Aligning payment across levels of care

“Reforms in Provider Payment Mechanisms: Opportunities for AB PM-JAY”

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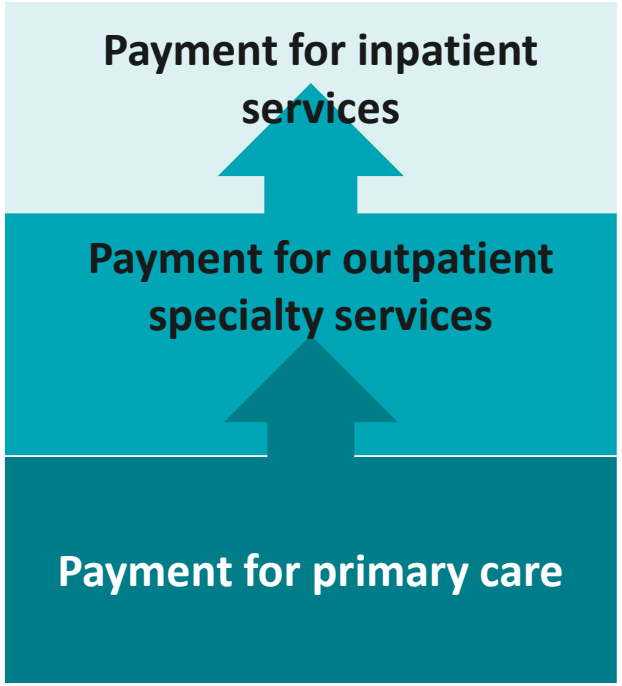
RESULTS FOR DEVELOPMENT

How payment systems work together across levels of care impact access, cost, quality and and equity



- Do the payment systems work together to create incentives to deliver the right services at the right level?
- Are there incentives to shift to other parts of the system with more advantageous payment systems?
- Which part of the system internalizes the costs of inefficiency of non-harmonized payment systems?

What we often see

Closed-ended payment systems (budget, capitation) for PHC + Open-ended payment systems (fee-for-service, DRG, package rates)

PHC	"Closed-ended payment"	*Budget; Capitation*
Outpatient specialty + Inpatient services	"Open-ended payment"	*Fee-for-service; DRGs; Package rates*

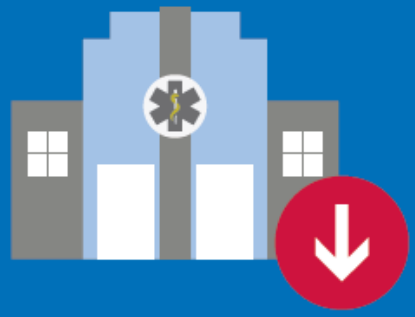
Over-referral by PHC → Unnecessary hospitalizations → Higher costs to purchaser of inpatient services + Higher out-of-pocket payments (↓ equity)

The cost of misaligned incentives for TB diagnosis and treatment in Indonesia

Payment for TB services in Indonesia's national health insurance scheme

PHC	Capitation payment for TB diagnosis and treatment
Hospitals	Package rate payment for TB diagnosis and treatment

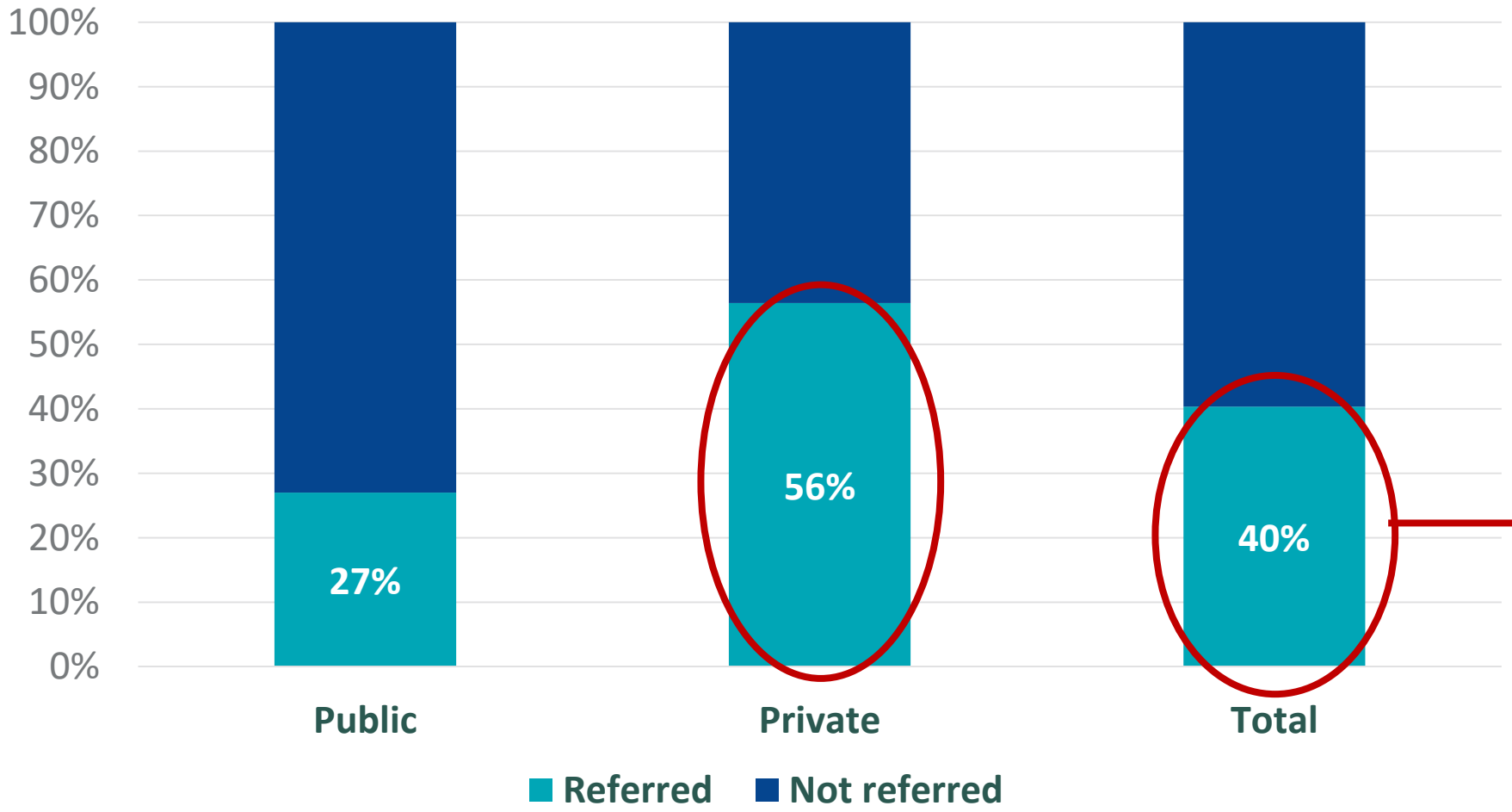
- Private primary care clinics referred more than half (58%) of patients with confirmed TB to hospitals for treatment
- Almost all (81%) cases that were referred to hospitals for treatment were for uncomplicated TB



