

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

Introduction

What makes bundled payment models work? Although this is a question that has been posed before, it is becoming more pertinent to understand as value-based health care gains traction in Australia and continues to be rolled out in the US. For the US, as value-based health care continues to be the preferred model for payment, an understanding of the factors that determine the success (or failure) of bundled payment models has big implications for effective design, implementation and monitoring in the future. For Australia, an understanding of bundled payment models in the US and what determines their effectiveness can inform a more system-wide move from volume to value.

Australia has made some incremental steps towards implementation of value-based payment models, including the introduction of safety and quality measures into the national activity-based funding arrangements.¹ However, large scale adoption of value-based payment models in Australia has been hindered by the siloed nature of primary, community and hospital care that inhibits the integration of both care delivery and funding for these services. The most recent National Health Reform Agreement on public hospital funding and health reform² places Australia at the precipice of change, with long term system wide reforms foreshadowed including paying for value and outcomes and joint planning and funding at a local level. Bundled payment models are an excellent contender for contributing to these national reforms if implementation issues can be overcome. Australia can potentially learn a lot from the large-scale implementation of bundled payments in the US.

Methods

Combination of desktop/literature review and informal interviews with policy-makers, academics and private sector experts including Dr Matthew Press, Dr Eric Hume, Dr Patrick Conway and Lynn Garbee.

Results

There are three major learnings to be gained from looking back at large-scale implementation of bundled payment programs in the US, in order to move forward in designing effective new programs.

1. Make participation in bundled payment programs mandatory;
2. Consider moving the trigger for medical condition bundles upstream into primary or specialist care; and
3. Be clear and transparent about bundle definitions, risk adjustment and prices.

Discussion

The US has led the world in large scale implementation of bundled payment programs for the past ten years. Programs like Bundled Payments for Care Improvement and Bundled Payments for Care Improvement (Advanced) were ambitious in both the scope of conditions covered and the amount of health expenditure impacted. If policy makers, payers and providers can take stock of the important lessons outlined here, namely mandatory participation, upstream triggers for medical conditions and price transparency, the next generation of value-based payment reform in Australia has the potential to benefit greatly.

¹ Webster SBG et al, 2023. Incorporating Safety and Quality Measures into Australia's Activity-Based Funding of Public Hospital Services. Health Services Insights Volume 16, January-December 2023.

² Commonwealth and state governments, 2020. National Health Reform Agreement – Addendum 2020-25.