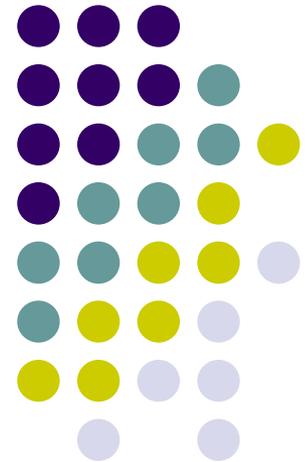
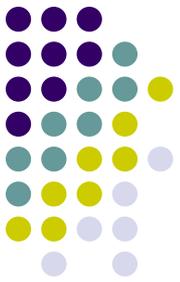


# Payment Bundling in Perinatal Services

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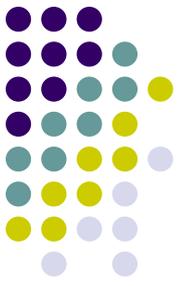


# Healthcare Reimbursement



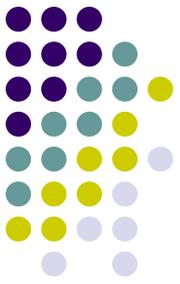
- Fee-for-Service: payment for each individual service rendered regardless of quality or appropriateness
- Capitation: Global fee for all care services in a defined time period: shifts risk to providers; incentive to skimp on care
- Pay-for-Performance: Quality bonus; not enough money involved to change behavior

# Payment Bundling: Episode Based Payment



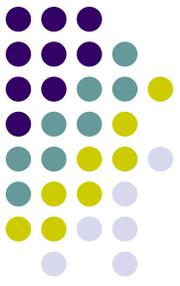
- In a nutshell....
  - Purchaser (insurance company or corporation) pays a single price for all of the care rendered to a patient during an episode of care; providers agree to split the payment among themselves
- Case rate for acute care episodes
- Global fee for management of chronic condition for defined period
- Consumers can be incentivized to select high value providers through lower co-pays

# A Short History of Bundling



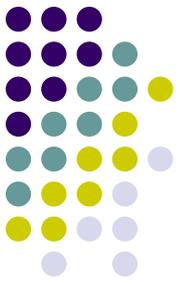
- Denton Cooley and the Texas Heart Institute charged a flat fee for CABG surgery starting in 1984
- DRG's: prospective payment system for Medicare inpatient hospitalizations implemented in 1983
- Global physician fees for delivery have been used since the 1980's

# Bundling in Healthcare Reform: Goals



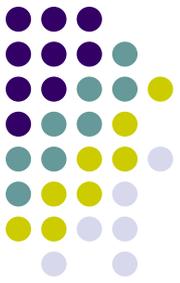
- Method for moving from *paying for volume* to **paying for value** (quality and price)
- Encourages coordination of care
- Incentivizes quality and efficiency
- Allows consumers to compare prices and quality

# The Patient Protection and Affordable Care Act of 2010



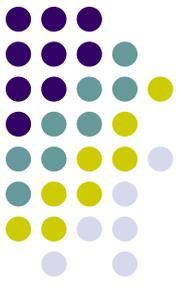
- Establishes a national **Medicare pilot program** to develop and evaluate **paying a bundled payment** for acute, inpatient hospital services, physician services, outpatient hospital services, and post-acute care services **for an episode of care** that begins three days prior to a hospitalization and spans 30 days following discharge. Program will begin by 2013.

# Cost Savings Potential



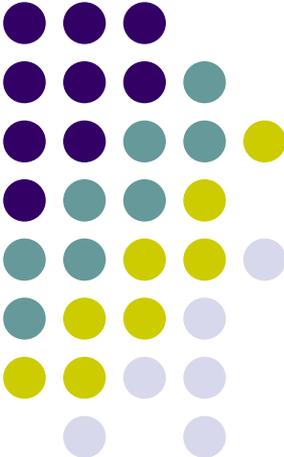
- 2009 Rand Institute study
  - Bundling is the most promising cost containment strategy
  - Potential savings in the range of .1-5% over next decade (N Engl J Med 2009;361:2109-2111)
- Cost savings from ACO's, medical homes and payment bundling projected at \$13.5B over 10 years in reform legislation

