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

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End-of-life care is an important issue

- Needs of patients and their loved ones are not being met.

- Care is expensive and will become more expensive due to demographic trends.

- Current Medicare reimbursement policies have created a fragmented health care delivery system.
A potential solution

Bundled payments provide one payment for a defined set of services for an episode of care.

Advantages: Improved *quality* and lower *costs*
Too many unnecessarily bad deaths. . .

1.8 million Medicare beneficiaries die each year.

End of life care lacks
- Palliative support
- Human presence and witness

Deaths marked by
- Fear
- Anxiety
- Isolation

Hastings Center 2003
Disconnect between care and needs and desires of patients and their families

- 93% of Americans feel that improving end-of-life care is important.
- 59% who suffered loss of a loved one rated the care delivered as fair or worse.
- 70% of Americans wish to die at home with loved ones but only 25% actually die at home.

70%+ Growth in Medicare Enrollment

Estimated Medicare Enrollment

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions of Beneficiaries</th>
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</thead>
<tbody>
<tr>
<td>2010</td>
<td>47</td>
</tr>
<tr>
<td>2020</td>
<td>64</td>
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<tr>
<td>2030</td>
<td>81</td>
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55% growth in beneficiaries 80+ years

Beneficiaries 80+ years

- 2010: 9.6%
- 2020: 10.9%
- 2030: 16.9%

Million Beneficiaries
Older beneficiaries cost 77% more than younger beneficiaries

2007 Per Capita Expenditures

- 85+: $13,173
- 75-84: $10,790
- 65-74: $7,411
Some end-of-life care might provide only marginal value

- 33% of beneficiaries who died had inpatient surgery in the last 12 months.
- 18% had a procedure in the last month.
- 10% had a procedure in the last week.
- 15% received chemotherapy in the last two weeks.
Current Medicare financial incentives

• Fee-for-service payments may incentivize futile services.

• Hospital Diagnosis Related Groups (DRGs) may incentivize discharge of patients in order to avoid a long length-of-stay.

• Skilled Nursing Facilities may transfer patients to hospitals to avoid the high cost of end-of-life care.

• Financial arrangements between hospices and long-term care facilities may represent a conflict of interest (MedPAC)
Financial incentives

- Patients may be dissuaded from seeking hospice care if they need high-cost palliative care

*Journal of Pain and Symptom Management, July 2009*
Advanced Illness Management Program – Sutter Health

- Responded to findings that patients received unwanted and inappropriate care at the end-of-life.
- Developed an integrated system of care for patients with late-stage chronic diseases.
- Preliminary results:
  - 63% fewer hospital admissions
  - Savings of $2,000 per patient per month
  - More satisfied patients, families and providers
  - Lost revenue greater than the dollar saving achieved
Bundled Payments

Address the failure of fee-for-service payments by

**Encouraging** cooperation among providers (within and across sites of care),

**Controlling** the volume or cost of services, and

**Rewarding** providers for quality care by sharing in savings.
Concerns and potential unintended consequences with end-of-life bundled payments

- Time of death is difficult to predict.
- Different patient groups have different needs.
- Necessary care may not be provided to patients.
- May limit ability to determine the effectiveness of new treatments that may help future patients.
- Providers may be unwilling to accept financial risk.
- Political danger – “Death Panels.”
Recommendations

- CMS Innovation Center should consider implementing a bundled payment initiative for end-of-life care.

- Key components:
  - Hospice benefits across all care settings
  - Exclude acute care services unrelated to terminal condition
  - Different models for different patient groups
  - Modified payment schedule to recognize high initial and final costs
  - Quality measurement tool
  - Ability of patients to exit the program with providers still responsible for payment for patient’s care
The difficult question

“The hard question we face, then, is not how we can afford this system’s expense. It is how we build a health-care system that will actually help dying patients achieve what’s most important to them at the end of their lives.”

Atul Gawande, M.D.