

Direct Payment Bundles for Common Health Care Services

Employer's Forum of Indiana

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CONSIDERING HEALTH SPENDING

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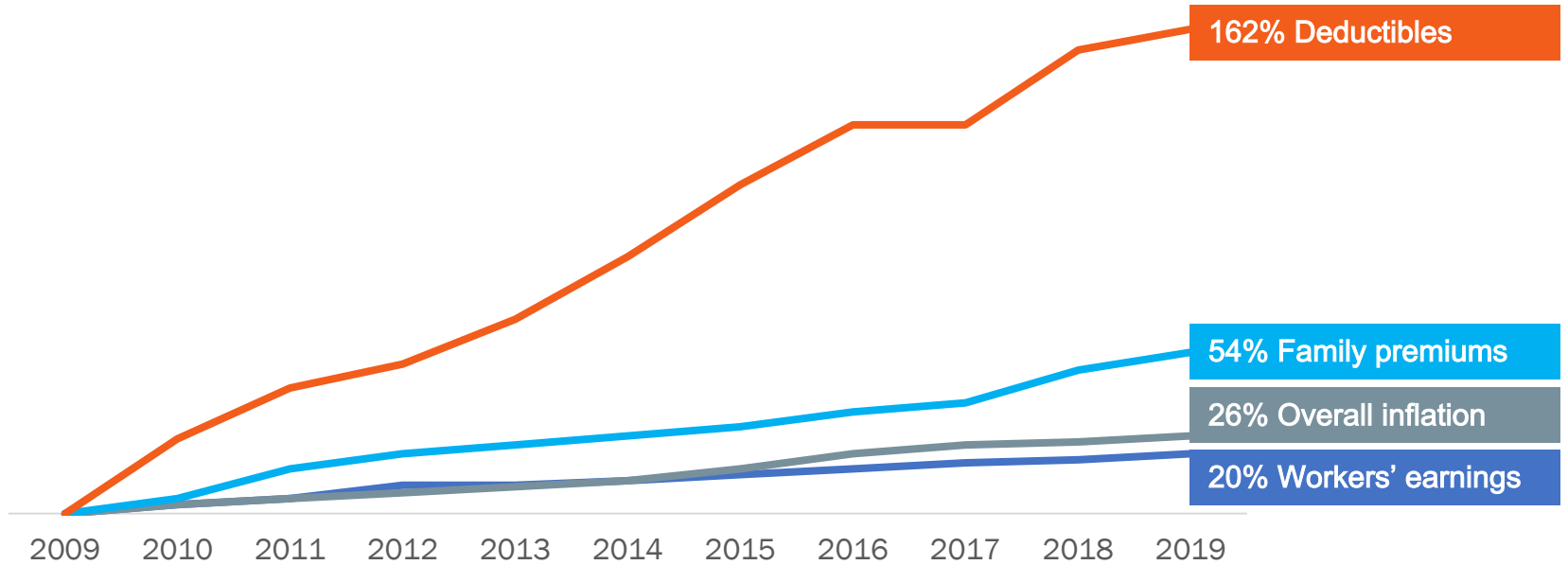
An Employer-Provider Direct Payment Program Is Associated With Lower Episode Costs

ABSTRACT Bundled payment has shown promise in reducing medical spending while maintaining quality. However, its impact among commercially insured populations has not been well studied. We examined the impacts on episode cost and patient cost sharing of a program that applies bundled payments for orthopedic and surgical procedures in a commercially insured population. The program we studied negotiates preferred prices for selected providers that cover the procedure and all related care within a thirty-day period after the procedure and waives cost sharing for patients who receive care from these providers. After implementation, episode prices for three selected surgical procedures declined by \$4,229, a 10.7 percent relative reduction. Employers captured approximately 85 percent of the savings, or \$3,582 per episode (a 9.5 percent relative decrease), and patient cost-sharing payments decreased by \$498 per episode (a 27.7 percent relative decrease).

