

Demonstrating Value Through Bundled Payments

By Mark J. Dubow, MSPH
*Senior Vice President
The Camden Group*

and

Robert A. Minkin, MBA
*Senior Advisor
The Camden Group*

Bundled payment is one of several CMS pilot projects for payment reform designed to achieve clinical and financial integration between physicians and hospitals, leading to enhanced quality and reduced costs. The process of care redesign associated with managing effectively within a global payment (Part A and Part B) can be an early stepping stone to developing more comprehensive models of care integration, such as an accountable care organization (“ACO”). The initial bundled care pilot was implemented in 2009. The pilot for cardiovascular and orthopedic services will be expanded to additional hospital services in 2010 and rolled out nationally to include other clinical service lines and post acute care in 2013. Additionally, several states and health plans are already developing/implementing their own pilots in bundled payment.

There is a significant competitive advantage to providers chosen as a bundled payment pilot site, and

winning the selection to participate in the expanded bundled payment process will be competitive. Pilot sites will gain competency in managing care that will be applicable for future management in an ACO environment. Also, Medicare will likely, over time, cull down its provider network, focusing attention on those entities best able to demonstrate value (i.e., enhanced quality, reduced costs). Providers who show proof of success in care management under bundling may gain “preferred” status for inclusion in future services to the Medicare population. Failure to be included in the Medicare provider network could result in a decline of 20 to 40 percent of revenue – a catastrophic event for any provider.

Whether an organization should pursue selection as a pilot program depends on various circumstances and factors specific to the organization. Those with one or more service lines that have high patient volume and a high intensity of resource consumption should consider participation in a bundling pilot. Likewise, organizations in very competitive markets where multiple parties may compete to be the preferred provider via demonstrating value cannot afford to miss the opportunity to secure

their long-term role in the market.

As organizations evaluate their readiness for bundled payments, there are two categories of critical success factors (“CSF”) to consider: care management infrastructure and physician integration. The following is a subset of diagnostic questions an organization should utilize in assessing if it is ready and well positioned to be selected for and achieve success in bundled payment:

1. Among the administrative team and physician leadership, does the organization have the expertise needed to set policy, design evidence-based protocols, and achieve accountability in care management (e.g., chief medical officer, medical directors, hospitalists/intensivists), as well as other infrastructure service components (e.g., quality monitoring, claims processing, etc.)?
2. Does the organization have the capability (i.e., capacity, throughput) to handle increased patient volume?
3. Can the organization track and report performance on clinical outcomes to demonstrate the value delivered rel-

ative to benchmarks?

4. Does the organization have the capability to track and report performance on cost management to demonstrate the value delivered relative to benchmarks?
5. Does the organization have the IT components needed (e.g., EMR, aEMR, PACS, CPOE) within the hospital campus and among the physicians, as well as effective connectivity between those systems?
6. Is there an effective contracting entity?
7. Does the organization have the management services capability to manage the claims, payment process, and reporting necessary for bundled payments?
8. Are there one or more physicians within the service line who can be effective leaders among their peers in clinical integration, quality, and care management?
9. Is there a critical mass of physicians with the right clinical skills to serve the patient volume efficiently while achieving high quality and reduced costs?
10. Does the organization have an integrated structure in place

that enables clinical coordination and the application of evidence-based medicine to enhance quality and reduce variation and cost?

Successful performance in a bundled payment pilot may ultimately enable an organization to subsequently be selected as a preferred provider not only for treating Medicare patients but for many commercial plans as well. To respond to impending changes in payment methodologies from many payers, there is a need to invest in enhancing the care management infrastructure and implementing incentive and accountability systems to coordinate the management of both the hospital and the physician components of care. A willingness to discount prices will not be sufficient. Establishing the competency and structures to coordinate care and financial risk will be a necessity for those providers that intend to attain or hold on to a sustainable leadership position.

Mr. Dubow is a senior vice president of The Camden Group with more than 26 years of healthcare consulting experience. He has considerable expertise in strategic and business planning, launching new services and products, strategic partnering, facility and

medical staff planning, and the facilitation of retreats and meetings. Mr. Dubow has assisted numerous healthcare organizations throughout the United States to develop and enhance Centers of Excellence/Institutes specific to cardiovascular, neuroscience, and oncology, among other clinical services. He can be reached at 310-320-3990 or mdubow@thecamden.com.

Mr. Minkin is a senior advisor with The Camden Group with over 30 years of experience serving in senior leadership roles in hospitals. He is one of the nation's leading experts on bundled payments. Prior to joining The Camden Group, Mr. Minkin served as the president and chief executive officer of Exempla Saint Joseph Hospital in Denver, Colorado. Under his leadership, Exempla Saint Joseph applied and was approved to participate in a three-year CMS Acute Care Episode ("ACE") demonstration project to "bundle" payments to hospitals and physicians. Exempla Saint Joseph is one of only four hospitals with cardiac programs to participate in the pilot demonstration. He can be reached at 310-320-3990 or rminkin@thecamden.com.

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