

MODEL OVERVIEW

The Bundled Payments for Care Improvement (BPCI) initiative tested whether linking payments for all providers that furnish Medicare-covered items and services during an episode of care related to an inpatient hospitalization could reduce Medicare expenditures while maintaining or improving quality of care. Model 2 episodes began with a hospital admission and extended for up to 90 days; Model 3 episodes began with the initiation of post-acute care following a hospital admission and extended for up to 90 days.

The BPCI initiative rewarded participants in Models 2 and 3 financially through reconciliation payments for reducing Medicare payments for an episode of care relative to a target price. Alternatively, when episode payments were higher than the target price, Awardees may have had to pay amounts to CMS. However, CMS eliminated repayment responsibility for some episodes and did not require participants to repay amounts when they fell below the target. The results in this report are based on 16 quarters of the initiative, and during the last four quarters, all participants were held financially responsible for the episodes they initiated.

PARTICIPANTS

Participants were able to join the risk-bearing phase of the initiative over an extended period, starting on October 1, 2013 through September 2015.

Of all participants, approximately 29% of Model 2 hospitals and 30% of Model 2 physician group practices (PGPs) withdrew from the initiative by September 2017.

BPCI Model 2, by the numbers

423	Model 2 hospitals
522,936	BPCI Model 2 hospital episodes initiated through September 30, 2017
272	Model 2 PGPs
467,552	BPCI Model 2 PGP episodes initiated through September 30, 2017

CLINICAL EPISODES EVALUATED

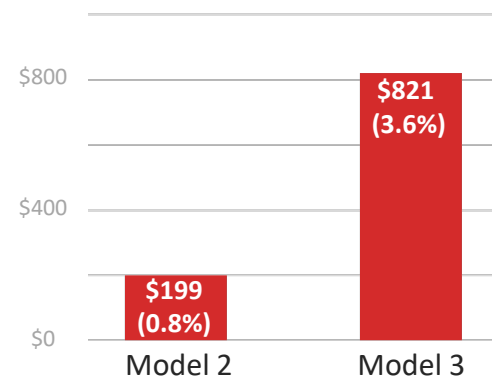
Analysis	Number of Clinical Episodes Evaluated
Overall Model 2 Hospital Analysis	32 Model 2 hospital-initiated clinical episodes
Overall Model 2 PGP Analysis	21 PGP-initiated clinical episodes
Comparison between Model 2 Hospitals and Model 2 PGPs	21 clinical episodes in common between participant types: 5 surgical and 16 medical
Total Eligible BPCI Clinical Episodes	48 clinical episodes

NET MEDICARE SPENDING



Despite decreases in fee-for-service (FFS) payments of \$824 million for Model 2 and \$139 million for Model 3, net Medicare spending increased by \$197 million (\$199 per episode, or 0.8% of the benchmark) for Model 2 and by \$100 million (\$821 per episode, or 3.6% of the benchmark) for Model 3 after accounting for reconciliation payments to participants (\$1,021 and \$239 million, respectively). If CMS had not eliminated payment responsibility for some episodes, reconciliation payments would have been lower (\$672 and \$201 million, respectively). Thus Model 2 would have had a net savings of \$152 million (\$154 per episode), while Model 3 would still have had a net loss of \$62 million (\$511 per episode).

Net Medicare Losses per Episode



OVERALL FINDINGS



UTILIZATION

Similar to findings among Model 2 episodes in prior evaluation reports, fewer patients who were discharged with post-acute care (PAC) services were discharged to an institutional PAC facility, such as a skilled nursing facility (SNF) or inpatient rehabilitation facility (IRF). Furthermore, of patients who had a SNF stay, the average stay was shorter among Model 2 hospital and PGP episodes relative to a comparison group.



QUALITY

The shift to less intense PAC services did not impact readmission rates, emergency department visits, or mortality among Model 2 episodes, consistent with previous findings.

COMPARISON OF HOSPITALS AND PGPs

A new analysis in this report compared hospital and PGP episodes from the 21 clinical episodes in common. It found for Model 2 medical episodes that hospitals generally substituted SNF and IRF services with home health agency (HHA) services, while PGPs tended to reduce payments for SNFs only. For Model 2 surgical episodes, hospitals tended to reduce payments for SNFs and IRFs with no change in HHA payments while PGPs tended to reduce payments for all three types of PAC services. There was no consistent pattern of change in quality results.

PAYMENTS

		Total Payments	Skilled Nursing Facility Payments	Inpatient Rehabilitation Facility Payments	Home Health Agency Payments
Surgical Episodes	Hospitals	-4.3%	-14.2%	-26.3%	2.8%
	PGPs	-7.7%	-25.3%	-52.8%	-18.8%
Medical Episodes	Hospitals	-2.4%	-10.4%	-9.4%	7.8%
	PGPs	-1.5%	-7.0%	4.0%	2.0%

UTILIZATION

		% of Beneficiaries Discharged to Any PAC Setting	% of Beneficiaries Discharged to Institutional PAC Settings Among Those Discharged to Any PAC	# of SNF Days Among Those Who had Any SNF Days
Surgical Episodes	Hospitals	-2.7	-5.0	-2.3
	PGPs	-9.3	-3.0	-4.3
Medical Episodes	Hospitals	0.5	-2.1	-2.6
	PGPs	-0.1	-1.7	-1.0

Dark blue bars indicate the difference between BPCI participant and comparison group estimates is statistically significant at the 5% level.

* Indicates the difference between the hospital and PGP estimates is statistically significant at the 10% level.

** Indicates the difference between the hospital and PGP estimates is statistically significant at the 5%

KEY TAKEAWAYS

Consistent with previous reports, the Bundled Payments for Care Improvement (BPCI) initiative independent evaluation found that BPCI resulted in reduced Medicare FFS payments for the majority of clinical episodes evaluated while maintaining the quality of care for Medicare beneficiaries. A new analysis found that the approach to reducing FFS payments differed by provider type for surgical and medical clinical episodes. Despite these encouraging results, Medicare experienced net losses under BPCI after taking into account reconciliation payments to participants, as in previous reports. Technical implementation issues, including the specification of appropriate target prices, may have contributed to these net losses. When BPCI ended, CMS began a new episode-based Advanced Alternative Payment Model, BPCI Advanced, which addresses some of the challenges of the original BPCI model. It remains to be seen whether BPCI Advanced will achieve net savings for Medicare.