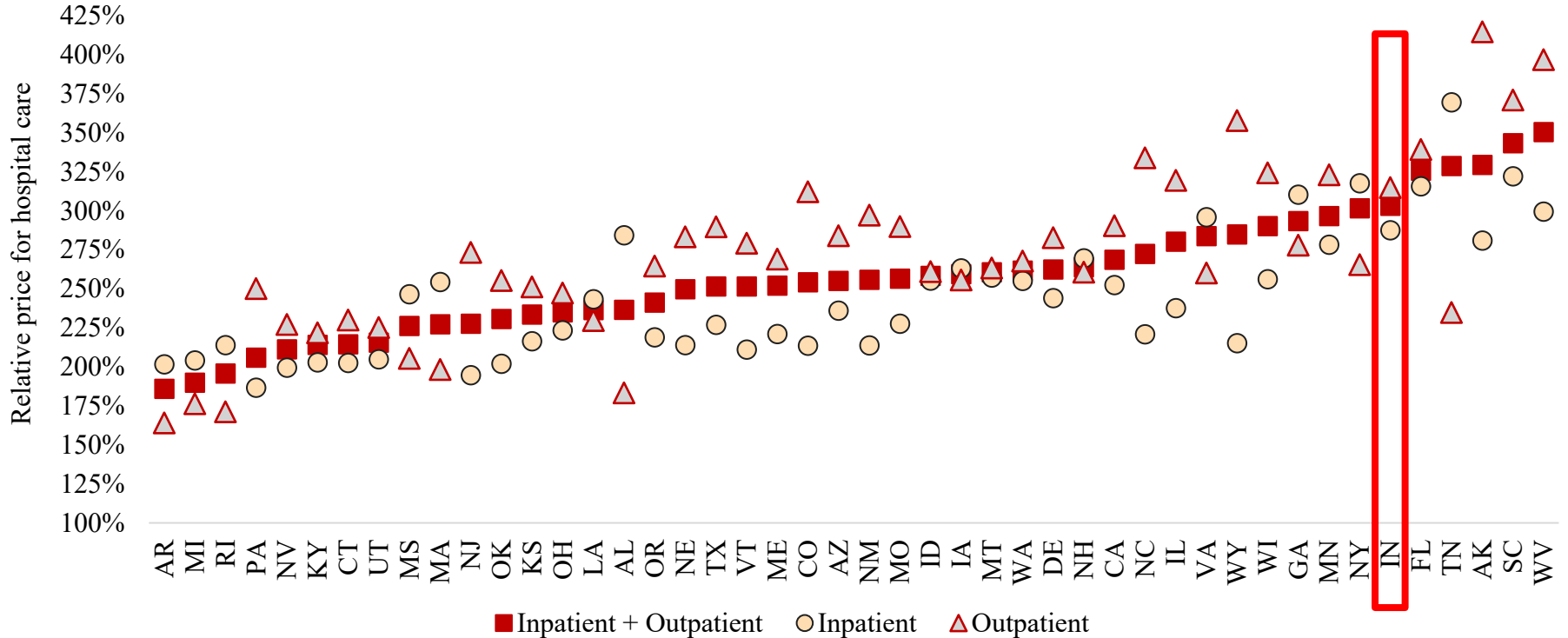
Acknowledgements

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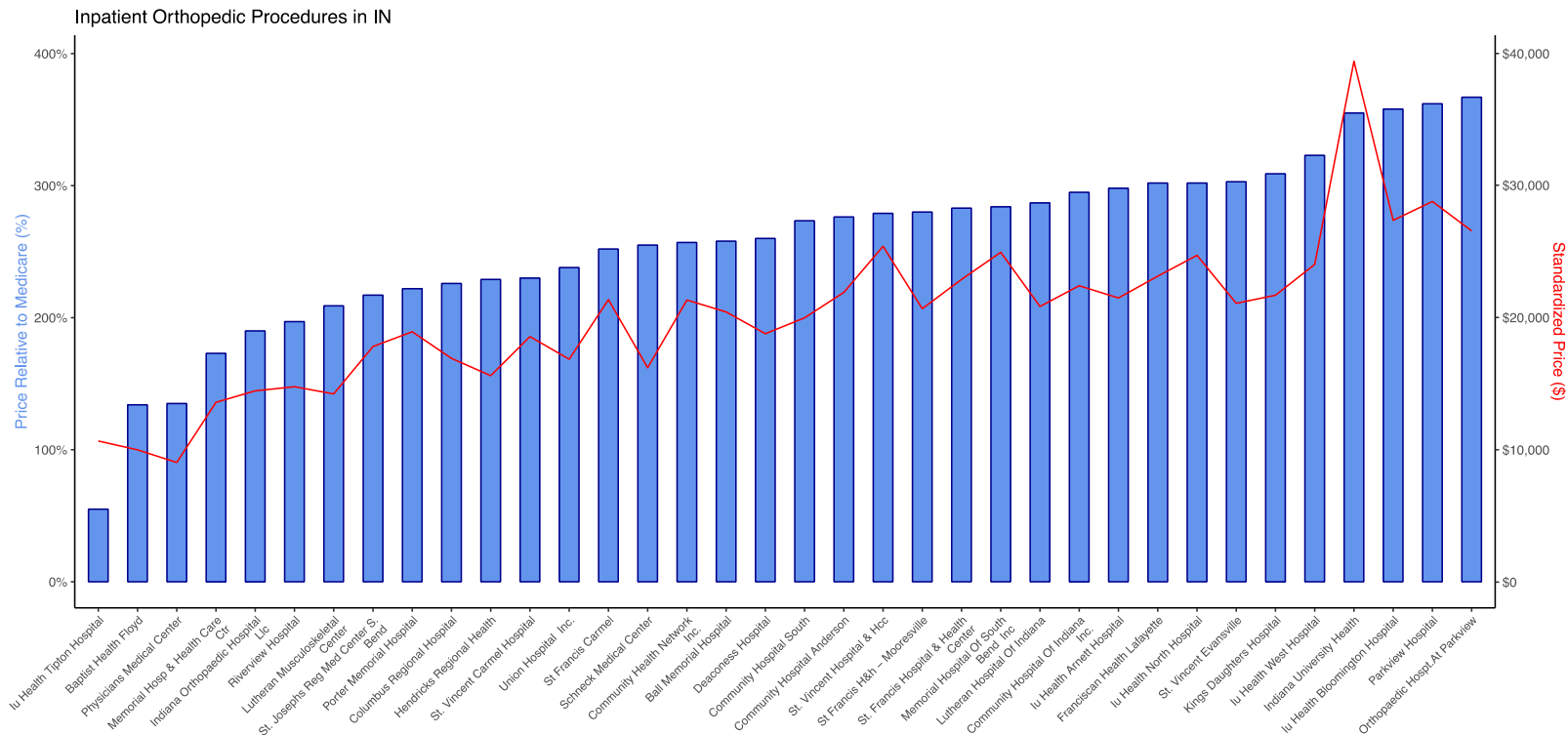
Over the past decade, premiums and deductibles have outpaced wages



Indiana hospital prices relative to Medicare are higher than other states



Indiana Orthopedic Surgery Prices Vary Widely



Traditional healthcare

Fee for service

Charge for every service individually

Every provider bills separately

No incentive to deliver better care

Weeks/months to be paid



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Bundled payments

Value based

Package all services into one 'episode'

