



## Integrated Healthcare Association

### Bundled Episode Payment Pilot

#### Background and Objectives:

The Integrated Healthcare Association (IHA) is conducting a multi-payer, multi-hospital demonstration of episode or “bundled” payment in California. The demonstration began with episode payment for total knee and total hip replacement in commercial PPO patients between the ages of 18 and 65. By Q3, 2013, the project will expand to a larger demonstration comprising:

- 10 acute conditions and procedures;
- 20 physician-hospital teams across California;
- HMO, Medicare Advantage and managed Med-Cal (Medicaid) populations;
- Publish 3 evaluations: economic impact (UC Berkeley), quality impact UCSF) and implementation (RAND)

#### Design:

The IHA demonstration tests the feasibility of bundling payments to hospitals, surgeons, consulting physicians and ancillary providers, for selected surgical procedures within the existing California delivery system and regulatory environment. The demonstration expects to:

1. Encourage financial alignment that will support delivery system and process re-engineering to improve patient care quality and efficiency.
2. Allow for shared savings among health plans, providers, employers, and patients.
3. Develop and test solutions to bundled payment implementation issues.

#### Progress:

- IHA has recruited over 20 facility / professional organizations to participate in the program.
- Extensive work completed to rigorously define 6 episode procedures including: knee and hip replacement, knee arthroscopy w/menisectomy, cardiac catheterization, cardiac angioplasty w/stents.
- Data consultants and health plans have worked collaboratively to provide hospital participants with comprehensive data sets critical to episode price setting.
- Contract templates developed to assist health plan/provider negotiations
- Conducted webinars and developed supporting documents to facilitate gain sharing method design.
- Aetna is “live” at Hoag Hospital, awaiting initial patients.
- Blue Shield of California has signed contracts with Hoag and Monterey Peninsula Surgery Center. Go-live date pending contract approval by California's Department of Managed Healthcare (DMHC)

## Integrated Healthcare Association

### Bundled Episode Payment Pilot

#### Challenges:

- Demonstration component of project well behind timeline.
- Key barriers include: (1) small sample size in orthopedic procedures within commercial population; (2) lack of capability of commercial payers to adjudicate bundled payments, and (3) decision by some plans to pursue bundled payment outside pilot.
- Participants have struggled to negotiate and execute contracts in timely manner.
- Hospitals and physician organizations have had difficulty executing the organizational changes and agreements necessary to support a bundled price bid, given the small numbers of patients for knee and hip replacement at any given facility for any given commercial PPO population.
- The implementation delays will limit the evaluation period.

#### Participants:

	PPO—Knee and Hip			HMO/MA
	Aetna	BSC	CIGNA	HealthNet
Hoag*	Complete	Complete	2012	NA
Monterey ASC	4Q	Complete	2012	NA
Cedars-Sinai	4Q	4Q	2012	NA
Monarch/Saddleback	4Q	4Q	2012	2012
UCLA	4Q	4Q	2012	NA

\*Hoag is currently implementing total knee replacement bundle only

**Second cohort:** Brown & Toland Medical Group, HealthCare Partners, St. Joseph Heritage, St. Joseph Hospital, St. Jude, Mission Hospital, Alta Bates and Summit Medical Center (Sutter), Scripps, John Muir, Eisenhower, Torrance Memorial, Surgery One ASC, Arrowhead Orthopedic Group