Frequently Asked Questions: Bundled Payments

Government and commercial payers are increasingly testing new models to bundle payments for related healthcare services. Most notably, the Centers for Medicare and Medicaid Services (CMS) is testing bundled payments through the Bundled Payment for Care Improvement (BPCI) initiative. CMS also recently announced the Comprehensive Care for Joint Replacement (CCJR) mandatory bundled payment program that could impact approximately 800 hospitals in 75 regions across the country. While only a handful of home health agencies are directly responsible for managing bundled payments, many more are participating as partners to hospitals, physicians and other conveners. Home-based care providers may offer significant value to conveners looking for the highest quality, lowest cost providers in their region who are willing to work collaboratively on care management, evidence-based care guidelines, quality improvement, and data sharing and analytics.

**What is a bundled payment?**
Bundled payments encourage collaboration across disparate providers that are all treating the same beneficiary during a single episode of care by linking the payment for each of the individual services. A lead entity takes responsibility for organizing providers to deliver high quality, efficient care. For example, if a patient has an operation, instead of paying separately for the preparatory consults, the surgery (both hospital and physician component), rehab services, and other post-operative care, the payer pays a set price. All providers treating the patient during this episode of care must collaborate to ensure that costs are in line with the price and that quality targets are met. In a prospective model, a single provider (or entity) contracts with the payer and is responsible for paying the other providers who treat the patient. In a retrospective model, the payer sets a target price (e.g., $25,000 for a knee replacement). The payer continues to pay each provider individually, however the designated lead provider is penalized if the total cost of care for the full bundle of services exceeds the target price.

**Which types of patients generally fall under bundled payments?**
Bundled payments can be developed for most patient types and conditions. Medicare, commercial, and employer bundle arrangements are increasingly common.

**What types of entities typically lead bundled payments?**
The most common bundled payment “conveners” are hospitals, physician groups, and integrated delivery systems. Some skilled nursing facilities and home health agencies are leading post-acute care only bundles.
What is the typical role of home health providers?
Home health providers may serve as the lead entity (most commonly in bundles that only include post-acute care services) or may contract with lead entities to provide a subset of the required services.

How are bundled payment conveners typically paid?
There are two reimbursement models: prospective and retrospective. In a prospective model, a lead entity or provider (often referred to as a “convener”) receives a single payment for an episode of care. The lead entity must contract with all of the providers who will serve the patient during the episode. Providers that contract with the lead entity are generally paid on either a fee-for-service or pay-for-performance basis. In a retrospective model the payer sets a spending target. A lead entity assumes responsibility for achieving the spending target; however, the entity does not receive a single payment for all of the services. Instead, all providers are reimbursed in their routine manner by the payer and the total cost for the bundle of services is calculated at the end of the bundle. Any savings generated against the target cost are shared with the lead entity. Similarly, the lead entity is responsible for a portion of any losses. The lead entity may choose to share savings or losses with contract providers.

What are the minimum infrastructure requirements to be successful?
- Robust care management infrastructure
- Data sharing across providers, including clinical, cost and quality data
- Data analytics to identify high risk patients and for real-time performance monitoring
- Adoption of standardized care protocols to minimize quality and cost variation

What variations of bundled payments exist?
Numerous variations exist by patient condition and by scope of the bundle. For example, a bundle may include only services provided in the acute care setting (hospital, physician), both acute and post-acute care services (hospital, physician, skilled nursing, rehab, home health), or just post-acute care services. In the Medicare program, different bundled payment models are defined as: Model 1(Acute Care Only; Retrospective Payment); Model 2 (Acute and Post-Acute Care; Retrospective Payment); Model 3 (Post-Acute Care Only; Retrospective Payment); Model 4 (Acute Care Only; Prospective Payment).

Where can I learn more?
We suggest starting with VNAA’s short educational video “What is a Bundled Payment.” Other resources are available through CMS’ Bundled Payment Learning and Resource Center and the Alliance for Home Health Quality and Innovation (see What’s New With Bundled Payments? (Webinar) (Slides Only)).