Medicare's Step Back from Global Payments — Unbundling Postoperative Care

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Many experts believe that the U.S. health care system's continued dependence on fee-for-service payments is a key driver of excessive health care spending. Bundled payment, or payment of predetermined amounts for sets of related services, is one potential solution. In theory, bundled payments create incentives to reduce the use of unnecessary care while preserving treatment flexibility and reducing the administrative burden for provider organizations and payers.[1] Research suggests that bundling payments leads to modest reductions in spending without negatively affecting the quality of care.[2]

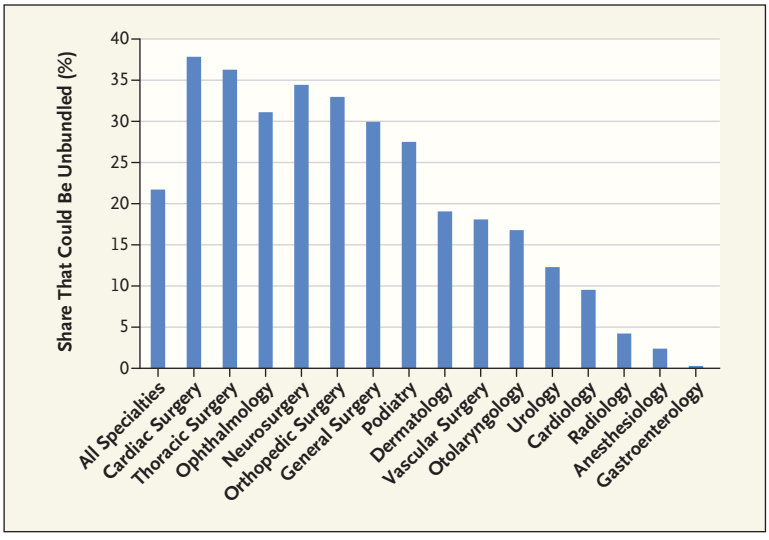
Medicare has gradually embraced bundled payment over the past three decades. The inpatient prospective payment system was introduced in 1983 and is credited with dramatically reducing Medicare spending. The new Bundled Payments for Care Improvement (BPCI) initiative focuses on improving care transitions and reducing costs by bundling inpatient and posthospital care across providers. Given its long track record with bundled payment, Medicare's recent decision to unbundle most postoperative visits from global packages of surgical services is striking.

Medicare payments to physicians for surgical procedures cover the surgery itself, preprocedure preparation, and immediate postoperative care, as well as practice and malpractice insurance expenses. For most surgeries, Medicare payments also cover a "global period": postoperative visits that occur between the day of the surgery and 90 days, 10 days, or 0 days later (i.e., on the day of the procedure only). For example, Medicare's current payment for total knee arthroplasty includes reimbursement for seven postoperative visits (three inpatient, one hospital-discharge, and three outpatient visits) that occur within 90 days after the surgery. Physicians who perform the surgery do not bill for these included postoperative visits, and therefore Medicare does not know how many are actually taking place. Physicians receive the same fixed payment for a knee arthroplasty regardless of how many times they see the patient after the procedure. Other practitioners providing postoperative care for the same patient during the 90-day period can be paid separately.

In November, the Centers for Medicare and Medicaid Services announced that all surgeries with a 10- or 90-day global period will be shifted to a 0-day global period by 2018.[3] The change was driven by concerns regarding the accuracy of the payment amount for postoperative care. Though the number of postoperative visits that actually occur cannot be tracked through reimbursement claims, in a study of medical charts, the Office of Inspector General of the Department of Health and Human Services found that the number of visits that have actually been taking place falls well short of the number included in the global surgical package.[4] Moreover, since hospitalists, intensivists, and nurse practitioners are increasingly billing for postoperative care, Medicare may be paying twice for such care — once to the surgeon and again to these other clinicians.

