Bundled payments: their role in Australian primary health care - an overview

This is an overview of a paper[1] that examines the evidence for bundled health care payments and the issues associated with its potential introduction for primary care in Australia, including the predisposing conditions required for its successful implementation.

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 mechanism has advantages and disadvantages and each has a place depending on the goals of the health system. Health care activities such as preventative care, health promotion, collaborative care continuity and appropriate care are encouraged by payments mechanisms at the more fixed end of spectrum, whilst volume of activity, acceptance of patients for care and

Bundled payments describe a method of payment where services, or different elements of care, are grouped together into one payment.

Advantages of bundled payments

- Reduces incentives based on volume of services
- Helps promote quality and safety of care
- For services within the care bundle incentivises for elimination of inappropriate care and promotes efficiency
- Encourages team based care
- Facilitates a focus on care coordination

Disadvantages of bundled payments

- Difficult to define and calculate costs
- Difficult to allocate payment across providers appropriately
- May encourage fragmentation by working in condition specific pathways
- May prevent access for those with greatest need (cherry picking)
- May introduce a financial risk for the provider, particularly in relation to performance
- Data intensive

Box 1: Bundled Payments

patient satisfaction are encouraged more at the variable end of the spectrum. They can be blended with one another and with other strategies to either encourage desirable benefits or discourage potentially undesirable consequences. These strategies may include making adjustments for case-mix, agreeing policies for patients whose treatment costs are significant ‘outliers’, pay for performance, benefit and risk sharing, and management strategies.

The Australian health care system overall performs well and is highly ranked when compared to other systems in like countries. However, it is facing challenges, particularly with shortcomings for specific populations such as the elderly and those with chronic illnesses, as it strives to achieve ‘value’; 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

[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.

Adjunct Associate Professor Paresh Dawda

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among other things the shortcomings of the health system, which it describes as being composed of a complex web of services, structures and providers with no single level of government having all the policy levers to ensure a cohesive health system.

Evidence of benefit of 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 evidence for bundled payments (or any other payment system), particularly in primary care, 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.

The way in which bundled payments reduce cost and improve quality is variable. Examples cited in the literature 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 some theoretical unintended consequences of bundled payments. In particular, there is a risk to equity of care as providers may avoid caring for patients who suffer with more complex problems and hence are more 'expensive' to look after. However, this was not found to be to the case in the published literature although authors often highlighted the concern.

There are significant implementation barriers, which include complexity in defining bundles of care and pricing the bundle. This requires considerable engagement of clinicians and it requires good quality of data. The implementation requires capable data information systems which often require an up front cost. In order to achieve the desirable benefits and reduce the undesirable impacts of any payment mechanism, then behavioural change is required at the clinical level. Determining where accountability for this should rest has also been cited as a challenge in implementation. The engagement of providers is critical. They need to agree to changes in the payment structure, then collaborate on service redesign and finally change clinical practice to new ways of working.

Attendees at a workshop exploring the role of bundled payments in Australian primary care participated in a pseudo-simulation exercise. During this exercise they identified the complexity and variability of the Australia's current health funding mechanisms in a case study of a patient with chronic illnesses. They were able to identify funding flows and moreover identify opportunities of bundling elements of care for the patient in the case study. In the process of doing so they demonstrated some of the mechanisms of impact identified in the literature such as how bundled payments supports redesign of care, a greater degree of collaborative working and integration of care. A second exercise designed to seek a balanced perspective on the role of bundled payments in Australia identified enablers and potential barriers, very similar to that in the published literature.

In the papers on the Reform of the Federation, the requirements of a health system have been described (Box 2). The context is unique to Australia, but all developed countries around the world are striving for a health system that meets these requirements at the lowest possible cost. This is a concept that can be articulated as '*value*' and defined as '*the health outcomes achieved per health dollar spent*'.

- centred on the patient's health and well-being;
- that is safe, provides the right care, in the right setting, at the right time, and supports prevention and early intervention;
- where consumers are empowered to manage their health and health risks, and to make health care decisions;
- that is fair and supports disadvantaged and vulnerable people and communities;
- that operates effectively, delivers value for money, and eliminates waste;
- with flexibility for innovation, adaptable to meet local circumstances, and encourages continuous improvements in services;
- anticipates and responds to the needs of an ageing population;
- that measures success and aligns incentives with people's health and wellbeing; and
- supported by clear roles and responsibilities so the public can hold governments to account.

Box 2: Requirements of a health system

Payment systems are an important lever towards achieving value in healthcare, but are not the only lever. Moreover, payment systems need to be flexible as there is no one size that fits all. The type of payment methods used, and the proportion of each method in any blended payment system, ultimately depends on the goals being sought by the health system.

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

- A growing call and recognition 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 that creates a structural platform to support the necessary and critical engagement at a microsystem level.

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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Adjunct Associate Professor Paresh Dawda

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