

Bundled payments: their role in Australian primary health care: a summary



This is a summary of a paper¹ that examines the evidence for bundled health care payments and the issues associated with its potential introduction for primary health care in Australia, including the predisposing conditions required for its successful implementation.

Bundled payments describe a method of payment where services, or different elements of care, are grouped together into one payment. Payment mechanisms are generally along a spectrum from variable remuneration methods e.g. fee-for-service through to fixed remuneration methods e.g. capitation. Bundled payments occupy an intermediate position. Each has advantages and disadvantages and each has a place depending on the goals of the health system. They can be blended with one another and with other strategies to either encourage desirable benefits or discourage undesirable consequences. These strategies may include adjustments for case mix, pay for performance, benefit and risk sharing, and management strategies.

The Australian health care system is facing challenges, like all health care systems. It strives to achieve value in health care; that is, improved outcomes at an affordable and sustainable cost. The Commonwealth Government has initiated Reform of the Federation and Reform of Australia's Tax System processes to address the shortcomings of the current system.

Evidence of benefits associated with bundled payments suggests the ability to curb health care costs without decreasing quality (and potentially even improving it), compared to fee for service payments. The mechanisms of impact are variable and include reducing waste, redesigning more effective services, provision of appropriate care, greater team based working, improved data utilisation, better coordination and care integration.

There are significant implementation barriers, which include complexity in defining bundles of care, the payment method, implementing measurement, determining accountability and engaging providers. These difficulties and some of the mechanisms were observed during a pseudo-simulation exercise at a workshop exploring the potential of bundled payments in the Australian context.

Payment systems are an important lever, but not the only lever, to achieve the goals of the health system. The evidence for bundled payments (or any other payment system) is not complete with significant gaps in the data and research. However, there is sufficient and emerging knowledge of risk management strategies required with the different payment methods.

There are a number of predisposing conditions at present in the Australian primary care context to support a transformational payment reform such as bundled payments. These include:

- A growing call for payment reform from policy makers, independent bodies and professional colleges
- Prior experience demonstrating the ability to pool funds between different levels of government, and the current review of Federalism, offering a time-limited opportunity to identify who the custodians of any future pooled funds could be
- Recent reforms aligning Primary Health Networks and Local Hospital Networks creates a structural platform to support the necessary and critical engagement at a microsystem level.

However, there is an urgent need for quality data on outcomes and costs to support a transition towards a bundled payment system. Once this final foundation is in place, the ground will be fertile for payment reform. The implementation of bundled payments for key primary care populations has the potential to be a bridge in a transition towards a value based primary health care system.

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¹ Dawda, P. Bundled payments: their role in Australian primary health care. 2015. Australian Healthcare and Hospitals Association. Available at <https://ahha.asn.au/Federation-and-Health>.