DETAILS ON BUNDLED PAYMENT MODELS

Under the Bundled Payments for Care Improvement initiative, organizations will enter into payment arrangements that include financial and performance accountability for episodes of care. The Centers for Medicare & Medicaid Services (CMS) hopes these models may lead to higher quality and more coordinated care at a lower cost to Medicare.

Traditionally, Medicare makes separate payments to providers for each of the individual services they furnish to beneficiaries for a single illness or course of treatment. CMS states this approach can result in fragmented care with minimal coordination across providers and health care settings. The current payment system rewards the quantity of services offered by providers rather than the quality of care furnished. Research has shown that bundled payments can align incentives for providers – hospitals, post-acute care providers, physicians and other practitioners - allowing them to work closely together across all specialties and settings.

The Bundled Payments initiative is comprised of four broadly defined models of care, which link payments for multiple services beneficiaries receive during an episode of care.

MODEL 1

Under Model 1, the episode of care is defined as the inpatient stay in the acute care hospital. Medicare will pay the hospital a discounted amount based on the payment rates established under the Inpatient Prospective Payment System used in the original Medicare program. Medicare will continue to pay physicians separately for their services under the Medicare Physician Fee Schedule. Under certain circumstances, hospitals and physicians will be permitted to share gains arising from the providers' care redesign efforts. Participation will begin as early as April 2013 and no later than January 2014 and will include most Medicare fee-for-service discharges for the participating hospitals.

CMS has selected three participants representing 32 health care facilities for the initial phase of this Model.

MODEL 2

In Model 2, the episode of care will include the inpatient stay in the acute care hospital and all related services during the episode. The episode will end either 30, 60 or 90 days after hospital discharge. Participants can select up to 48 different clinical condition episodes.

CMS has selected 55 participants representing 192 health care organizations for the initial phase of this Model.

MODEL 3

For Model 3, the episode of care will be triggered by an acute care hospital stay and will begin at initiation of post-acute care services with a participating skilled nursing facility, inpatient rehabilitation facility, long-term care hospital or home health agency. The post-acute care services included in the episode must begin within 30 days of discharge from the inpatient stay and will end either a minimum of 30, 60 or 90 days after the initiation of the episode. Participants can select up to 48 different clinical condition episodes.

CMS has selected 14 participants representing 165 health care organizations for the initial phase of this Model.

MODEL 4

Under Model 4, CMS will make a single, prospectively determined bundled payment to the hospital that would encompass all services furnished during the inpatient stay by the hospital, physicians and other practitioners. Physicians and other practitioners will submit "no-pay" claims to Medicare and will be paid by the hospital out of the bundled payment. Related readmissions for 30 days after hospital discharge will be included in the bundled payment amount. Participants can select up to 48 different clinical condition episodes.

CMS has selected 37 participants representing 75 health care organizations for the initial phase of this Model.

IMPLEMENTED IN PHASES

On January 31, 2013, Phase 1 participants were announced. Phase 1 (January-July 2013), also referred to as the "no risk preparation" period, is the initial period of the initiative where CMS and participants prepare for implementation and assumption of financial risk. All candidates included in Phase 1 submitted a final list of their episodes and planned partners in December 2012.

The “risk-bearing implementation” period, Phase 2, is expected to begin in July 2013. Those participants in Phase 1 of Models 2, 3 and 4 that are ultimately approved by CMS and decide to move forward with implementation and assume financial risk may enter into a Bundled Payments for Care Improvement Model agreement with CMS and begin Phase 2 of the Model.

Phase 2 is expected to begin in July 2013. The beginning of Phase 2 would mark the beginning of the performance period, or risk-bearing period.

Should you have any questions, please contact:

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