

The evolution of bundle payments

In health care reimbursement terms, bundle payments are odd.

The concept of receiving a lump-sum payment for a single episode of care — rather than multiple payments submitted and paid throughout the episode — has been part of the reimbursement environment for the past three decades.

But while the environment is drastically different today, bundle payments are here to stay. Despite arising in the heyday of fee-for-service, bundle payments are incredibly adaptive and can flourish in the era of fee-for-value.

Bundle payment adaptability is well proven

Evidence of bundle payment's adaptability is clear. Consider, for instance, how bundles have changed at the Centers for Medicare and Medicaid Services (CMS). Bundles were on track to become a required reimbursement method for any hospital that wanted to work with Medicare. But recent changes show a willingness at CMS to offer carrots rather than brandish sticks.

Participants in the new [Bundled Payments for Care Improvement \(BPCI\) Advanced](#) model will qualify for Advanced Alternative Payment Model (APM) participation in Medicare's Quality Payment Program (QPP). While CMS launched a new bundle program, CMS evolved the program by recently scaling back the CJR (Care of Joint Replacement) program and canceling two other episode payment programs. In general, CMS is signaling its intention to make bundles voluntary rather than mandatory. This gives hospitals and physicians more flexibility around use of bundle payments.

SUBJECT MATTER EXPERT



David Mauzey is general manager of Optum payment innovation. He leads the development of financial administration platforms used to execute value-based contracting programs. Prior to joining Optum, David spent 17 years working with an enterprise network administration and claim pricing organization. He served as both COO and CIO, gaining appreciation for finding the right operational and technical balance that align to organizations' visions. Today, David focuses on enabling organizations to better deploy their payment innovation strategies.

Physicians evolving along with hospitals and health systems

One exciting example of bundle payment evolution: outpatient organizations can participate. Involvement was limited to hospitals in previous iterations of BPCI. But BPCI Advanced allows physicians and ambulatory surgery centers to put their quality and efficiency claims to the test. Broadening the scope of BPCI could increase participation, causing bundle payments to spread further.

Purchasers demand care improvement

As CMS continues to emphasize bundle payments, employers and employer groups continue to push providers and payers to expand their bundle strategies. Many large employers see bundle adoption as a smart business decision because it can result in healthier, happier, more productive employees.

Rather than approaching providers and payers with a simple edict — raise your quality and lower my costs — they work together to use bundles to lower readmission rates, decrease the length of stay and reduce complications, knowing that those improvements will result in lower costs.

Bundles continue to thrive

In risk-based contracting, the environment of survival of the fittest prevails. Providers and payers continue to leverage their areas of expertise to find new ways to align with the evolving needs of health care purchasers. Successful organizations will align their bundle strategies with their strengths and overall objectives, and not only survive, but thrive.

For a closer look at how bundle payments have evolved — and will continue to evolve — to meet your reimbursement goals, read my white paper, “Integrating bundle payments for long-term reimbursement strategy success.”



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Call
1-800-765-6807



Email
empower@optum.com



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