

# Bundling payments to cut health costs proves difficult to achieve, study finds

November 7 2011

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While there is considerable interest in bundling payments to health care providers to encourage them to cut costs, putting the strategy into practice is proving to be more difficult than anticipated.

That's the lesson being drawn from a new RAND Corporation study that examined the first three years of a major effort designed to test the bundled payment approach to health care financing.

Under bundled payments, [doctors](#), hospitals and other [health providers](#) share one fee for treating all aspects of a procedure such as a [hip replacement](#) or a chronic disease such as [diabetes](#). The approach is intended to encourage health providers to work together to eliminate unnecessary care and improve quality.

But three years after the PROMETHEUS Payment project was launched in three U.S. communities to test this approach, no bundled payments had been made and no payment contracts for bundled payments have been executed. Although all parties involved with the effort are committed to its success, researchers say the slow progress underscores the challenges such complex payment reforms must overcome.

"There is a tremendous amount of interest in this type of payment reform, but we found that transferring it into practice is extremely difficult." said Peter Hussey, the study's lead author and a policy researcher at RAND, a nonprofit research organization. "The model is very complex and the fact that it builds upon the existing fee-for-service

payment system presents challenges."

The findings are published in the November edition of the journal *Health Affairs*.

Researchers say that adoption of the bundled payments approach was slowed by both technical and cultural difficulties.

Technical issues included deciding what [health problems](#) should be subject to bundled payment and providing health providers with the information needed to improve medical care. Cultural issues included convincing providers that cost cutting measures will not reduce the quality of medical care.

"We did see some progress on many of these issues so there are signs that progress on bundled payments may begin to accelerate," Hussey said. "Despite the difficulties we observed, it's still an approach worth pursuing."

Interest in bundled payments as a strategy to control health care costs has grown since adoption of the Affordable Care Act, which encourages the approach. In August, federal officials announced a voluntary national Medicare bundled payment initiative.

The RAND study evaluated the progress made during the first three years of the PROMETHEUS Payment program, a major pilot of bundled payments conducted by the nonprofit Health Care Incentives Improvement Institute.

Supported by the Commonwealth Fund and the Robert Wood Johnson Foundation, the effort designed a bundled payment program and recruited insurance providers, self-insured employers and health care delivery organizations in three communities to pioneer the approach.

The sites are Crozer Keystone Health System-Independence Blue Cross in Pennsylvania; Employers' Coalition on Health in Rockford, Illinois; and Priority Health-Spectrum Health in Michigan.

Participating groups received technical support from the Institute, but are not paid to participate in the pilot. Each of the organizations is primarily responsible for agreeing on the details of the payment method, engaging the frontline physicians and other [health care](#) staff, and implementing strategies to improve medical care.

RAND researchers collected information from participating groups from 2009 to 2011, both through telephone interviews and by visiting each of the three pilot sites.

While researchers found that none of the three sites had made bundled payments as of May 2011, the effort had still prompted important changes among participating health providers. Those included triggering efforts to redesign care and making providers aware of their ability to change health delivery to reduce costs and improve quality.

"The struggles of the PROMETHEUS participants are likely to help others adopt bundled payments more quickly in the future," Hussey said. "But the transition to bundled payments is still likely to take years to occur."

Provided by RAND Corporation

Citation: Bundling payments to cut health costs proves difficult to achieve, study finds (2011, November 7) retrieved 26 April 2024 from <https://medicalxpress.com/news/2011-11-bundling-payments-health-difficult.html>

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