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Governance Impact: Evaluating the Future of Bundled Payment Models

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On August 15, 2017 the Centers for Medicare & Medicaid Services (CMS) proposed cancelling the mandatory Episode Payment Model (EPM) bundles for the following areas:

- Acute Myocardial Infarction (AMI)
- Coronary Artery Bypass Graft (CABG)
- Surgical Hip and Femur Fracture Treatment (SHFFT)
- Cardiac Rehabilitation Incentive Payment Model

The primary objective of the proposed cancellation is to eliminate further mandatory expansion of these programs, largely due to stakeholder concerns about large-scale mandatory models. It is important to note that while CMS also proposed changes to the Comprehensive Care for Joint Replacement (CJR) model, it did not cancel CJR or any of the changes to CJR that were published in the previous EPM final rule. Comments on the ruling were due to CMS by October 15, 2017.[1]

[1] Premier's Comments on the EPM Cancellation CJR Changes Proposed Rule, Premier, Inc., October 16, 2017, https://www.premierinc.com/wpdm-package/premiers-comments-epm-cancellation-cjr-changes-proposed-rule/.

Is CMS Giving Up on Bundled Payment Models?

CMS is not giving up on bundled payment models, however what they have proposed is merely rolling back the expansion of "mandatory" participation. It was no secret that the former Secretary of Health and Human Services, Tom Price, M.D., was against mandatory bundled payment participation for providers but he was still supportive of voluntary initiatives. With Dr. Price's departure, the stance of CMS on the future use of mandatory models is not clear. However, voluntary programs have been supported for many years by both CMS and healthcare providers. In fact, CMS is expected to announce a new voluntary bundled payment program in the near future. It is in the best interest of the industry to continue these programs as voluntary models in addition to those that already exist.

Current Status

CMS has four existing bundled payment programs:

1. The voluntary Bundled Payment for Care Improvement (BPCI) program: This program was officially announced in 2011 and went live in October 2013. It will end in September of 2018. This program is the largest Medicare bundled payment model with 48 conditions (correlated to approximately 180 MS-DRG codes). This model includes broad participation by hospitals, physician groups, and post-acute providers. CMS is expected to replace BPCI in 2018 with a new voluntary program, tentatively being referred to as BPCI-Advanced (BPCI-A). The anticipated BPCI-A model is explained further in this discussion.
2. The voluntary Oncology Care Model (OCM): This model went live in July 2016

and is comprised of approximately 200 oncology groups (note that this is not a hospital model).
3. Mandatory CJR: This model went live in April 2016 and is comprised of approximately 800 participating hospitals.
4. Mandatory EPM model: Mandated bundles for CABG, AMI, and hip and femur fractures. This is the model that CMS has proposed to cancel.

Board Strategy Considerations

For hospitals and health systems in an existing CJR mandatory market, the EPM rule change, if adopted, will make approximately half of these markets voluntary effective January 1, 2018. Recent results from the first two quarters of the CJR program show that nearly half of participants received gainsharing payments for meeting cost and quality performance goals. It is encouraging to see this model generating results so early on. Current bundled payment participants in voluntary markets should take the opportunity to evaluate the potential risks and rewards of continued CJR participation.

Considerations should include the following:
- CJR quantitative and qualitative results to date, and the effects of program design changes on future CJR success.
- The potential effect on further alignment opportunities with physicians and other providers through gainsharing and Advanced Alternative Payment Model (APM) qualification under MACRA.
- Impacts on care delivery, quality, and patient experience.
- Implications on competitive position in the market.
- The potential effects on participation in the expected BPCI-A program.

Bonus: MACRA Payment Increase through AAPM Status

Under the previously finalized EPM final rule, an important change to CJR is the creation of two tracks within the program. One track will potentially qualify providers as participants in an Advanced APM under MACRA guidelines and the other track would not. The track that enables providers to obtain Advanced APM status through the CJR program will potentially qualify participating clinicians to become eligible for the annual five percent Advanced APM Incentive Payment beginning in January 2019.

As MACRA's Quality Payment Program (QPP), which was passed by a Republican Congress, continues to move forward, bundled payment models create an opportunity to engage with providers—especially specialists—across many different clinical categories. We already see this occurring across the country with the 48 conditions in the existing BPCI program and a continuation of this broad opportunity once BPCI-A is announced. Therefore, these models not only represent a smart business choice for providers to ensure continued economic viability in today's value-based healthcare environment but also help to retain top talent as physicians are attracted to Advanced APM programs.