Care billed as one coordinated team

Accountability to deliver better outcomes

Paid immediately



METHODOLOGY

8

organizations
included that
implemented Carrum

1k-100k

member
populations

2,372

completed
procedures



Spinal fusion



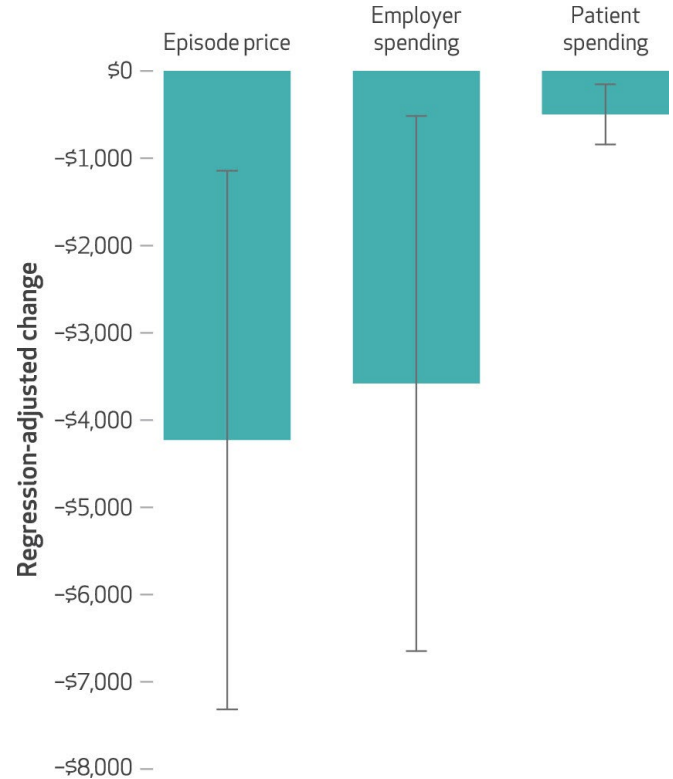
Joint replacement



Weight loss

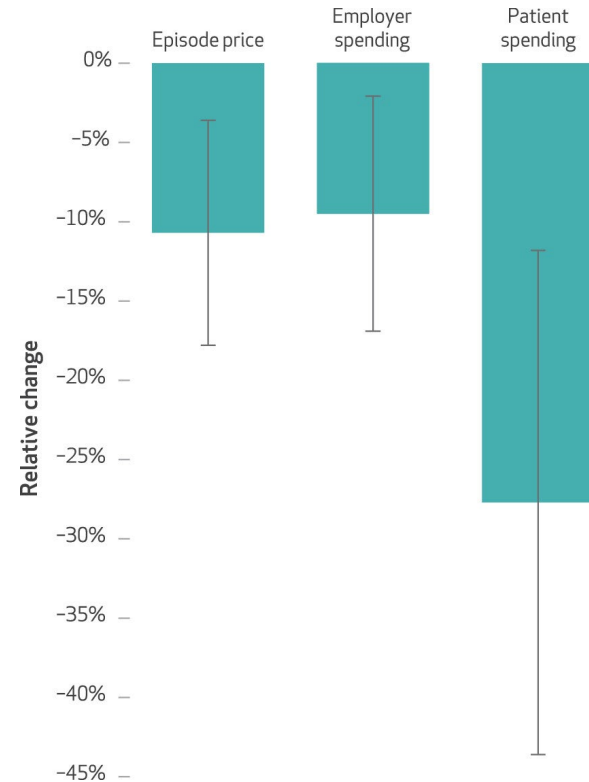
Main Findings: Changes in Episode Spending

- Following implementation, episode spending decreased by \$4,229
- Patient spending decreased by \$498
- Employers captured 85% of spending reduction
- 21% of eligible procedures went through the program
 - Procedures that did go through program were \$16,144 less expensive
 - 45% savings to employer



