The Potential Impact of Payment Bundling on End-of-Life Care

Ward W. Stevens, M.S.
Health Policy Fellowship 2012

Abstract

While providing quality and compassionate care to terminally ill Medicare patients is of the utmost importance, the issue of cost cannot be ignored. Each year approximately five percent of Medicare beneficiaries die, roughly 1.8 million individuals. Unfortunately, the needs of dying patients for a dignified death are not consistently being met and dying is expensive. Almost one-fourth of all Medicare expenditures are spent on beneficiaries during their last year of life. The percentage of Medicare beneficiaries over the age of 80 will grow triple between now and 2030. Medicare’s financial reimbursement systems need to encourage the best care in the best setting at the best cost for this vulnerable population.

The Patient Protection and Affordable Care Act of 2010 (ACA) authorizes demonstration projects to fund innovative payment models such as bundled payments. Bundled payments reimburse providers a lump-sum payment for a defined set of services provided during an episode of care. The goals of bundled payments include: 1) addressing the failure of fee-for-service payments to encourage health care providers to coordinate care across care settings 2) controlling the volume or cost of services, and 3) rewarding providers for providing quality care.

Bundled payments for end-of-life care might better incentivize providers to coordinate care resulting in care that is desired and valued by patients. The Center for Medicare and Medicaid Services should strongly consider conducting a demonstration project to determine if bundled payments can provide better end-of-life care and better cost.