The Centers for Medicare & Medicaid Services’ move to expand episode-based payments—and employers’ strong interest in bundled payments for high-cost chronic conditions—mean that bundled payments are expected to become the norm.

Although the 2016 election and the possible repeal of the Affordable Care Act have raised many questions about the future of U.S. health care, bundled payments are likely here to stay. Most hospitals already have or are interested in accepting a single price for all services and products associated with a single episode of care, and many large employers are looking at bundled payments as a way to manage costs. Regardless of any changes in federal policy, the push to tie Medicare and Medicaid payments to quality, and to find ways to reward more efficient, high performing providers will continue. Bundled payments do both.

The initial preparations for a new payment system can be daunting. But once a health system or hospital—along with physicians and ancillary care providers—builds a platform to deliver integrated and cost-effective care across the continuum, that platform can flex to manage any clinical bundle—cardiac, orthopedic or any other condition—and the needs of other payors.

Manage the Care Experience Holistically

To succeed at bundled payments, hospitals must build analytical, clinical and operational models that span the continuum of care. That care continuum starts with patients’ first visit to the physician and travels through 90 days after discharge. At each moment in patients’ care experience, clinical practices must drive towards optimal outcomes, lower costs and improved reliability. For example:

1. Prior to surgery

The push towards a healthy, successful recovery begins as soon as patients begin discussing procedures with their surgeon. It includes patient and family education, and risk stratification. Educating patients and setting expectations about recovery lowers complication rates, reduces readmission risks and improves therapeutic compliance. Care managers also can use algorithms to assess patients’ risk of adverse outcomes and plan discharges accordingly.

2. In the hospital

Using standard, evidence-based clinical protocols in the care for each patient in a Diagnosis-Related Group (DRG) improves quality and reduces the chances of errors. The protocols must include not just surgeons but also hospitalists, nurses, pharmacists, anesthetists, physical therapists and occupational therapists.

3. Discharge and post-acute care

Nurse case management and appropriate post-acute care helps patients, especially those with significant social needs, safely transition to home. Nurses can refine discharge plans, created prior to admission based on risk stratification, based on the surgical outcome. Surgeons can guide patients the most appropriate setting for care—be it a rehabilitation facility, skilled nursing facility or home. Ongoing patient outreach at regular intervals serves to monitor high-risk patients, while improving access to physician’s post-surgery helps to avoid costly emergency room visits in the case of complications.

Adopt the Four Strategies for Success

Creating the optimal, holistic care experience takes time, energy and experience, and involves a distinct set of clinical and financial capabilities. These are the ability to:

1) Manage costs and margins

Care redesign relies on clinical leaders knowing the cost, revenue and margin per case; cost variation and quality per provider; and the relationship between cost and quality per case, both inside and outside the hospital. Cost-
Accounting systems can help.

2) Align and integrate with providers

Financial gain-sharing arrangements are a necessary but not sufficient prerequisite for hospital-physician collaboration. True success under bundled payments comes when all parties – hospitals, physicians, post-acute care and any ancillary care providers – are united in a mission to improve care and reduce costs and variation. The legal structure that organizes this alliance can be by employment or by contract. Within the arrangement, a top physician leader must regularly share cost and quality data with providers so they become more cost-effective and efficient.

3) Manage clinical variation and coordinate care

Managing clinical variation is a critical task under bundled payments. Unnecessary tests and treatments within DRGs add cost and time to care - and at worse - may result in sub-optimal outcomes. When physician leaders can show surgeons the financial impact of care variation by tying clinical and financial results together, variation decreases. Additional facilitators to standardized clinical protocols include technology and a comprehensive clinical record.

4) Engage with patients

Bundled payments require patient engagement systems that deliver frequent, consistent communications across all sites of care. Patients play a critical role in their own recovery, and engaging with them to guide their actions and attitudes before, during and after the surgery supports good outcomes. Although clinicians pride themselves on their ability to communicate with families and patients, in reality, those practitioners often do not present information in a way that patients can understand. In addition, that information frequently varies and conflicts among primary care, surgeons, the hospital and post-acute care.

Hospitals today are living in a dual reimbursement world, but the speed of transition to value-based care is increasing. As a part of this transition, government entities and large employers are accelerating the adoption of bundled payments. As bundled payments pass a critical turning point, now is the time for hospital and health system leaders to assess whether they have the internal capabilities and external partnerships to succeed.

With a holistic view of patient care, entities at financial risk for the bundle must in every interaction with patients use data-driven, standardized, evidence-based approaches that lead to optimal outcomes. To get there, they must become adept at patient engagement, clinical variation management, cost accounting and provider integration.

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