Bundled Episode Payment & Gainsharing Demonstration
Overview for AHRQ Grantees Meeting -- September 9, 2013

Objectives

- Test feasibility/scalability of bundled payment episodes in multi-payer environment
- Develop 10 bundled episode definitions
- Recruit 20 physician/facilities teams for health plan contracting in multiple payer settings
- Evaluate implementation of hip and knee episodes (RAND)
- Disseminate key lessons and best practices

Results

- Resources developed to support bundled payment, including model contracts, data collection for pricing and 10 episode definitions (5 orthopedics, 3 maternity/women's health, 2 cardiac)
- Initially recruited 6 health plans and 8 hospitals and hospital systems; 3 of 6 health plans and 2 of 8 hospitals (plus 1 ambulatory surgery center with 4 facilities) signed contracts for hip and/or knee episodes.
- Patient volume was low with 25 cases completed at hospitals and 100+ cases at ASCs through the demonstration time period, which is ongoing among the partners
- Qualitative evaluation of implementation for knee and hip replacement (RAND)
- Dissemination activities underway – peer-reviewed manuscripts, IHA-branded issue briefs, resources (episode definitions, model contracts, technical white papers posted on website), and policy roundtable

Findings

- Balancing risk and reward – health plan versus hospital perspectives on price were substantial
- Information systems and claims payment – daunting administrative implementation challenges
- Regulatory constraints – unfamiliar payment model raised questions about risk, created significant delays with initial contract approval process taking 9 months
- Episode definition – lengthy negotiations about comprehensiveness of episode (length, exclusions)
- Insurance benefit design – misalignment of copays, coinsurance with bundled payment arrangement
- Low patient volume – small number of patients/procedures at intersection of each plan and hospital

Implications

- **For practitioners:** Despite challenges, the IHA demonstration project produced an array of publicly-available resources (e.g. episode definitions, model contracts) and extensive documentation of technical issues and approach to resolution. Others undertaking bundled payment initiatives, such as Wisconsin, have adopted IHA's episode definitions and benefited from hard-won lessons learned.
- **For policymakers:** Implementation of bundled payment is challenging for a host of reasons, and widespread adoption is unlikely in the near term.
- **For researchers:** Simulations using secondary data are easier to control than evaluation of real-world implementation; plan for slow and non-linear progress.