

BUNDLED PAYMENTS



CURRENT STRATEGIES AND TOOLS



MARKET TRENDS REPORT

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Chapter 1: Executive Summary

INTRODUCTION

After decades of trying to control costs, a common belief among payers is that medical costs cannot be controlled under fee for service (FFS). Payers are now emphasizing that there is a hard upper limit to what they will pay and bundled payments and accountable care organizations (ACOs) are the highest profile mechanisms they have to make this clear.

Bundled payments are a kind of value-based payment (VBP) program representing a middle ground between FFS and capitation. Instead of separate payments for each service, organization, or clinician caring for the patient during an episode, all of the providers involved share a single payment. The purpose of bundled payment programs is to incent a group of providers and other organizations to deliver more coordinated care at a lower cost to the payer and its beneficiaries. The contract between payer and provider typically spells out the total payment amount as well as the expected level of care quality.

Bundled payment programs have been controversial. The results to date suggest that such programs can deliver quality care at lower cost under the right circumstances. For some episodes involving a hospitalization, bundled payment programs have shown an opportunity for savings, particularly in the post-acute phase of the episode. It is important to recognize that more experience with bundled payment programs will help increase support and acceptance from healthcare stakeholders.

This report describes the available IT solutions for enabling bundled payment programs. In addition to reviewing the current state of the market and technology available to providers for managing such programs, it describes vendors' efforts to supply that technology.

KEY TAKEAWAYS

The Centers for Medicare and Medicaid Services (CMS) sent conflicting signals in 2017-18 and dampened enthusiasm for bundled payments.

- Hospitals and health systems did not adopt bundled payments aggressively, but rather are waiting for CMS plans to crystallize.
- Providers have had a positive reaction to the Bundled Payments for Care Initiative - Advanced (BP-CI-A) program but harbor doubts about how many hospitals will actually join the program.

No vendor has a comprehensive bundled payments solution.

- Cost and quality reporting are the most widely available technology element.
- HIT vendors with strong population health management (PHM) capabilities can sell into bundled payment programs.
- Providers will have to assemble a bundled payments solution from various components since there is not a comprehensive solution offering on the market.
- HIT vendors will build more robust solutions as support for bundled payments grows.

Bundled payments programs point to opportunities created by better care coordination.

- HCOs are taking a broader view of costs and utilization and showing increased interest in lowering both in concert with post-acute providers.
- IT tools used in bundled payments are also applicable in many circumstances that involve hospital discharges of patients with post-acute care needs.

HIT vendors are interested in this market but moving cautiously.

- Hospital EHR vendors are slowly rolling out supporting workflows.
- Major analytics vendors see bundled payments as an opportunity to sell more reporting applications.
- Medical device companies also see opportunities to better support patients and clinicians with IT products.
- Smaller vendors such as Archway Health and Carrum Health have specialized offerings for oncology and self-insured employers respectively.

Chapter 3: Vendors and Solutions

Currently, no comprehensive IT solution for bundled payments exists. Most products on the market provide cost and quality reporting while offering relatively limited workflow functionality. Most HIT vendors with strong PHM capabilities have products that can help aspects of bundled payment programs. But providers will have to assemble a bundled payments solution from various components to fully support their efforts. HIT vendors will deliver more robust products and services as payer support for bundled payment programs generally grows.

VENDOR TYPES

Five types of vendors offer health IT solutions for providers seeking to successfully execute bundled payment episodes. We summarize these vendor types in Table 2. We profile 18 vendors in this report.

Vendor Type	Profiled Vendors	Strengths	Challenges
Acute EHR	<ul style="list-style-type: none"> > Cerner > Epic 	Ability to support hospital workflows	Limited offerings to date
Care Management	<ul style="list-style-type: none"> > CareEvolution > Medecision > Optum > xG Health 	Emphasizes cost and quality performance reporting	Have not taken holistic approach; limited to immediate post-discharge follow-up
Consultants	<ul style="list-style-type: none"> > Premier > Stryker 	Focused on analytics and reporting for performance metrics; service offerings	Functionality varies considerably
Medical Device	<ul style="list-style-type: none"> > DePuy Synthes > Medtronic > Zimmer Biomet 	Focus on operational aspects of care delivery; strong service offerings; analysis and reporting for performance metrics, including care coordination and patient engagement	Limited to orthopedic or cardiac procedures
Niche Episodic Payment	<ul style="list-style-type: none"> > Archway Health > Aver > Carrum > Change Healthcare > Clarify Health > naviHealth > Remedy Partners 	Able to define bundle inclusion/exclusion criteria; analysis and reporting for performance metrics	Functionality varies considerably vendor to vendor

Table 2: Bundled Payment Vendor Comparison

INCLUSION CRITERIA

To be included in this report, vendors must have:

1. Two live customers.
2. \$1 million in bundled payments related revenue in 2018.
3. All functionality is generally available.

We looked at technology from over 20 different vendors over the course of the last two years. Some vendors did not meet these criteria. There are also vendors that meet these criteria that we were unable to include because we were unable to gather enough information.