The elimination of these global surgical packages has major implications for surgeons. Under the current policy, bundled postoperative visits account for a large proportion of Medicare payments to surgeons. For many major surgeries, such visits account for more of the work — as measured by relative value units (RVUs) — included in the global surgical package than the procedure itself does. Because Medicare payment rates for physician work are calculated by multiplying the number of RVUs by a dollar-per-RVU conversion factor, removing some or all postoperative visits from global packages will reduce procedure payment rates. The net effect of Medicare's policy change on payments to surgeons is unclear. It hinges on how Medicare implements 0-day global payments and how physicians respond to the payment change — specifically, how they bill for postoperative care provided after the day of surgery.

Generating new estimates of the work required for procedures that currently have a 10- or 90-day global period will be challenging for Medicare. Although the Medicare Physician Fee Schedule lists the number of postoper-



Estimated Share of Physician Work and Payments That Could Be Unbundled under Medicare's Proposed 0-Day Global Periods, for 3179 Surgical Procedures.

Data represent the change in relative value units according to 2012 Medicare utilization.

ative visits included in current bundles, in some cases that number is clearly too large and implies nonsensical work estimates for the day of surgery. For example, for 1 in 10 surgical procedures, subtracting the work associated with the number of postoperative visits listed in the fee schedule from the total estimated work leaves negative or very little work — and therefore payment — associated with the procedure itself.

We recently created prediction models using Medicare and external data to estimate the true number of postoperative visits for more than 3000 surgical procedures.[5] If we subtract the work that we predict will be associated with postoperative visits from current total work estimates, 22% of the physician work related to these procedures (according to 2012 Medicare utilization patterns) — corresponding to $1.5 billion in payments — would be removed from the bundles. The effect on payments varies greatly by specialty (see graph). In some specialties such as cardiac surgery, more than a third of total surgical work and payments would be unbundled under 0-day global periods. The effect is smaller in specialties such as gastroenterology, where 0-day global periods are already the norm.

Another challenge for Medicare will be determining how many postoperative visits currently occur on the day of a procedure versus during the rest of the global period. After the switch to 0-day global periods, postoperative visits that occur on the day of surgery will continue to be included in the payment. Unfortunately, there are few data available on how often surgeons conduct a postoperative visit on the day of surgery. This seemingly minor policy issue has important financial implications. If we assume that the 0-day global payment includes one inpatient visit for all surgeries typically performed in a hospital, then only 17% of work and payments would be unbundled. The difference between 22% and 17% translates to about $350 million in Medicare payments per year.

The impact of the move to 0-day global periods on physician income will also depend on surgeons' responses to the policy change. Unbundling will create a financial incentive for some surgeons to see patients more times after surgery than they previously did. Surgeons may also respond by performing more procedures. Physicians participating in payment and delivery models emphasizing coordination and accountability — such as the BPCI program and accountable care organizations — could face fewer financial incentives to increase volume. At the same time, pay-for-performance and quality-measurement programs may drive surgeons to deliver more postoperative care than they are providing currently.

A third challenge for Medicare will be maintaining budget neutrality. Current law requires that changes to payments for physician work be budget neutral, meaning that total payments before and after the change must be approximately equal. Yet there is great uncertainty regarding how surgeons will respond to the shift in payment structure.

Medicare's experience with global surgical payments offers a cautionary tale for other bundled-payment programs. The discrepancy between the number of postoperative visits paid for and the number that actually occur highlights the importance of being able to monitor utilization so that payments can be adjusted as care delivery changes. Bundling of payments also creates a perverse incentive to "unbundle"

services — that is, to change the time or location of care or the clinician providing it so that the care qualifies for separate payment. The global surgical packages as previously structured lacked mechanisms for updating bundles over time and for monitoring unbundling.

Although Medicare's decision to switch to 0-day global periods is a step back from bundled payment, it will provide Medicare with information that could improve the valuation of surgical services in existing programs and set the stage for future payment reform. In the long term, Medicare could limit the unintended consequences of global surgical packages by creating larger surgery bundles that include care delivered by all providers, not just the physician performing the surgery. In the short term, however, Medicare's elimination of global surgical packages will improve payment accuracy but will have a major effect on how surgeons are paid.

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