- Payments to hospitals for uncomplicated TB care create strong financial incentives against down-referral
- Uncomplicated TB cases in outpatient hospitals were treated at a cost to the government of IDR 188 Billion (12 Million USD)

Source: Hafidz, F. et al. (2020). Examining incentives for TB treatment and diagnosis: an analysis of insurance claims and interview data in Indonesia. Indonesia: R4D

Inappropriate referrals of TB cases alone cost the national health insurance scheme millions $ each year



$12 million in 2020

And this does not include the out-of-pocket costs to patients and the associated equity impacts

Source: Hafidz, F. et al. (2020). Examining incentives for TB treatment and diagnosis: an analysis of insurance claims and interview data in Indonesia. Indonesia: R4D

One option: bundled and episode-based payments

Bundled or episode-based payment makes one payment for an episode of care to pay for all services and providers involved in the entire care continuum for a single condition or medical event (such as joint replacement or pregnancy, labor and delivery, or a TB case) during a fixed period.

Providence Health and Services Pregnancy Care Package (U.S. State of Oregon)

Service delivery priorities

- Link evidence-based service delivery innovations with payment system design
- Reduce fragmentation and increase efficiency
- Improve patient experience and outcomes

Service bundle

- Each service required from pregnancy confirmation until 6 weeks after delivery
- Excluded services that do not contribute to objectives

Check-ups, prenatal tests, education, psychosocial support, labor, delivery, the hospital stay, and postpartum care

High-risk pregnancies and complications outside of the bundle

Providence Health and Services Pregnancy Care Package (U.S. State of Oregon)

Contracting entities

- Nurse-midwife clinics
- Care teams led by midwife
- *Normal deliveries not purchased from obstetricians to increase efficiency*

Payment method

- Bundled payment for normal delivery (fixed fee for entire episode and bundle of services)
- Complicated or high-risk pregnancies paid separately

Monitoring

Routine monitoring of:

- Cost per pregnancy
- C-section rate
- Patient satisfaction

- *10% reduction in pregnancy costs*
- *Reduced C-section rate to 19%*
- *97% patient satisfaction*

What is the evidence?

- **Most bundled/episode-based payment systems focus on one condition, procedure or treatment** (so the impact on costs, quality, etc. is at the margin)
  Diabetes (Denmark; Netherlands), maternity care (England; U.S.), end-stage renal disease (Portugal; U.S.), breast cancer (Taiwan and U.S.), or total joint replacement (Sweden; U.S.).
- **Most studies reported some cost-saving effects of bundled-payment models**
  From 34% savings for total joint replacement episodes in Sweden to 4.3% savings for obstructive pulmonary disease among the elderly in the U.S.
- **18 studies reported (small) positive effects on quality of care**
  12 reported no effects and 2 reported negative effects

Source: Strujis J. et al. (2020) Bundled payment models around the world: how they work and what their impact has been

Some challenges to consider

- Difficult or impossible to implement bundled/episode-based payment when benefits packages are fragmented across levels of care
- Financial arrangements between different providers may be necessary/challenging
- Defining an episode may be difficult to define, especially for chronic conditions
- Risk adjustment may be needed

Main messages

- Failure to harmonize provider payment methods across levels of care can create adverse provider incentives that are very costly in terms of:
  - The purchaser's claims payments
  - Out-of-pocket payments and equity
  - Quality and efficiency of service delivery
- Bundled/episode-based payments are one approach to creating harmonized payment incentives across levels of care, but the impact is likely to be limited and other approaches are also needed, e.g.
  - Explore closed-ended payment or caps for hospital payment
  - Shared monitoring indicators and accountability across levels of care
- Fragmented financing systems and benefits packages greatly inhibit the possibility of harmonizing provider payment methods across levels of care—and cost escalation and cost shifting will occur

Thank you!