

2022-23 Harkness Fellowships in Health Care Policy and Practice

Bundled payments – What makes them work? Lessons from the US

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Harkness Fellowship in Health Care Policy and Practice

The Commonwealth Fund's Harkness Fellowships provide a unique opportunity for individuals who are committed to advancing health care policy and practice to spend a year in the United States conducting internationally comparative research with mentorship from leading U.S. experts.

Alongside their research, Fellows engage in a series of leadership development activities, gain an in-depth understanding of the U.S. health care system and policy landscape, and build a robust network for cross-national exchange and collaboration.

The program is open to eligible individuals from the following countries: Australia, Canada, France, Germany, the Netherlands, New Zealand, Norway, Singapore, and the United Kingdom.



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Medical Ethics & Health Policy



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Bundled payments – what makes them work? Lessons from the US



What is a Bundled Payment?

“A payment structure in which different health care providers who are treating you for the same (or related) conditions are paid an overall sum for taking care of your condition rather than being paid for each individual treatment, test, or procedure.”

“In doing so, providers are rewarded for coordinating care, preventing complications and errors, and reducing unnecessary or duplicative tests and treatments.”

-- U.S. Centers for Medicare & Medicaid Services



Primer on healthcare payment

Fee-for-service	Diagnosis Related Groups	Bundled payments	Capitation
<ul style="list-style-type: none">• Pay for fragmented pieces of care• Majority of risk lies with the payer	<ul style="list-style-type: none">• Pay for the inpatient part of care• Risk shared between payer and provider	<ul style="list-style-type: none">• Pay for an entire care pathway for a specific condition• Risk shared between payer and provider(s)	<ul style="list-style-type: none">• Paying for all healthcare needs of a person over a given timeframe• Majority of risk lies with the provider



Australian health care compared with the US

	Australia	United States
Healthcare as a proportion of GDP	10.2%	19.7%
Universal health care	Yes	No
Regulation	Highly regulated	Less regulation
Insurance	Majority public, with some private interplay	Majority private
Access to specialist care	Through primary care referral	Direct access if desired
Value-based care and innovative funding models	Pilots at state/territory level	Large scale National implementation since 2009 (earliest bundles)

Rationale

Goal

To understand the key factors behind designing and implementing effective bundled payment programs, through investigating large-scale implementation of bundled payment programs in the US such as the Centers for Medicare & Medicaid Services Bundled Payments for Care Improvement Advanced (CMS BPCI-Advanced).

Key Questions

- What are the key considerations in the design, implementation, monitoring and evaluation of bundled payments to give them the best chance of success?
- What are the key lessons learned in large scale implementation of bundled payments in the US?

Findings

Bundled payments – what makes them work?

1. Aims

- All parties (payer and providers) need to be educated and aligned on the aims of bundled payments

2. Design

- Consistent rules and definitions regarding the conditions covered, the triggering event and what is included in and/or excluded from the bundle
- Selecting the conditions for which bundled payments should be implemented (medical vs surgical/procedural bundles)
- Surgical/procedural bundles may be a good starting point for a large-scale pilot program in Australia
- Risk adjustment is key

Findings

Bundled payments – what makes them work?

3. Implementation

- Need to decide who holds the funds, and whether payments will be made prospectively or retrospectively
- Need to determine how shared savings will be distributed
- Ideally want to keep all players informed of progress through information/data sharing

4. Monitoring

- Must monitor outcomes and quality, otherwise under-servicing is a real possibility

5. Evaluation

- Mandatory participation in order to avoid selection issues

Implications for Policy & Practice

For the United States	For Australia
<ul style="list-style-type: none">• Bundles have the potential to continue to improve outcomes and reduce costs, but could be improved through:<ul style="list-style-type: none">• Mandatory participation of hospitals and physician group practices• Consistent bundle definitions• Triggering events being further upstream than hospital admissions, particularly for medical condition bundles• Centering design around how care happens in practice<ul style="list-style-type: none">• Co-design bundled payment programs with input from hospitals and other providers	<ul style="list-style-type: none">• Under current funding arrangements, bundled payments have the best chance of working for conditions requiring surgical/procedural interventions• Therefore, a reasonable implementation strategy could be:<ul style="list-style-type: none">• <u>Stage 1</u>: Pilot surgical/procedural bundles at scale in the public system• <u>Stage 2</u>: Pilot medical bundles using diagnosis as the triggering event during primary/specialist care• Mid-term review of the NHRA<ul style="list-style-type: none">• Introducing other models of financing where they promote more optimal models of care• Funding models that consider the entire patient journey