# Perinatal Care is Ideal Bundling Candidate

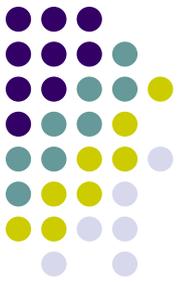


- Huge volume:
  - Childbirth is leading cause for hospitalization
  - 23% of US hospital discharges are newborns or mothers
- Episode of care is well defined
- Targets for improvement are obvious
  - Prevent preterm birth
  - Decrease CS rate
  - Reduce birth trauma for mom and baby

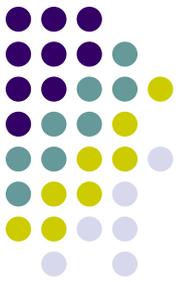
# Bundling presents a host of issues!



# Organizational Issues in Payment Bundling

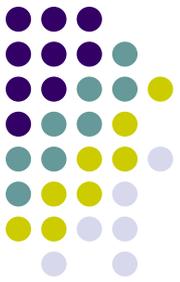


- Effective bundling requires close collaboration among care givers; anticipates integration
  - Is functional or actual integration needed or can it be virtual?
  - Are there antitrust implications or licensing issues involved in collaboration?
  - Market consolidation of providers a concern from consumer and payer perspective



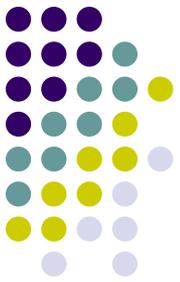
# Operational Issues

- How is communication/collaboration across providers ensured?
  - An EMR is a necessary prerequisite
- Can we determine our costs for individual episodes of care?
  - Most institutions and physician practices have poor cost accounting systems
- Care protocols key feature: standardization of care process is only way to reduce variation and improve efficiency



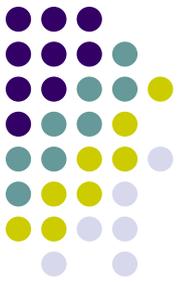
# Payment Issues

- Who negotiates the “deal” with the payor?
- What services are included in the bundle?
- Who receives the payment?
- How is the payment divided?
- Are payments for quality/performance included and how are they determined?



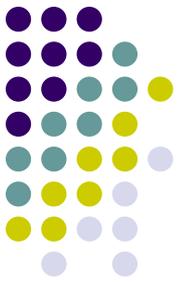
# Quality Issues

- The revenue opportunity (on the provider side) and the cost containment opportunity (on the payor side) revolves around decreasing complications and associated costs
  - Can we reliably decrease complications?
- Data collection issues; comparing apples to apples



# Risk Issues

- Who bears the risk for expensive outliers?
- Especially significant here
  - High risk pregnancies
  - Premature infant births

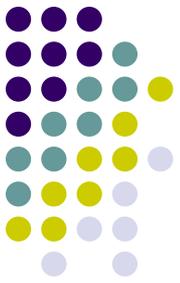


## **New Geisinger program to enhance quality of pregnancy care and decrease preterm births**

March of Dimes Awards Grant to Innovation that Fulfills Call to Action

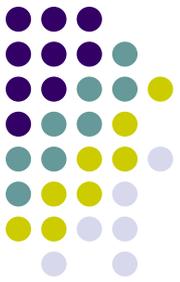
Danville, PA, Dec. 19, 2008 — Geisinger Health System aims to improve moms'-to-be overall health and minimize childbirth complications by launching a ProvenCare® perinatal initiative that promises to standardize the pregnancy care process.

According to Geisinger CEO and President Glenn D. Steele Jr., MD, PhD, “While still in development, ProvenCare perinatal is a landmark effort. It takes an intricate care process and ensures that every step is taken, every time.”



# Geisinger ProvenCare

- Approximately 5,000 pregnancies/4,500 deliveries
- 64 clinicians
- 22 clinic sites
- 4 Hospitals (2 non-Geisinger)
- 103 evidence based elements of care are incorporated and measured



# Geisinger Early Results

- CS rate down from 36.5% to 23.5%
- Birth trauma down from 5.1/1,000 to 1.64
- Lower incidence of insulin dependent gestational DM