

CMS Suspends Implementation of Bundled Pay Initiative

CMS has suspended implementation of the first model of its bundled payment initiative, which is designed to transition hospitals and other providers away from fee-for-service reimbursements to lump-sum payments that are centered around episodes-of-care. Stakeholders wonder if the decision has any implications for the future of the CMS bundling initiative.

The bundled payment initiative, unveiled in August 2011, is the largest step CMS has taken to shift away from Medicare fee-for-service reimbursements to episode-of-care payment models. The initiative consists of four models, three of which involve acute care hospital stays.

CMS' Center for Medicare and Medicaid Innovation is responsible for carrying out the demonstration project. In Model 1, Medicare would pay the hospital a discounted amount based on the payment rates established under the Hospital Inpatient Prospective Payment System, and physicians would be paid separately for their services under the Medicare Physician Fee Schedule. As a part of the initiative, providers would be able to share in savings that come from better care coordination. Model 2 of the demonstration includes inpatient hospital stays and post-acute care, and Model 3 deals only with post-acute care with a participating nursing home, inpatient rehabilitation facility, long-term care hospital or home health agency. Both of those bundles are retrospective. Model 4 of the demonstration is a prospective bundle that would be paid to a hospital that encompasses all services furnished during an inpatient hospital stay.

CMS is suspending further implementation of Model 1 of the initiative until the agency can review it and see how its participants would fit into the broader bundled pay initiative. CMS says Model 1 "has fewer prospective participants and less diversity than originally anticipated when the model was designed." Sources also say that CMS will take the next three to six months to evaluate whether to go forward with the initiative's retrospective bundled payment for acute care hospital stays before making a final decision.