

## **National Pilot Program on Payment Bundling**

The Patient Protection and Affordable Care Act (ACA) instructs the Secretary of Health and Human Services (HHS) to implement, no later than January 1, 2013, a voluntary national pilot program focused on payment bundling that aligns incentives to promote integrated care and joint responsibility among providers across the continuum during an episode of hospitalization under fee-for-service Medicare for a defined set of conditions. The goal of the pilot is to improve the coordination, quality, and efficiency of health care services within the system. On January 1, 2013, the Centers for Medicare and Medicaid Services' (CMS) Innovation Center implemented the "Bundled Payments for Care Improvement" (BPCI) initiative, and approved more than 500 hospitals, health systems and other providers as participants. It is unclear at this time whether the Innovation Center will announce a new application period.

### **Who was able to participate in this voluntary National Pilot Program on Payment Bundling?**

Entities approved by the Secretary of HHS to participate were comprised of groups of providers that minimally consisted of a hospital and a physician group, but could include post-acute service providers willing to take responsibility to provide services during an episode of hospitalization, defined as the period that a patient stays in a hospital plus the first 30 days following discharge. The Secretary of HHS also defined a set of 48 specific medical conditions, which were eligible for payment under this three-year pilot.

### **What services were expected from approved entities under the National Pilot Program on Payment Bundling and how are payments being made?**

Service bundles provided by an approved entity are initiated during a defined episode of hospitalization and include some combination of acute care inpatient services; physicians' services delivered in and outside of an acute care hospital setting; outpatient hospital services, including emergency department services; and post-acute care services, including home health services, skilled nursing services, inpatient rehabilitation services, and inpatient hospital services furnished by a long-term care hospital. The actual service bundle provided depends on the model of payment applied for by the approved entity. The approved entity is also expected to furnish such services as care coordination, medication reconciliation, discharge planning, transitional care services, and other patient-centered activities as determined appropriate by the Secretary of HHS.

The Innovation Center announced that this initiative would be comprised of four broadly defined models of care, which link payments for multiple services beneficiaries receive during an episode of care. Model 1 includes an episode of care focused solely on the acute care inpatient hospitalization. Awardees agree to provide a standard discount to Medicare from the usual Part A hospital inpatient payments. All other payment models required the inclusion of post-acute hospitalization services within the payment bundle.

Models 2 and 3 involve a retrospective bundled payment arrangement where actual expenditures are reconciled against a target price for an episode of care. Model 4 involves a prospective bundled payment arrangement, where a lump sum payment is made to a provider for the entire episode of care. Over the course of the three-year initiative, CMS will work with participating organizations to assess whether the models being tested result in improved patient care and lower costs to Medicare.

### **What authority does the Secretary of HHS have to expand the program?**

The pilot program will be conducted initially for five years. However, at any point after January 1, 2016, if it is determined that expanding the pilot program will either maintain or improve quality and reduce costs, the Secretary of HHS can extend its duration and scope indefinitely.

**Additional Resources**

- *CMS Fact Sheet on Bundled Payments for Care Improvement (BPCI) Initiative.*

<http://innovation.cms.gov/Files/fact-sheet/Bundled-Payments-Fact-Sheet.pdf>

- *Reforming How We Pay for Health Care: The Role of Bundled Payments.*

<http://healthaffairs.org/blog/2012/12/13/reforming-how-we-pay-for-health-care-the-role-of-bundled-payments/>

- *CMS Press Release on BPCI Initiative Episodes: Details on the Participating Health Care Facilities.*

<http://www.cms.gov/apps/media/press/release.asp?Counter=4514&intNumPerPage=10&checkDate=&checkKey=&srchType=1&numDays=3500&sr>