As seen in ***Healthcare Business Today***

Mandatory Bundles or Not, It's Time to Prepare Your Program

By David Fuller

As you may know, on October 13, 2022, CMS announced the extension of the Bundled Payments for Care Improvement Advanced (BPCI-Advanced) Model for an additional two years. The BPCI- Advanced was originally set to expire on December 31, 2023, but is now scheduled to end on December 31, 2025. For some providers, this announcement is viewed as an opportunity to extend their participation in the program. For others, it may mark the end of their participation in this particular alternative payment model (APM). And yet for many others, this announcement, unfortunately, provides another reprieve from having to understand just how APMs, such as bundled payment models, will impact their clinical operations and financial / market performance.

This "head in the sand" or "prayer" approach to an inevitable evolution in the current reimbursement structure sets these providers up for failure in the long term. Rather than ignore the potential challenges associated with what many view as an inevitable change, why not take advantage of the time we have now to prepare, understand the impact, and reorganize operations where necessary to best position your programs for what is to come?

At times, hesitation to directly evaluate and adopt these models may simply involve a lack of understanding of where to start. It can certainly be overwhelming and spark fear of the unknown for some. However, there are others that generally categorize these models as "financial losers," thus incentivizing them to hold off on what may be inevitable. If either of these perspectives resonate with you, Corazon would strongly recommend you simply take a closer look and assess your program's readiness for APMs. And note that certain key strategic service lines present excellent diagnosis or procedure types when considering such a strategy (more discussed on this later under *Starting Point*). Taking this simple step will provide valuable information related to their prospective impact on current operational design and financial performance, as well as what may need to change to better position the program for success in the long run.

As the nation's healthcare system continues its migration towards value-based care, payors are seeking avenues by which to share the risks associated with the current reimbursement model. Although episode-based payment models are not novel in nature, they are representative of the migration towards value-based care that eventually led to the advent of nationally mandated CMS bundled payment programs. While these once required bundles were placed on hiatus back in 2017, momentum towards the development and adoption of APMs with private and governmental payors has continued. In fact, ***more than 16% of hospitals have enrolled in CMS' BPCI-Advanced program to-date***. Clearly, there remains a certain allure to these models from providers and payors alike. Where payors are interested in sharing risk, the adoption of shared-risk payment models can serve to significantly improve providers' relationships with payors, which may ultimately result in increased market capture for providers. As with any new venture, it is critical that providers understand just what risks they are assuming prior to adopting a new payment model.

Starting Point

But again, where to start? In many of these APMs, profitability for providers is contingent upon the cost for the total episode-of-care spanning well beyond what occurs within the acute care setting. In many cases, this involves sub-acute settings of care that may not be owned or managed by the acute care providers. Thus, underscoring the importance of understanding the cost of care in all settings of the patient's full episode of care.

Rather than attempt to tackle everything at once, Corazon recommends focusing the initial assessment on patient types with a relatively prescriptive (and often more predictable) nature to their pre-and post-procedure care paths. Additionally, those where your program has significant experience are preferred, as it allows for an understanding of trending, as well as determining conditions that may cause variation or outliers in outcomes. Lastly, consideration should be given to those conditions or procedures with an associated high cost. Given these parameters and the areas of Corazon's focus, many of our clients hone their initial evaluations on cardiac surgery, coronary angioplasty, joint replacement, and spine surgery.

Key Considerations

Although there are several factors to consider with each patient type, the initial evaluation process can be managed in a step-wise fashion. Corazon recommends providers begin with an evaluation of:

1. Market position and opportunity for focused patient populations
2. Operational alignment among providers within the typical patient care path(s)
3. Length of stay performance compared to internal, regional, and national benchmarks
4. Complication rates and other root causes for variances in care paths
5. Payor mix with emphasis on targeted payors for an APM strategy
6. Direct cost of care by setting, including acute and sub-acute environments
7. Patient outcomes and key quality indices

Given the impact care and cost variances can have on the success of APM strategies, it is critically important that an assessment like this involves a high degree of granularity and root cause analyses.

As the assessment evolves, providers should give additional consideration to the following data points:

1. Contribution margin by patient type
2. Hospital admission source
3. Patient complexity mix compared to regional and national benchmarks
4. Discharge disposition

Although some factors may be out of a provider's control, it is important to understand them, as there may be strategies that can aid in counteracting any potentially negative impact.

Some of this data may be readily available, while other data sets may be difficult or seemingly impossible to obtain within hospital / health system information systems. However, working to understand these limitations is ultimately a fruitful exercise in determining a provider's readiness for an APM strategy. The aim should be to access reliable data that is readily available and easily replicable. When gaps in data availability exist, they can be informative and help to shape the direction of the next steps in the preparedness efforts of the provider.

Through recent work with clients, Corazon has realized additional benefits when undertaking these assessment efforts at a health system versus individual provider level. While one site may be a poor candidate to adopt an APM strategy in the near term, other sites may be excellent candidates for such a strategy. One such example involved a system with sites of service in metro, suburban, and rural markets. Where the "downtown" sites care for an inordinately high volume of complex patients with a relatively high degree in care path variances, the suburban and rural sites care for a more balanced patient population. In this situation, this factor and others were cause for recommendations that involved drastically different readiness timelines by which to adopt the health system's APM strategy. Additionally, several opportunities were identified within individual sites that were shared with the goal of systematizing care processes across all sites.

All aspects of the care continuum are not likely to be vertically integrated into a provider's clinical programming. Therefore, the relative importance of developing stronger relationships among all providers involved in a patients' care path is underscored through this assessment exercise. Whether they be clinic-based, acute care, sub-acute, or home health settings, healthcare providers will need to collaborate to minimize care and cost variances to be successful in this endeavor.

When done well, APM initiatives can be very effective in growing market capture and developing preferred payor relationships. At the same time, when hospitals / providers are not well organized or positioned for these initiatives, the impact on a program's financial performance can be disastrous. Although your program may not necessarily be interested or ready to adopt an APM model today, there is real value in understanding your relative preparedness now.

David Fuller is an Executive Vice President at Corazon, Inc. a national leader in program development for the Heart, Vascular, Neuroscience, Spine, and Orthopedic service lines, offering services in Consulting, Recruitment, Interim Management, and Accreditation. To learn more, visit www.corazoninc.com or call 412-364-8200. To reach the author, email dfuller@corazoninc.com.