

Bundled payments with co-pay waivers creates substantial cost savings

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Providing patients discounts for using medical providers that agree to charge one set price for expensive procedures such as knee replacement surgery can result in savings for both patients and payers, according to a new RAND Corporation study.

Studying three types of major surgical procedures for patients who had commercial insurance, researchers found that a bundled payments [program](#) reduced total surgery costs by an average of \$4,229, a 10.7% relative reduction.

As an incentive for patients, cost-sharing payments were waived for the 21% of patients who went through the program. Following implementation, patient payments decreased by \$498, a 27.7% reduction.

The study analyzed a program that negotiates preferred prices with selected providers that cover the procedure and all related care within a 30-day period after the procedure, waiving cost sharing for patients who receive care from these providers. The study is published in the March edition of the journal *Health Affairs*.

"Our results demonstrate that direct payments programs that use bundled [payment](#) mechanisms can have financial benefits for employers and patients," said Christopher M. Whaley, the study's lead author and a policy researcher at RAND, a nonprofit research organization. "Whether these results remain localized to a small number of 'big ticket' procedures or expand to broader patient populations and procedure types remain to be seen."

As a strategy to reduce costs for complicated procedures, [health](#) care payers have been turning to bundled payments where doctors, hospitals and other health providers share one fee for treating all aspects of a procedure. The approach is intended to encourage health providers to work together to

eliminate unnecessary care and improve quality.

Although bundled payment for elective surgical care has demonstrated some success among Medicare recipients, its impact among commercially insured populations remains understudied.

The RAND study evaluated a direct payments program developed by a private health care company that was implemented among self-insured employers between 2016 and 2020. Under the program, prospective bundled payment contracts are negotiated with participating providers, including [academic medical centers](#), large for-profit health systems, faith-based nonprofit health systems and surgeon groups.

The bundled payment contracts covered a range of procedures. Researchers analyzed results for the three most-common procedures—total knee and hip replacement, spinal fusion and bariatric weight loss procedures. A total of 2,372 procedures were evaluated by the study.

The program provided the biggest savings for spinal fusion surgery, followed by joint replacement surgery and bariatric surgery. After implementation, 23% of [spinal fusion](#), 16% of joint replacement, and 30% of bariatric procedures were administered through the program.

Researchers say the impacts of the program increased over time, potentially as both patients and providers learned about the program. Because employers bear the largest portion of costs, employers effectively saved \$7 for every \$1 in patient co-payments they waived.

"Bundled payments are gaining popularity in the Medicare system, but have not been adopted as widely by private insurance plans," Whaley said. "The wide variation in prices among the commercially insured population presents a meaningful opportunity to use similar incentive

structures to move patients toward lower-price providers."

Provided by RAND Corporation

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