

Timely Topics

PAYMENT AND PRACTICE MANAGEMENT

August 2014

Change is NOW: Learn More About Bundled Payments

In the world we live in today, we have the option to lower costs by bundling multiple services into one. This may include bundling the cost of your phone, broadband, and cable services into one bill, or combining multiple school loans and/or purchasing homeowners insurance to include auto coverage. Similarly, this concept is taking place in the healthcare industry: Bundled Payment systems.

What is a bundled payment?

A “bundled payment” allocates a single, negotiated payment to cover a group of treatment services (i.e. surgeries). Under this system, multiple providers are paid a certain amount for all services related to a treatment, condition or episode of care. This payment system pushes providers to provide both high quality care and cost-effective care.

How may I learn more?

The American Medical Association (AMA) Innovators Committee has proffered a great deal of information on the bundled payment concept including a physician payment reform manual. The manual concentrates on allocating fair payment between physicians, non-physician providers (NPPs) and facilities. The AMA Innovators focus on **global budgets** and **episode-based bundles**. Throughout the document, the AMA Innovators refer to new delivery and payment models as Fee-for-Value (FFV) arrangements.

The manual provides you with a better understanding of:

- Building partnerships with other healthcare stakeholders
- Defining key components a FFV contract
- Identifying services and providers included in a FFV model
- Analyzing per-capita cost
- Analyzing the quality of care
- Rewarding staff for achieving all quality and cost benchmarks
- Aligning value and productivity

The AMA Innovators recognize that new payment models will not *completely* replace Fee-For-Service (FFS).

Timely Topics

PAYMENT AND PRACTICE MANAGEMENT

Why does this matter?

Payers are moving away from volume based care and are venturing into bundled, acute care episode, or capitated payment systems. Entities such as the Centers for Medicare and Medicaid Services (CMS) have implemented programs like the **Bundled Payments for Care Improvement (BCPI) Initiative**. Through this program, selected healthcare organizations enter bundled payment arrangements that include financial and performance liability for all incidents of care. Implementing a bundled payment system, will provide better coordinated, high quality care at a lower cost.

When determining bundled payment charges, practices should analyze historical payment data through a basic economic model and analyze medical costs, average payment(s) per procedure, and other information as needed. An example of findings include: practice's frequency of other CPT codes paid reported with joint replacement, average charges for total joint replacement and total anesthesia payments in 90-day global period.

To learn more about allocating fair payments for your pain or anesthesia practice, please refer to the link below (under "Resources from the Innovators Committee" tab):

<https://www.ama-assn.org/ama/pub/about-ama/strategic-focus/shaping-delivery-and-payment-models/payment-model-resources.page>

For anesthesia specific examples, refer to reference number 3 (please see below).

References

- 1.) http://www.rand.org/pubs/technical_reports/TR562z20/analysis-of-bundled-payment.html
- 2.) <http://innovation.cms.gov/initiatives/bundled-payments/>
- 3.) Merrick, S., & Stead, S. (2011). Episode-Based (Bundled) Payments for Anesthesiology. *ASA NEWSLETTER*, 75(5), 40-45.