



## Medicare's Acute Care Episode Program

- 3 year demonstration program starting in 2009; 5 hospitals in 4 states
- Bundled payments for 37 cardiac and orthopedic procedures
- Up to 8% discount off normal fee-for-service payments
- Savings from care coordination
  - Standardized care based on clinical evidence
  - Use patient navigators to bridge gaps
  - Physician report cards → peer pressure
- Savings from price discounts on medical devices
  - Collaboration to identify quality, cost-effective devices
  - With greater purchasing power, hospitals could negotiate price discounts
- Maintained the quality of care as measured by 22 quality measures



## Using the ACA's Key Cost Control Tool

- Goal: expand a bundled payment nationwide before the President leaves office
  - Ensure the current health cost slowdown continues
  - Demonstrate the potential of the Affordable Care Act
  - Send a signal to health care providers
- The ACE Program meets the test for expansion
- Expansion could be effective for fiscal year 2015
- Including post-acute care in bundling is important: over 70% of variation in Medicare costs is from variation in post-acute care



## Bundled Payments vs. ACOs

- ACOs are voluntary, and thus can't be expanded nationwide
- ACOs aren't appropriate for many (rural) areas of the country
- Bundled payments are easier to implement, require less upfront investment
- ACOs take time to realize returns on investment
- Bundled payments yield immediate price savings



## Beyond bundling for acute episodes: bundling for cancer

- Why cancer?
  - High and rising disease burden; high and rising costs of care (\$173 billion by 2020)
  - IOM: current cancer care system is in crisis
  - Widely varying treatment strategies and costs, despite existing care guidelines
  - Drugs are a significant portion of costs
- Questions to be answered:
  - Which cancers and stages? Bundle could vary based on specific diagnoses
  - What to include in the bundle? Diagnostic tests, imaging, drug administration, management fee, labs, chemotherapy, radiation services, hospitalizations, surgery
  - What length of time should the bundle cover?
  - What measures should define the bundle? Outcomes, process, patient-reported
- CAP has organized a consortium of oncologists, patients, payers, and policy experts to answer these questions



## Bundling need not be foreign

- In 2004, Germany adopted Diagnosis Related Groups
- Now Germany bundles all costs for inpatient episodes of care, including physician services
  - No additional payment for re-admissions related to the bundle
- In 2008, Germany started bundling outpatient services
  - Single fixed rate for all care in a quarter of the year
- Insurers offer contracts for “integrated care” – including post-acute care in the bundle
- Evidence of success
  - Duplicative services (imaging) have declined
  - Use of pricey technology (imaging) has declined
  - More consensus on treatment pathways, less variation