MATURITY OF BUNDLED PAYMENTS MARKET BY PRODUCT CAPABILITIES

There are relatively big differences among the product capabilities we examined. The vendors collectively have some functional capabilities that are more mature than others. Figure 4 provides our estimate of the market maturity of each of the product capabilities we examine in this report. If every vendor in this market had a mature capabilities, defined as broadly functional and widely deployed, then the bar for each functional category would extend to the vertical line in the figure.

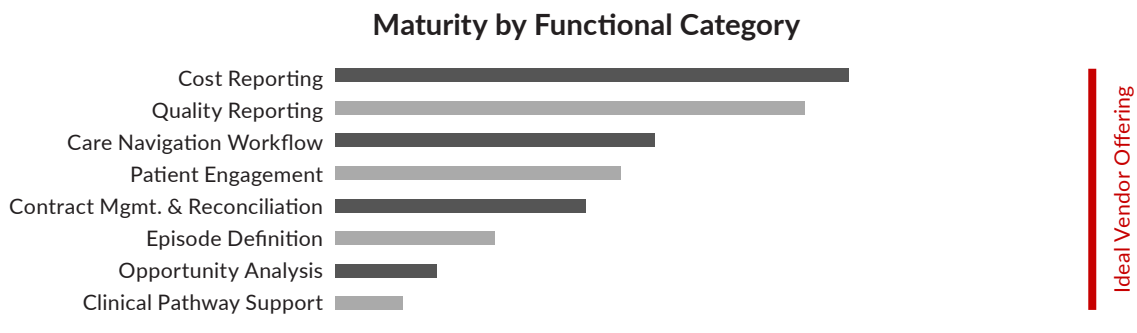


Figure 4: Maturity of Available Bundled Payments Offerings by Product Capabilities Category

Vendors have reasonably mature reporting capabilities. Cost and quality reporting can accurately describe what has happened in a given bundled payment program. Opportunity analysis and clinical pathway support have far less mature product capabilities available from these vendors. This means that providers looking to evaluate the opportunity must rely on a combination of gut instincts about their market and rudimentary data analysis – usually by spreadsheet – to decide whether it makes sense to pursue a bundled payments program. Functionality to help providers design and execute cross-organization clinical care plans is also rudimentary at this time.

It is important to remember that some of these vendors have fairly robust advisory services for evaluating opportunities for value-based payments and network formation and optimization. For such vendors, a software-based offering could cut into services revenues.

Appendix A: Scope and Methodology

To compile this report, Chilmark Research combined extensive primary and secondary research techniques. Primary research was divided into three distinct steps.

First, we solicited targeted vendors for their involvement in the research. We chose to include vendors that met the following criteria:

- > A minimum of 2 production clients.
- > A minimum of 25 employees.

Second, we asked participating vendors to complete a questionnaire whose purpose was to collect qualitative and quantitative information about the company and the markets it serves. Questions included the number of employees, primary market, number of healthcare entities currently using its solution, and more in-depth questions regarding functionality.

Lastly, we conducted briefings with each profiled vendor. These in-depth telephone interviews typically lasted 60 to 90 minutes and aimed to clarify responses to the questionnaire and gather additional information. This portion of the research gave us the opportunity to discuss issues not easily captured by a written questionnaire, including competitive positioning, product roadmap, partnership strategy, and which features are most attractive to prospective customers.

Prior to publication, all vendors reviewed their profile narratives for fact-checking purposes. Their comments and feedback were considered and, where relevant, incorporated into the final profile narratives.

In compiling this extensive report, Chilmark Research maintained absolute objectivity throughout the entire research process. It is our sincere hope that this report brings greater clarity to this developing market.

Acronym	Explanation
ACO	Accountable Care Organization
AMC	Academic medical center
BPCI	Bundled Payment for Care Initiative
CCJR	Comprehensive Care for Joint Replacement
CMMI	Center for Medicare & Medicaid Innovation
CMS	Centers for Medicare and Medicaid Services
FFS	Fee-for-service
GPO	Group purchasing organization
HCO	Healthcare organization
HHS	Department of Health and Human Services
IDN	Integrated Delivery Network
LTPAC	Long term and post-acute care
MSSP	Medicare Shared Savings Program
PAC	Post-acute care
PHM	Population Health Management
PRO	Patient-reported outcomes
SNF	Skilled nursing facility
VBP	Value-based Purchasing
VBR	Value-based Reimbursement
OCM	Oncology Care Model

Table 9: List of acronyms used.

Appendix B: About the Author



Matt Guldin brings with him a diverse array of knowledge and experience about the healthcare industry having worked in a variety of capacities including pharmaceutical consulting, medical education, and academic research. Prior to working with Chilmark Research in his current role, Matt worked as an IT analyst monitoring and analyzing emerging trends, technologies, and market behavior in the Healthcare IT industry (HIT) in North America. He worked with such major industry brands as Lumeris, Thomson Reuters and Siemens. It was with the recent Cerner acquisition of Siemens that brought Matt back to the Chilmark family.

Matt is interested in how the HIT industry is gradually evolving from one that accomplished basic administrative and clinical functions to one that begins to enable more dramatic transformational change across the healthcare industry. Mr. Guldin has also held positions at the Managed Health Network (Health Net), Tufts Health Care Institute, the Boston University School of Public Health, and Metaworks, Inc. He holds a Master's in Public Health with a concentration in Health Policy and Management from the Boston University School of Public Health and a B.A. in Biology from Boston University.



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