

What is Episode (Bundled) Payment?

A single price for all services needed by the patient over an episode of care.

Examples:

- Procedural episode: Single price for knee replacement covers surgeon, anesthesiologist, hospitalist, hospital stay, device, and treatment of complications (including readmissions) from date of surgery to 90 days out.
- Chronic condition episode: Single price covers all professional and inpatient treatment of patient's diabetes and complications, including admissions and readmissions for defined period of time, e.g. one year.

Why Bundle Payment?

- Aligns financial incentives between physicians and hospitals without transferring insurance risk—patient is known to need treatment.
 - Incentives to improve quality and efficiency.
 - Mechanism for three-way shared savings through MD-hospital risk share and lower negotiated rates.
- Clear indications that Medicare intends to pay hospitals this way in the future. Current demo succeeding, support for expansion in PPACA.
- PPACA requires Medicaid demonstration 1/2012.

Regulatory Issues

Administrative model: one party (IPA or hospital) acts as general contractor, disperses payment.

- Payment timeliness.
- Hospital as general contractor:
 - Corporate practice of medicine re: payment for services in MD office.
 - Physician referral and anti-kick-back statutes.
- IPA as general contractor:
 - Knox-Keene implications on assuming facility risk.
 - Anti-trust concerns over representing multiple surgeon practices.