Payment Bundling in Perinatal Services

T. Samuel Shomaker, M.D., J.D.
Professor of Anesthesiology,
UTMB
Chancellor’s Health Fellow,
UT System
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 0.1-5% over next decade

- 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