

The CMS Bundled Payment Initiative: Providers Can Apply to Participate in a Mini-ACO Initiative

☒ Last week the U.S. Department of Health and Human Services (HHS) announced a new initiative to help improve care for patients while they are in the hospital and after they are discharged. Doctors, hospitals, and other health care providers can now apply to participate in a new program known as the Bundled Payments for Care Improvement initiative (Bundled Payments initiative). Made possible by the Affordable Care Act, it will align payments for services delivered across an episode of care, such as heart bypass or hip replacement, rather than paying for services separately. Bundled payments will give doctors and hospitals new incentives to coordinate care, improve the quality of care and save money for Medicare.

“Patients don’t get care from just one person – it takes a team, and this initiative will help ensure the team is working together,” said HHS Secretary Kathleen Sebelius. “The Bundled Payments initiative will encourage doctors, nurses and specialists to coordinate care. It is a key part of our efforts to give patients better health, better care, and lower costs.

Payment bundling is the future

In Medicare currently, hospitals, physicians and other clinicians who provide care for beneficiaries bill and are paid separately for their services. This Centers for Medicare & Medicaid Services (CMS) initiative will bundle care for a package of services patients receive to treat a specific medical condition during a single hospital stay and/or

recovery from that stay – this is known as an **episode of care**. By bundling payment across providers for multiple services, providers will have a greater incentive to coordinate and ensure continuity of care across settings, resulting in better care for patients. **Better coordinated care can reduce unnecessary duplication of services, reduce preventable medical errors, help patients heal without harm, and lower costs.**

The Bundled Payments initiative is being launched by the new Center for Medicare and Medicaid Innovation (Innovation Center), which was created by the Affordable Care Act to carry out the critical task of finding new and better ways to provide and pay for health care to a growing population of Medicare and Medicaid beneficiaries.

Four bundled payment models

Released today, the Innovation Center's Request for Applications (RFA) outlines four broad approaches to bundled payments. Providers will have flexibility to determine which episodes of care and which services will be bundled together. By giving providers the flexibility to determine which model of bundled payments works best for them, it will be easier for providers of different sizes and readiness to participate in this initiative.

Three models involve a retrospective bundled payment arrangement, and one model would pay providers prospectively.

Through the Bundled Payments initiative, providers have great flexibility in selecting conditions to bundle, developing the health care delivery structure, and determining how payments will be allocated among participating providers.

"This Bundled Payment initiative responds to the overwhelming calls from the hospital and physician communities for a flexible approach to patient care improvement," said CMS Administrator Donald Berwick, M.D. "All around the country,

many of the leading health care institutions have already implemented these kinds of projects and seen positive results.”

Cost savings for Medicare and for patients

The Bundled Payments initiative is based on research and previous demonstration projects that suggest this approach has tremendous potential. For example, a Medicare heart bypass surgery bundled payment demonstration saved the program \$42.3 million, or roughly 10 percent of expected costs, and saved patients \$7.9 million in coinsurance while improving care and lowering hospital mortality.

“From a patient perspective, bundled payments make sense. You want your doctors to collaborate more closely with your physical therapist, your pharmacist and your family caregivers. But that sort of common sense practice is hard to achieve without a payment system that supports coordination over fragmentation and fosters the kinds of relationships we expect our health care providers to have,” said Dr. Berwick.

Letter of Intent to participate due in September

Organizations interested in applying to the Bundled Payments for Care Improvement initiative must submit a Letter of Intent (LOI) no later than September 22, 2011 for Model 1 and November 4, 2011 for Models 2, 3, and 4. For more information about the various models and the initiative itself, please see the Bundled Payments for Care Improvement initiative web site [here](#).

Resources

Interested parties may obtain answers to specific questions by

e-mailing CMS at BundlePayments@cms.hhs.gov.

This initiative is part of a broader effort by the Obama Administration to improve health, improve care, and lower costs. A brief summary of other efforts, including those authorized by the Affordable Care Act, can be found [here](#).

For more information about the CMS Innovation Center [click here](#).

Additional information:

[HHS fact sheet](#)

[Federal Register Posting](#)