Assess the Value of BPCI-A Participation

Regardless of whether an organization has or has not participated in a bundled payment model to date, it is important to evaluate the opportunities BPCI-A could provide. At a minimum, obtaining the claims data that CMS typically makes available with the launch of this type of program will provide valuable insights as to where patients are going for care, what services they are accessing, the cost to Medicare to provide these services, and potential opportunities for improved alignment across services.

Other benefits and impacts to consider include:
- Competitive advantage and provider/physician alignment go hand in hand: Thousands of providers are already participating in bundled payment models, learning how to manage patient care across the continuum, and getting paid for their successes.
    - *Gain experience.* Bundled payment participation increases an organization's experience with transitioning to value-based payment models and managing increasing levels of financial risk.
    - *Avoid being last to the game.* Historically, providers that have elected to engage in these models earlier than others have positioned themselves to have precedence over

providers that joined later. Additionally, a system with significant hospital assets needs to consider that Medicare has in the past placed a priority on physicians in these models and gives them precedence over hospitals when it comes to who CMS ultimately attributes the bundle savings (and financial risk). Further, due to the prevalence of many provider types (e.g., physician groups, post-acute providers) and the precedence issue, there is heightened competition between independent provider types and also between systems competing for the independent providers.

- *Retain top talent.* Participation in a bundled payment model is especially important to think about in a market where competitors are participating in these models to avoid losing top talent. Engaging independent providers early on is essential, as others will likely be knocking on their door and many are already aligned with third parties. However, providers may be able to create an offer that makes them rethink their current alignment. Achieving alignment with Advanced APM status is essential to gain additional financial incentives, if requirements are met, as well as to attract high-value physicians.

- Financial upside potential: Bundles allow a unique opportunity to potentially earn more than 100 percent of Medicare reimbursement. Participation in multiple successful bundles can multiply this potential "more than Medicare" opportunity.
- Quality improvement and cost efficiencies: Use bundles as an opportunity to improve care delivery, enhance patient experience, receive generated savings, and create models to share those savings to align independent providers with systems.
- Commercial payer alignment: Providers achieving success in CMS bundled payment programs can leverage their care delivery improvements by negotiating new payment strategies with commercial payers that are already benefiting from the bundle due to better patient outcomes and lower costs. Commercial payers now make up the majority of covered lives for alternative payment arrangements, so it is important that providers participating in these models seek out and partner with them to achieve additional financial success.

Risks and Mitigation

Typically an organization's bundled payment performance in the first year doesn't include downside risk. In the second year and beyond, providers will be exposed to varying levels of financial risk (meaning potential episode cost overruns would need to be paid back to CMS), which are capped at an increasing limit over time. Typically these models include stop-loss provisions (e.g., caps at the individual episode level) to also limit financial losses. In the worst case, the new programs (similar to the existing BPCI provisions) will likely have a provision for being able to drop out of the program if long-term success is not viable.

In the Boardroom: Opportunities and Perspective

Bundles are far from dead. They are still seen as a key component in the movement toward value-based payment and population health management. The proposed cancellation of portions of the EPM rule this past August was focused on stopping the push by the previous administration to roll out mandatory bundles. There is no question that Congress, CMS, and even commercial payers are moving providers to upside and downside financial risk-based payment models.

The expected new BPCI-A program will create significant opportunities in many areas such as:

- Claims data availability: Get the data. It's an opportunity to receive significantly valuable information on where patients are going, enabling your organization to look for and analyze opportunities for care improvement and savings.
- Financial upside: Get paid your normal Medicare amount and potentially receive bonus payments on top.
- Provider incentives: Any savings generated can be used to incent alignment across multiple providers to improve cross continuum care delivery and increase focus on the patient.

- Value-based payment: Participation will allow you to learn or enhance your knowledge and expertise in how to align and integrate with providers to manage risk across the continuum.

Take advantage of the opportunity to evaluate if bundled payment models are appropriate for your organization, community, patients, and providers. Explore the potential for your organization to use bundled payment models to improve the quality of care, strengthen provider alignment, retain top physician talent, and increase margins at the same time. Thousands of providers already are.

The Governance Institute thanks Mark E. Hiller, M.B.A., Vice President-Engagement & Delivery, Premier, Inc., and Guy M. Masters, M.P.A., Principal, Premier, Inc., and Governance Institute Advisor, for contributing this article. They can be reached at mark_hiller@premierinc.com and guy_masters@premierinc.com.

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