

White Paper

# Four Steps to Develop, Implement, and Operationalize a Bundled Payment Strategy

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In the continuing effort to increase quality and decrease costs, health plans and providers are shifting from volume-based care (fee for service) to a value-based reimbursement structure (fee for value). Value-based reimbursement promises benefits to patients, providers, and health plans, as it encourages delivery of high quality care at the lowest cost, largely by improving clinical and administrative efficiency.<sup>1</sup>

This paradigm shift to value-based reimbursement creates increasingly complex reimbursement scenarios for health plans. According to a “Journey to Value” study Change Healthcare commissioned, an overwhelming 97% of health plans and 91% of hospitals are now deploying a complex mix of value-based reimbursement and fee-for-service reimbursement.<sup>2</sup> Health plans and hospitals see bundled payment as the fastest growing value-based payment model and predict that bundled payment will account for 17% of reimbursements in the next five years.<sup>3</sup>

Bundled payment uses care episodes as a foundation for payment models, but an “episode of care” is itself not a new idea. Obstetrical care, surgical care, and even diagnosis-related groups (DRGs) are long-held examples of clustered services with care pathways, process and quality measures, and specific outcomes. Despite the fact that they have been in use for decades, the rise of bundled payment as a popular value-based reimbursement model is leading some in healthcare to equate bundles and episodes as synonymous.

While bundled payments are always episodes, episodes are not always bundled. Care episodes can have applications and benefits in mixed- and value-based arrangements aside from bundled payment. Moreover, while bundled payment models are appealing to health plans, the complexity of these models makes them difficult to effectively scale. Leveraging technology such as a claims analytics tool can

<sup>1</sup> Fried, Bruce Merlin, and Jeremy David Sherer. “Value Based Reimbursement: The Rock Thrown Into The Health Care Pond.” Health Affairs. July 8, 2016. <http://healthaffairs.org/blog/2016/07/08/value-based-reimbursement-the-rock-thrown-into-the-health-care-pond/>.

<sup>2,3</sup> Change Healthcare Research. Journey to Value: The State of Value-Based Reimbursement in 2016. June 2016.

give health plans access to a comprehensive platform for navigating through their claims data to gain strategic insights that inform their value-based reimbursement strategies. Identifying the best path forward can sometimes be the biggest challenge. This four-step quick-start guide can help you develop, implement, and operationalize a successful bundled payment strategy for your organization.

### **Step 1: Unlock Access to Your Claims Data**

Moving from fee-for-service claims analysis to value-based claims analysis requires specialized tools to ensure your claims data is accessible and actionable. The first step is to get visibility into your organization's episodic data in a format that allows you to explore the data and easily identify key metrics such as costs by episode. From there you can use the application to slice and dice the data to determine median costs, evaluate provider performance, and to identify outliers within your network.

Your claims data application should present your data in a format that is secure but easy to access, manipulate, and understand. You will be able to analyze episodes at a high-level, focus on specific episodes of interests, as well as drill down to view specifics about the providers. Getting even more granular, you can view the actual services attributed to a specific physician or practice in relation to the episode you are researching.

This level of detail, along with drill-down dashboards, plus standard and customized reports will let you quickly identify areas of opportunity for your bundled payment programs. Accessing data of this depth and breadth without burdening internal reporting teams will ensure you don't create cumbersome processes tied to enterprise analytics platforms that might force you to extend program launch timelines.

A cloud-based SaaS (Software as a Service) platform requires minimal IT overhead, and lets you start using the platform quickly to inform new bundled payment programs. Accessing your data within a robust, user-friendly application is a crucial first step to developing an effective bundled payment strategy that you can scale.

### **Step 2: Use Claims Analytics to Develop Your Bundled Payment Strategy**

Claims analytics is essential for the successful implementation of bundled payment. While unlocking access to your claims data is critical, organizing the data into actionable insights is the true value of analytics.

To inform your strategy, you need visibility into the delivery of care through an episode analytics lens. Reviewing claims data by episode and even by pre-and post-trigger lets you identify bundle and care model opportunities, define quality and savings targets, and define budgets.

An effective claims analytics tool also helps you analyze patterns in provider claims history and identify outliers at both ends of the spectrum—where total cost of care seems excessive, as well as where high performers deliver quality care at a reasonable cost. This lets you pinpoint which providers and which episodes of care will benefit the most from value-based reimbursement tactics, such as bundled payment.

Claims analytics can also help guide conversations with providers as you work together to understand where clinical transformation can happen. Useful analytics will empower you to identify ways to improve over- and under-utilization, reduce potentially avoidable costs, and increase clinical efficacy.

