

Mandatory bundled-payment Medicare programs should stay, study suggests

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Hospitals that receive bundled payments for joint replacements either voluntarily or through Medicare's mandatory programs, vary by size and volume, but not in spending or quality, signaling a need for both programs, according to a new study from researchers at the Perelman School of Medicine at the University of Pennsylvania. The authors say the results show that voluntary programs tend to engage larger non-profit hospitals, whereas some hospitals with lower volumes and fewer resources might only participate under a mandatory program. The results are published this week in the June issue of the journal *Health Affairs*.

Some policymakers, arguing that mandatory bundled-payment programs disadvantage some hospitals, have called for these programs to be strictly voluntary. The study, however, found no evidence that hospitals in the mandatory program were obviously disadvantaged compared to their voluntary counterparts.

"Our results suggest that both voluntary and mandatory approaches can play an important role in engaging hospitals across the country, so policymakers should not restrict policy options to one approach over the other," said study lead author Amol S. Navathe, MD, Ph.D., an assistant professor in the department of Medical Ethics and Health Policy at Penn Medicine.

Medicare's bundled-payment model is a cost-containment strategy that has been rolled out on a trial basis for more than 2,000 U.S. hospitals in recent years. The most prominent bundled-payments programs have been those relating to knee and hip replacement surgeries, which account for a large portion of annual Medicare spending. Participating hospitals are incentivized to keep their spending per patient—for the joint-replacement surgery plus a few months of post-operative care—below a standard benchmark figure, while maintaining a high level of care

quality.

Initially the bundled-payment model for joint replacements was introduced as a voluntary option and enrolled more than 300 U.S. hospitals. Evidence of its success at lowering costs and maintaining quality led to a newer, mandatory program covering nearly 800 hospitals, as a prelude to a much wider use of bundled payment models. However, there have been concerns that some covered hospitals will not be able to achieve cost savings, and will stop performing these surgeries rather than lose money on them. The agency that administers Medicare, the Centers for Medicare & Medicaid Services (CMS), recently started cutting back its mandatory bundled payment programs and putting more emphasis on voluntary programs.

For the study, Navathe and colleagues used data from the American Hospital Association and CMS. They compared organizational characteristics and measures of costs and care quality for 302 hospitals in the voluntary bundled-payment joint-replacement program ("Bundled Payments for Care Improvement") and 799 in the mandatory program ("Comprehensive Care for Joint Replacement").

The researchers found no large differences in baseline spending, care quality, or financial risk exposure for voluntary vs. mandatory program hospitals. "The mandatory program does not seem to have disadvantaged its participants compared to voluntary participants on average, with respect to spending and care quality," Navathe said.

However, there were significant organizational differences between the two [hospital](#) groups. Those in the voluntary program were of course self-selected; they were on average larger, and handled a greater volume of joint-replacement surgeries. To some extent that was expected; as Navathe and colleagues have shown in a prior study, the hospitals that save money under bundled-payments

programs tend to be those that are larger, with a higher volume of procedures. What that means, though, is that hospitals in the voluntary program probably are not as representative of hospitals nationwide.

"In other words, we think mandatory bundled-payment programs can produce more generalizable evidence of cost-savings," Navathe said.

"These emerging bundled-payment policies should engage a broad range of hospitals in order to bring cost savings and quality improvements to patients across the nation—and that is likely to require a mix of mandatory programs and additional targeted voluntary programs," said study senior author Ezekiel J. Emanuel, MD, Ph.D., professor and chair of the department of Medical Ethics and Health Policy at Penn Medicine.

More information: Amol S. Navathe et al, Comparison Of Hospitals Participating In Medicare's Voluntary And Mandatory Orthopedic Bundle Programs, *Health Affairs* (2018). DOI: [10.1377/hlthaff.2017.1358](https://doi.org/10.1377/hlthaff.2017.1358)

Provided by Perelman School of Medicine at the University of Pennsylvania

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