BECKER'S
Hospital Review
BUSINESS & LEGAL ISSUES FOR HEALTH SYSTEM LEADERSHIP

UPDATED: What We Know About Bundled Payments So Far

Q&A with Strata's Director of Continuous Improvement

Written by Brooke Murphy, August 30, 2016 & Updated by Jennifer Ittner | September 5, 2017

Bundled payment models have posed new challenges and revealed gaps in financial knowledge that hospitals must address quickly to stay profitable in a value-based industry.

Jennifer Ittner, director of continuous improvement at Strata Decision Technology, spoke with Becker's Hospital Review about hospitals' challenges and successes as systems start to implement bundled payment programs. Strata provides a cloud-based financial analytics and performance platform to drive hospital performance and cost improvement. Ms. Ittner has more than 17 years of healthcare experience in both consulting and hospital settings, with a focus on process improvement strategies and hospital operations.

The following has been lightly edited for style and clarity.

Question: For hospitals that have already taken on bundled payments, what challenges have cropped up?

Jennifer Ittner: The challenge hospitals face is that they have to understand not only their data, but also their costs. If you look at the Comprehensive Joint Replacement bundle, it requires that hospitals know what their costs are for a total knee and a total hip replacement. This isn't just about charges, where you list out all of the different supplies and your operating room time, it's also about understanding the labor expenses of your operating room team, your post-anesthesia recovery unit, etc. These additional costs, that aren't always accounted for on the summation of the bill, are also what hospitals need to get their arms around. This is very challenging for hospitals that don't have advanced cost accounting solutions.

Hospitals also need to understand their quality outcomes and be nimble enough with their quality measures to be able to report differently. The CJR bundle is very prescriptive about which outcomes are reported for specific patient populations. As such, hospitals need to understand utilization variation among physicians and be able to identify where and if there are any cost savings opportunities. They also need to avoid data bottlenecks such as having one person or department responsible for prioritizing and fulfilling data requests across the system.

Once hospitals understand their costs and quality outcomes, they can then consider the entire episode of care, which lasts from the inpatient stay to 90 days after discharge. This is new territory. CMS just released its first round of data for CJR. As this information slowly becomes available, hospitals will get smarter with the information. In the meantime, it's important for hospitals to focus on their own cost data to identify savings opportunities.

Q: How are hospital leaders preparing their physicians for bundled payments?

JI: Physicians know this is coming and they want more data. However, hospital administrators and quality teams must get their arms around this data first before they start sharing that data within the system. Historically, quality teams and physicians' conversations have centered on quality outcomes, therefore talking about costs with physicians can be new and uncomfortable territory.

Physicians are hungry for this data, however, due to their natural inclination to help where they are needed. Being able to sit down with physicians and share this data is very powerful. It's important to be sure that the data you're sharing blends clinical and financial data together, and shows comparisons at the system-, hospital-, specialty-, physician- and patient-level. This level of detail and accuracy will help gain physician buy-in.

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Physicians are in the best position to make decisions on the value of care. The more cost data hospital administrators can share with physicians, the more they can enhance physicians' decision making.

Q: What can hospitals do to prepare to take on bundled payments?

JI: It's about knowing your own cost data and then sharing that data with others in your organization. Start by understanding your cost data, analyze variation in care practices and identify areas for potential savings. Then understand your quality data. Look at what CMS is monitoring and use that as your starting point.

There are tools available to assist. StrataJazz is a cloud-based financial analytics and performance platform. Our Decision Support and Continuous Improvement modules combine your clinical and financial data to deliver true costs of care and identify cost reduction opportunities that could save your organization millions.

Whatever system is used to analyze bundles, hospitals need to make sure they are building their data analytics tools with an eye on the future. More bundles are coming and the data tools that are developed should be adaptable to new specialties that are added to bundles over time.

Q: Are there any hospitals that you point to as having success in bundled payments?

JI: Yale-New Haven (Conn.) Health System has created an incentive program for their orthopedic surgeons. The program aims to reduce cost variation and promote compliance with care pathways. Within this program, they have developed quality variation indicators which is a way of measuring the overall incidence of harm. They then analyze their cost data to calculate the cost of a QVI. They've found, not surprisingly, that cases with a QVI stay three times longer and cost four times more. So it's no wonder why having access to this type of data is so powerful. Their orthopedic surgeons share in the savings created from the compliance and quality outcomes derived from this program. So, it really creates an incentive for everyone to come together to talk about the clinical and financial aspects of care.

Q: How do you see bundles evolving during the next five years?

JI: In the next few years, we will see more models created for new specialties and we will see bundles expand outside of Medicare. A key question is: Can hospitals start getting ahead of this and start talking with their payers now? Its important that hospitals are proactive rather than reactive, and use tools to provide insight on their true cost data. Hospitals that are reactive and don't understand their cost structure could end up with multiple models that are different for each payer and slightly different for each patient population. Trying to manage and measure these models could prove extremely tricky.

Overall, I think that bundles are a good thing. Anything that drives the conversation on how we improve patient care and reduce costs is positive.

Updated commentary by Ms. Ittner, as of September 5, 2017:

In August, CMS proposed to halt bundled payment programs for MI and bypass surgery, the Cardiac Rehabilitation Incentive payment model and reducing the number of areas for which participation in the Comprehensive Care for Joint Replacement model is mandatory. CMS is considering retaining bundled payment programs on a voluntary basis. Voluntary programs could start as soon as 2018.

"Changing the scope of these models allows CMS to test and evaluate improvements in care processes that will improve quality, reduce costs and ease burdens on hospitals," said CMS Administrator Seema Verma.

Advocates of CMS' decision believe this allows for a more collaborative approach to improving quality and reducing costs. They state the previous proposed models left out physicians and post-acute care providers. There is now an opportunity to develop models that incentivize care coordination and reducing costs with all providers in the continuum of care.

Opponents of CMS' decision are concerned the problem of rising healthcare costs will continue to increase and that if a new model is not developed then more drastic cuts in Medicare payments could be a possibility.

Opponents are also concerned that the outcomes of the voluntary bundled payment program will be skewed as there will be fewer providers in the program and voluntary participation does not reflect actual, universal savings.

Whether or not you support CMS' decision, improving quality and reducing costs is still a priority. Providers that can innovate and operate under risk-based contracts will become industry leaders.