Because episodes of care analysis focuses on the total costs within a bundle, it can, for example, identify surgeons whose procedures result in fewer complications and readmissions. With that information, you can align provider incentives to encourage best practices so other providers improve their performance. Another essential element of an analytics platform is the ability to easily navigate through the application and toggle between different views of the data, such as by episode, by provider, and even by member. Being able to quickly manipulate the data, export it, and pull up graphs or tables within the application will support your analysis and collaboration with colleagues and providers.

Using claims analytics to give you actionable intelligence will help you to develop a successful

bundled payment strategy and also increase speed to market of value-based products that help increase your organization's savings potential.

### **Step 3: Collaborate Transparently with Your Provider Network**

To successfully achieve the goals of value-based reimbursement strategies, health plans and providers need to work together to have productive discussions around value and cost. Establishing trust for these discussions requires that you use credible third-party validated clinical and financial facts. Providers need confidence in the costs referenced and the care plans recommended.

A claims analytics platform that is certified to the standards of the Health Care Incentives Improvement Institute (HCI3) can produce clinically validated models of the appropriate range of costs and outcomes for myriad episodes of care, ranging from knee replacement to stroke. This third-party validation reduces the complexity of the analytics, and helps establish a foundation to enhance provider trust in, and alignment with, the key metrics on which physicians will be measured.

Access to a comprehensive claims analytics tool will help you have an articulate conversation with provider partners as you explore which services might cause cost and quality issues. Your ability to share detailed information by practice, provider, and member will support transparent, fact-based discussions as you work to identify potentially avoidable costs.

A dynamic platform can help you unlock your analytics to support your efforts throughout the lifecycle of your provider agreements. It can support network contract negotiations, network management, and can initially help you get buy-in for value-based reimbursement programs.

Lastly, benchmarking tools can allow providers to view their performance in relation to peers within geographic and episode volume parameters. As you look at claims retrospectively and, eventually, prospectively, analytics can help you understand where you're starting to bend the cost curve, so you can identify which strategies are or are not

improving care quality.

Effective bundled payment programs require close alignment with your provider network. A tool that promotes transparency and collaboration will support adoption and help you optimize savings.

### **Step 4: Operationalize Your Bundled Payment Strategies**

Given the complexity of administering bundled payment models, it's crucial to take advantage of analytics and automation technologies. Technology should be used to help you streamline the speed-to-market of value-based programs, allowing your organization to realize cost savings sooner.

Integration with your established systems is important, but the new reimbursement models require moving beyond the business processes and IT systems that were built to pay for individual health care services in isolation. Using a configurable, cloud-based claims analytics tool that doesn't require IT resources, and can integrate with your existing workflow and software, is ideal. This will allow you to quickly analyze and refine existing bundled payment programs, and more easily launch new programs.

As your bundled payment claims move to claims processing, the complexity of administering the program is compounded. It might be too cumbersome for in-house teams to manage the adjudication process with existing enterprise systems. A platform that uses a claims auditing rules engine will streamline incorporation of bundling into the adjudication workflow. This will also pave the way for a transition from retrospectively reconciling payment to prospective payment contracts, as your organization moves further along the value-based reimbursement continuum.

To ensure bundled payment programs continue to deliver value, ongoing monitoring and reconciliation of the programs is essential. The analytics engine should help monitor your programs against projections, calculate appropriate levels of reimbursement, and suggest further refinements to the model.

## Let's Get Started!

As health care delivery increasingly moves toward value-based reimbursement programs, the business and care models become increasingly intertwined. Organizations need tools that help identify how quality and care decisions impact costs, and support the implementation of value-based programs.

These programs provide the opportunity to change the dialogue between health plans and providers. Using a claims analytics tool that promotes visibility and transparency can help foster an environment of collaboration.

An existing solution, the HealthQx® analytics platform from Change Healthcare, delivers on all of the elements essential to supporting your bundled payment strategy as outlined in this quick-start guide. HealthQx can help you

unlock access to your claims data, leverage claims analytics, collaborate effectively with your provider network, and operationalize your bundled payment strategy to scale.

HealthQx is an on-demand software service that helps health plans and providers simplify and automate the design, deployment, and monitoring of complex mixed- and alternative payment models such as bundled payment, Accountable Care Organizations, and other at-risk arrangements. It provides at-a-glance dashboards and easy-to-use data exploration and visualization capabilities to empower data analysts, actuarial teams, and payment innovation leaders to bring healthcare business intelligence to light, enhance provider engagement, and improve transparency during contract negotiations.