medicaid Services released a request for applications (RFA) inviting physicians, hospitals, and other health care providers to participate in the Bundled Payments for Care Improvement initiative.

The program, which was mandated under the Affordable Care Act, offers a variety of options for bundling payments for a hospital stay, for postdischarge services, or for both the hospital stay and the postdischarge care.

The move toward bundled payments is a major shift in how the government pays for medical care. Instead of paying hospitals, physicians, and other providers separately, this initiative would combine



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DR. GILFILLAN

the payment over an episode of care for a specific condition. The aim of the program is to incentivize clinicians to work together and provide better continuity of care, resulting in better quality and lower costs.

"Today, Medicare pays for care the wrong way," Health and Human Services Secretary Kathleen Sebelius said during a teleconference to announce the bundling program. "Payments are based on the quantity of care, the amount of services delivered, not the quality of that care. And that leaves us too often with a system that actually can punish the providers that are most successful at getting and keeping their patients healthy."

The new bundling program offers four ways that health care providers can receive a bundled payment, three of which provide payment retrospectively, and one that offers a prospective payment. For example, under some of the retrospective payment models, CMS and the providers would agree on a target payment amount for the episode of care and providers would be paid under the original Medicare fee-for-service system, but at a negotiated discount of 2%-3% or greater. At the end of the care episode, the total payment would be compared with the target price and providers would be able to share in the savings, according to CMS.

The prospective payment model would work differently.

Under that option, CMS would make a single bundled payment to the hospital to cover all services provided during the inpatient stay by the hospital, physi-

cians, and other providers. That payment would offer at least a 3% discount to Medicare. Under this option, physicians and other providers would submit "no pay" claims to Medicare and the hospital would pay them out of the single bundled payment.

In addition to the options of prospective or retrospective payment, providers could choose how long the episode of care will be and what conditions they

want to bundle payment for, and what services would be included in the payment. CMS officials said they wanted to make the program flexible so that a range of hospitals, physicians, and other providers could participate.

Although the application period has already closed for those organizations interested in model 1, those that are interested in applying for models 2, 3, and 4 have until Nov. 4 to do so. More infor-

mation on the program and how to apply is available at www.innovations.cms.gov/areas-of-focus/patient-care-models/bundled-payments-for-care-improvement.html.

Dr. Richard Gilfillan, the acting director of the CMS Innovation Center, which is overseeing the bundling initiative, said he expects that hundreds of organizations will apply. CMS will consider a number of factors in choosing partici-

IN TYPE 2 DIABETES MELLITUS THERE COULD BE DANGER BELOW

Renal impairment is the leading microvascular complication associated with type 2 diabetes (over 40%), followed by retinopathy (28.5%) and neuropathy (19.4%)—it is important to recognize these complications as soon as possible¹⁻⁴

- ▶ Microalbuminuria (albumin in the urine ≥ 30 mg/day or ≥ 20 μ g/min) is the earliest clinical evidence of renal disease⁵
- ▶ Regular dilated eye examinations can be effective in detecting vision-threatening diabetic retinopathy^{6,7}
- ▶ Because diabetic neuropathy may be asymptomatic in about 50% of patients, it is important to conduct a physical examination of lower extremities and feet annually^{6,8}

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pants for the program including the best proposals for care improvement, the number of patients involved, the conditions addressed, and the price discounts offered, he said.

The bundled payment program is a unique opportunity for hospitals to redesign their systems to promote better care coordination, Dr. Gilfillan said, and have that effort supported through Medicare payments.

The idea is to eliminate the traditional barriers between physicians and other providers – both inpatient and outpatient – all of whom may be in-

involved in the care of a single condition, said Dr. Nancy Nielson, senior adviser to the CMS Innovation Center and past president of the American Medical Association.

“I do believe that both physicians and hospitals will find this [to be] an opportunity that’s flexible enough to give them the opportunity to begin to learn

how to get paid for care differently,” Dr. Nielson said.

Physicians working in large group practices may have had some experience with bundled payments, but most doctors aren’t prepared for these types of payment changes.

The AMA was still reviewing the bundled payment details at press time, but praised CMS for making the program flexible. Dr. Cecil B. Wilson, who is the AMA immediate past president, said the organization will urge federal offi-

cials to encourage applications for physician-led bundling projects.

“For this to be successful, and for physicians to participate actively, then they need to be a part of that process rather than just some larger corporation or larger hospital system or health plan that’s organizing these,” he said.

“We think those are important as well, but we also think it’s important that physicians be a part of that leadership,” he added

While there are physicians working in large group practices that have had some experience with bundled payments, most doctors aren’t prepared for these types of payment changes, Dr. Wilson said. So the AMA is also recommending that CMS provide technical assistance and data to interested physicians.

Health care consultant Robert Minkin urged physicians to seriously consider applying for the bundling program. The program is a sentinel event in the move from fee for service to more centralized, coordinated care model, he said.

“The implications of bundled payments and other clinical integration models are that we come to a common, best-evidence practice approach to care that manages on a fixed budget,” said Mr. Minkin, senior vice president at the Camden Group. “Physicians who can survive in an environment like that will thrive. For those physicians who have difficulty in those situations, it’s going to be very tough.” ■



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It’s important to recognize and screen for microvascular complications in patients with type 2 diabetes as early as possible.⁷ Effective management of diabetes can help prevent or slow the progression of microvascular complications.

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