

Part B Insider (Multispecialty) Coding Alert

Part B Payment: CMS Unveils Bundled Payments Initiative

Under the new program, physician's pay for a hospital procedure would be bundled with hospital charges.

CMS wants to take medical practitioners' collaboration to a whole new level with its new Bundled Payments for Care Improvement initiative, which it announced on Aug. 23. Under the program, CMS would bundle together all payments for services that take place during a single episode of care (for instance, a hip replacement)-- which would mean the end of separate payments for hospitals, physicians, and other clinicians who provide care to patients during the same episode.

CMS believes that bundling payments would result in better care for patients by reducing duplicate services and preventing medical errors, all while saving money. "Patients don't get care from just one person -- it takes a team, and this initiative will help ensure the team is working together," said HHS Secretary **Kathleen Sebelius** in an Aug. 23 statement. "The Bundled Payments initiative will encourage doctors, nurses and specialists to coordinate care. It is a key part of our efforts to give patients better health, better care, and lower costs."

CMS isn't currently forcing practitioners to participate in the Bundled Payments initiative. Instead, you can apply to participate in one of the four models that CMS is testing, as follows:

Model 1: The episode of care includes the acute care hospital stay only

Model 2: The episode of care includes the acute care hospital stay and post-acute care associated with the stay

Model 3: The episode of care includes the post-acute care only, starting with the discharge from the acute inpatient stay

Model 4: A single, prospective bundled payment would be made to encompass all services furnished during an inpatient stay by the hospital, physician, and other practitioners.

CMS Looks to Previous Bundled Program for Incentive

The Bundled Payments initiative is rooted in previous, similar experiments, including the Medicare Participating Heart Bypass Center Demonstration, which took place in 1998. Under the program, four hospitals based in various parts of the U.S. were paid a single global rate for inpatient hospital and physician services for coronary artery bypass graft surgery, as well as any related readmissions.

Over the course of the Heart Bypass Demonstration, it saved Medicare \$42.3 million on bypass patients, which amounted to about ten percent of expected costs. "From a patient perspective, bundled payments make sense," said CMS Administrator **Donald Berwick, MD**, in an Aug. 23 statement. "You want your doctors to collaborate more closely with your physical therapist, your pharmacist and your family caregivers. But that sort of common sense practice is hard to achieve without a payment system that supports coordination over fragmentation and fosters the kinds of relationships we expect our health care providers to have."

AMA Supports Trying Out the Model

At this point, it is still unclear how physicians would collect their portion of a bundled payment and how the distribution of funds will take place overall, but the American Medical Association appears to be optimistic about the possibility of the program.

"We are pleased the initiative provides flexibility and a range of models," said the AMA's immediate past president **Cecil B. Wilson, MD**, in an Aug. 24 statement. "This may be an important opportunity to learn how to organize these approaches to improve patient care, quality, cost of care, and practice economics. We look forward to reviewing the



details of the application criteria, and we urge CMS to encourage applications for physician-led bundling initiatives."

Applicants who are interested in participating must submit a letter of intent to CMS by Sept. 22 for Model 1, and by Nov. 4 for models 2 through 4, CMS says. For details on the program, including how to apply, visit www.innovations.cms.gov and click on "Bundled Payments for Care Improvement."