



## **Integrated Healthcare Association**

### **Bundled Episode of Care Pilot**

In 2009, IHA launched a bundled episode of care pilot designed to demonstrate the feasibility of private-sector episode payments in the context of California's complex healthcare delivery system. The pilot will initially include episode payments for total knee replacement and coronary artery bypass graft (CABG). Pilot participants are limited to a small number of Southern Californian hospitals and health plans with pre-existing contractual relationships. Implementation will entail mutually agreed-upon episode definitions, analysis of health plan claims data, negotiation of a payment model, and implementation of this phase of the pilot by July 1, 2010. Later phases of the pilot will expand the number of episodes and extend the pilot to other areas of California as well as a follow-up evaluation of the effectiveness of the pilot.

Bundled, or Episode of Care payments have a number of goals; they encourage financial alignment between the providers involved in the care of an individual patient for a specified condition or procedure, which in turn promotes delivery system and process improvements that will decrease overall costs of care. Savings should result from improvements in efficiency and quality, and can be shared among health plans, hospitals, physicians, ancillary providers, and consumers. This pilot will develop and test implementation processes to support effective adoption of an episode payment methodology.

The IHA initiative is one of several episode pilots being implemented currently; others include the Center for Medicare & Medicaid Services [Acute Care Episode](#) (ACE) demonstration that is testing the feasibility of episode of care payments in its Medicare program for several orthopedic and cardiac procedures in five southwestern locations. In the private sector, initiatives include the Boston-based [Prometheus Payment](#) model which has test sites across the country, and the Geisinger Health System [ProvenCare](#) program in Pennsylvania. Bundled episode pricing has also been recommended by the [Medicare Payment Advisory Commission \(MedPAC\)](#) and suggested as part of a national healthcare reform initiative by Senators Baucus and Grassley.