

# Bundling and Coordinating Post-Acute Care (BACPAC): A Toolkit for Preliminary Modeling and Implementation



## Synopsis

A study of a sample of linked Medicare fee-for-service claims completed by Dobson DaVanzo & Associates, LLC investigates the feasibility of alternative approaches to bundling payments for post-acute care services. Structured as a “toolkit,” the Bundling and Coordinating Post-Acute Care (BACPAC) analysis elucidates issues related to the structure, components, and attributes of post-acute care payment bundles (excluding the initial acute care hospitalization) and models the financial impact of various design parameters.

## The Issue

As policy-makers consider potential reforms to the current fee-for-service health care system to “bend the cost curve” and extend the life of the Medicare trust fund, they are considering changes to the way Medicare payments are made to post-acute care providers. The Center for Medicare and Medicaid Innovation (CMMI) has implemented a Bundled Payments for Care Improvement (BPCI) Initiative that tests various models for bundling payment, including “Model 3,” which limits bundles to post-acute care services only. In general, individual hospitals currently do not possess the infrastructure and experience to manage post-acute care. This analysis focuses on post-acute care-only bundles (excluding index hospitalization) as this approach may allow the the bundling concept to be developed and tested while limiting the risk and impact on providers and patients. In this analysis, sponsored by the Alliance for Home Health Quality and Innovation, researchers investigate issues related to the structure, components, and attributes of post-acute care only payment bundles, and model the design and impact of such bundled payments.

## The design parameters explored in this analysis are:

- Structure of BACPAC bundles, including episode trigger, clinical condition categories included, bundle length, care settings included/excluded, and the role of the convener;
- Risk-adjustment of bundled payments by patient demographic and clinical characteristics;
- Payment blends and transitions;
- Distribution of payments to conveners and providers; and
- Implementation considerations, including quality measures, freedom of choice, and program evaluation.

## Study Conclusions:

- A post-acute care bundle triggered by a physician order to a home health agency, skilled nursing facility, or inpatient rehabilitation facility could be designed that incentivizes clinically appropriate and cost-effective care while mitigating provider risk.
- A convener role (either a third party or a provider) is essential to allocate patients to the most cost-effective and clinically appropriate setting.
- The larger and more homogeneous the volume the convener is responsible for, the more stable the bundled payments would be, thereby reducing provider risk.
- A hospital-discharge level convener (likely an individual hospital) would have limited volume, since hospitals are expected to manage their own discharged patients (and the funds allocated for such post-acute care) rather than refer them to other hospitals. As a result, hospital-discharge level conveners would face considerable risk of losses that could create access issues. By contrast, a regional level convener (which could be an insurer, benefits manager, hospital system, or post-acute care provider that receives patients from many hospitals) would have more volume and, as a result, be more stable.
- A series of blends and transitions, as well as an outlier policy, would mitigate provider risk and ensure quality of care.

## The authors recommend the following as considerations for further study of BACPAC payment bundles:

- 1 Potential inclusion of long-term care hospital admissions;
- 2 exclusion of planned and/or unplanned readmissions; and
- 3 the role of the convener and its interaction with beneficiary choice.

## About the Analysis

BACPAC analyses are based on a research identifiable five percent sample of Medicare beneficiaries' settings. Researchers linked claims data across all Part A and Part B care settings for each beneficiary and developed patient episodes to capture all Medicare utilization and payments over a fixed period of time. Following a detailed analysis of the pros and cons of various post-acute care bundled payment structures, convener organizations were simulated, aggregating claims at both the hospital referral region and hospital-level. Bundled payments were simulated based on a proposed blend of local market historical (80%), regional (10%), and national (10%) payments and an outlier policy.

## Bottom Line

In the Clinically Appropriate and Cost-Effective Placement (CACEP) Project,<sup>1</sup> the researchers had found that given the overlap of patients with similar clinical and demographic characteristics across post-acute care settings, Medicare could achieve savings of \$34.7 billion to \$100 billion over ten years by shifting patient care placement into different settings and reducing spending by varying degrees. It was therefore important to investigate how health care delivery and payment reform could be structured to produce Medicare savings, while incentivizing the placement of patients in appropriate post-acute care settings. BACPAC explores potential frameworks for structuring a post-acute care bundle as a means of achieving sustainable reform. In order to ensure quality of care for patients and to mitigate provider risk, there are key design and implementation issues for policy-makers to consider for bundling Medicare payments for post-acute care services. Further analysis is recommended to ensure that such a payment approach is well-suited to meet both patient and health care system needs.

<sup>1</sup> Clinically Appropriate and Cost-Effective Placement Project. October 2012. <http://ahhqi.org/research/cacep>

**Citation:** Al Dobson et al., Bundling and Coordinating Post-Acute Care (BACPAC): Toolkit for Preliminary Modeling and Implementation, (October 2013), <http://ahhqi.org/research/efficient-care>.

Contact: Al Dobson, [al.dobson@dobsondavanzo.com](mailto:al.dobson@dobsondavanzo.com); 703-260-1762