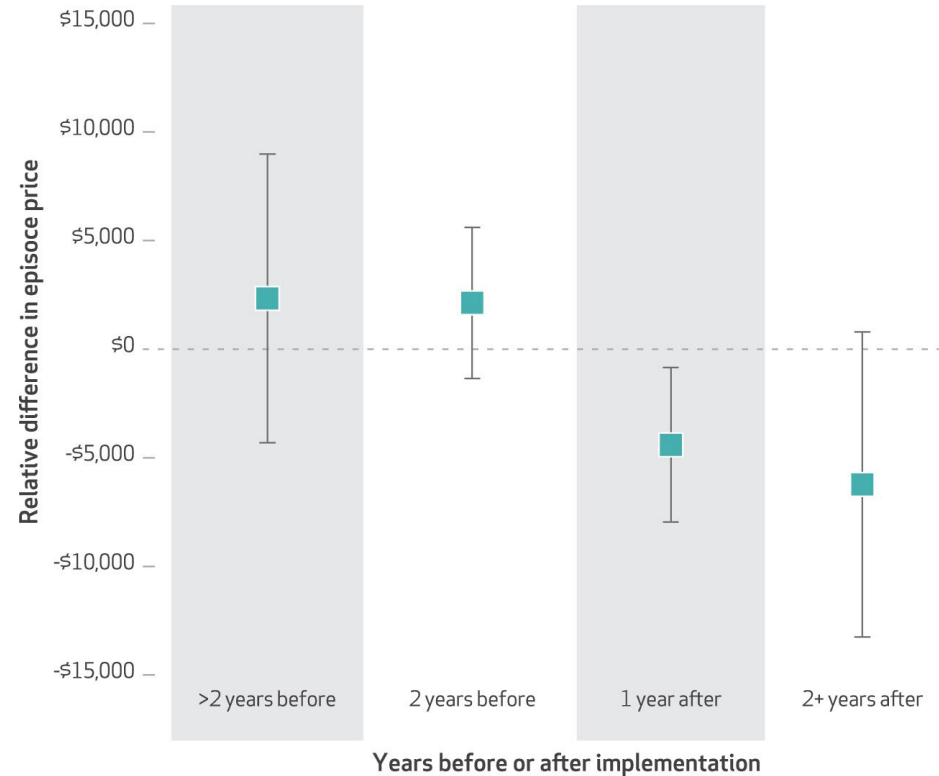
Changes in Relative Episode Spending

- Costs for participating patients were \$0, compared to over \$1,000 for non-participating patients
- 28% reduction in patient cost-sharing burden following implementation
- 30% of initial consults didn't result in surgery

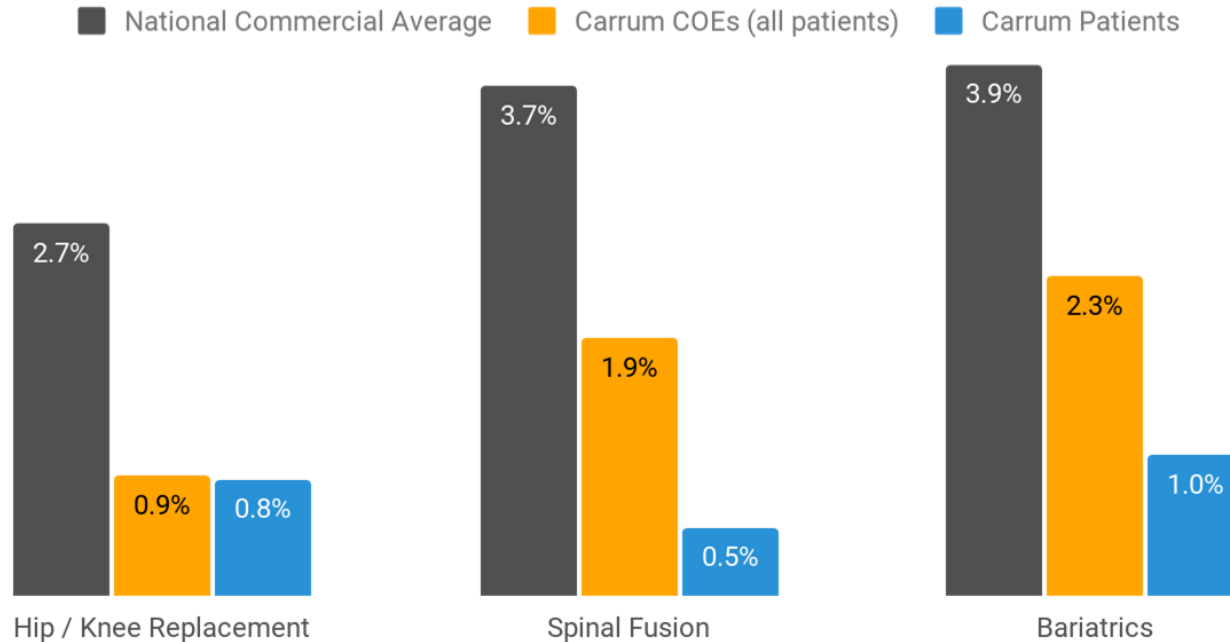


Savings Increased Over Time

- More patients used the program
- Patient and provider understanding of program increased
- Encouraging engagement is important



Readmission rates were 74-86% less compared to national average



Source: HCUP (2014), COE Rfl data, Carrum patient outcome analysis

Patient
savings



Employer
engagement

Provider
integration

What is potential future?

- Meaningful savings measured for 3 procedures and 8 employers
 - Recent growth among employers and expansion to 120+ procedures
 - Participation from other high-reputation providers
- Savings will likely increase as patients and providers become more familiar with bundled payments

Conclusion

- Rising health care costs place pressure on employers and worker wages—especially during the COVID-19 pandemic
- The wide variation in health care prices presents a potential savings opportunity for employers
- Innovative payment models can align incentives for patients, purchasers, and providers, leading to reductions in spending and improvements in outcomes

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