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BPCI: First Results and Fresh Insights

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With the first quarter of performance data released for Medicare's Bundled Payment for Care Improvement (BPCI) initiative, participants are in one of two camps: relieved that they saved money, or wondering if they can really reduce costs of care in the area they selected. Among the organizations we have observed directly, all were able to achieve overall savings on the episodes they selected.

As we analyze claims data and identify possible ways to achieve savings, we are learning more about how to make bundled payments successful. Here is a case study from one healthcare organization, and some fresh insights on strategy.

The organization—a large, university-affiliated hospital—chose to target major joint replacement of the lower extremity, using BPCI model 2 (admission plus 90 days post-discharge). It was determined that the organization needed 4 percent cost savings to cover the discount to the Center for Medicare & Medicaid Services (CMS) and any incremental operating expenses.

Preliminary results from the first quarter suggest that the hospital can achieve up to $900,000 in CMS cost savings on 300 episodes. That's $3,000 per episode after the 2 percent discount (almost 10 percent savings on the historical episode cost), with a maximum physician incentive payment of $1,500, assuming quality measures are met. Additional incentives for physicians may be possible if hospital operating costs are also reduced.

Not surprisingly, physicians are asking to become involved in other MS-DRG families in the BPCI program to increase opportunities for gainsharing.

The hospital focused on reducing costs for post-acute care and readmissions by:

- Working to discharge patients directly to home care rather than to skilled nursing facility (SNF) care, when appropriate. The average cost per episode was about $12,000 less for those discharged directly to home care
- Reducing SNF length of stay by funneling admissions to facilities willing to work with the hospital's care coordinator on transitioning home

Although 20 percent of patients had readmissions within 90 days, only a third of those readmissions had occurred at the hospital. By working to reduce total readmissions while increasing the percentage of readmissions made to their facility, the organization aims to improve continuity of care for patients while increasing hospital market share. So far, the hospital has reduced total readmissions and increased its share of readmissions to approximately two-thirds.

These results were achieved with relatively low program costs: Dedicated committees were created to oversee the initiative, and a full-time nurse care coordinator was hired. By keeping spending low, there are more savings to be shared with physicians.

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Many BPCI participants have just "dipped their toe in the water," with a few MS-DRG families and a few hundred episodes. It's less about the additional revenue than improving alignment with key specialists and gaining experience with value-based payments.

CMS is not planning another "open enrollment" period. For the 5,000 provider organizations currently considering whether to participate on a risk basis, the stakes are high.

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