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OUTLOOK

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Leading Hospitalists Say Impact of Bundled Fees Largely Unknown in Current Health Reform Proposals

A group of the nation's leading hospitalists met earlier this year to discuss some of the most serious challenges currently facing private practice hospitalists in the United States. As part of that discussion, the group, known as The Phoenix Group, took direct aim at the topic of bundled fees between hospitals and physicians for inpatient acute and post-acute care.

The group issued a statement saying it fully appreciates the need for health care reform to increase efficiencies and cost savings for inpatient care; however, a bundled payment plan will be most effective and will have the greatest chance for long-term success when it is aligned with the goals and interests of hospital medicine.

"Right now there are far too many questions about the effect of bundled payments on hospital medicine and the working relationship between facilities and medical providers," explains Adam Singer, MD, chairman and chief executive officer of IPC The Hospitalist Company, a member of The Phoenix Group. "I can only speak from a physician's standpoint, but I am alarmed at the idea of having the hospital stand in the way of me getting paid for my professional services. Even if it is altruistic in nature, the bottom line is that it adds another layer of bureaucracy and creates a situation in which hospitals and doctors are fighting for the same dollars. How can that be good?"

Under a bundled system, the organization (*i.e.*, the hospital) would receive a lump sum of money for all of a patient's care while at the

hospital, and the organization would divide the funds accordingly. There is some uncertainty regarding who exactly would receive a portion of these funds. While some discussions include only the hospital and the treating physician(s), other discussions include ancillary care such as long-term care and rehabilitation as potential recipients of the bundled fee. The current proposals, however, do not include any language to that effect, says Singer.

In addition to a lack of clarity over who will be included in the bundled payments, the proposals leave a number of unanswered questions about how the plan would work, including how it will be administered, says Singer. For example:

- How will physicians be incented and paid, and what is the rate?
- What laws need to be changed to allow physicians to get a piece of the gain sharing for the dollars saved as a result of payment bundling? Right now, it is illegal to do so. Will those laws be changed?
- Who is going to divvy up the payments, and who is going to pay for the costs of that administration? Is that an extra cost in the system? If so, how is that saving the system money?
- Right now, there is a law in place that says physicians are supposed to be paid within 14 days of submission to Medicare. Will that be in place for the physician-hospital organization (PHO), or will payments be delayed, creating cash flow problems?

The Phoenix Group offers an alternative in which the federal government would migrate from the current fee-for-service (FFS) system to a diagnosis-related group (DRG) payment system in much the same way it did with hospitals. “What can be done quickly is to change the payment system to a DRG, and then you instantly have doctors paid one fee, and they won’t be incented to keep people longer and do more procedures,” says Singer.

ACE Demonstration Project

The group says it is watching with great interest the Acute Care Episode (ACE) demonstration project in five western cities that will test the effect of bundling Part A and B payments for episodes of care. The group recommends allowing the project to run its course and undergo a thorough, evidence-based evaluation prior to inclusion of bundling into any health care reform legislation. (Note: At least one Phoenix Group member is involved in the project.)

“We need to slow down and let the demonstration project run its course,” stresses Singer. “Then, we can begin to talk about what needs to be done. It makes no sense to rush this and

put a law in place without seeing the results of the demonstration project. There are simply too many unanswered questions.”

Balance of Powers

“I believe health care requires the same kind of control that our government has,” adds Singer. “Our government has three branches — a legislative branch, executive branch, and judicial branch. It is designed that way on purpose to protect the people. Health care has the same thing. We have health plans, doctors, and hospitals, and you want those three entities to exist and have friction to protect the patient and get the best outcome for that patient. This idea of bundling everything together is basically saying we don’t need all three branches. In other words, let’s get rid of the judiciary branch (the health plan) and make the executive and legislative branches one, and I believe that would be to the detriment of the patient.”

Shortly after its meeting in March, The Phoenix Group published a white paper that focuses in greater detail on bundled payment plans currently under consideration by Congress. To view the white paper, go to www.phoenix-groupwhitepaper.com. ■

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