

## **Federal Healthcare Reform Payment Bundling**

### **Issue**

As the discussion around health care reform and its fiscal impact continue, many are looking for ways to reduce costs associated with the delivery of services. One such approach that has been identified is the bundling of payments for episodes of care rather than paying for individual visits or procedures. Bundling generally means paying two or more providers jointly for the services they provide during an episode of care (as opposed to paying for each visit and individual service the patient needs during that episode).

Several health care reform proposals being considered include various payment bundling proposals. In most instances payment bundling is discussed in the context of hospital and post-hospital care. Current proposals include language that would pay a single fee to hospitals to cover the inpatient care and the post-acute care services occurring in the 30 days after discharge from the hospital. Admissions for certain conditions would be included for those that account for the top 20 percent to 50 percent of post-acute spending such as pneumonia, heart failure, and psychoses.

The payment would be calculated as a combination of the current Diagnosis Related Groups (DRG) hospital payment plus an amount that is equivalent to the average cost of care provided in the 30 days after discharge across all post-acute care settings for treating patients admitted for the DRG. Hospitals would receive full bundled payment regardless of whether a specific patient received any post-acute care outside of a hospital, but Medicare would also not pay for any additional services for the month following the inpatient hospital stay.

### **Current Status**

Currently all of the health care reform proposals include payment bundling language of some type. The Senate proposal contains specific language that would legislate how payment bundling would take place while the House version gives the Secretary of Health and Human Services the authority to implement reforms in the area through pilot projects.

### **SJHS Position**

St. Joseph Health System supports the goals of improved care coordination and cost reduction through payment bundling given it is implemented in a well thought out and deliberate manner. The Health System is supportive of legislative proposals that will allow the Secretary of Health and Human Services to introduce payment bundling pilot projects throughout the country so as to determine the true impact of such a reimbursement mechanism on quality coordination, cost control and patient outcomes. A pilot approach is preferable to immediate enactment, because it would address many of the uncertainties associated with this approach prior to Nation-wide implementation.