

THE NEW HEALTH CARE

Can Bundled Care Save Medicare Money?

By AUSTIN FRAKT

Among the standard complaints about the American health care system is that care is expensive and wasteful. These two problems are related, and to address them, Medicare has new ways to pay for care.

Until recently, Medicare paid for each health care service and reimbursed each health care organization separately. It didn't matter if tests were duplicated or if a more efficient way of deliver-

The Upshot

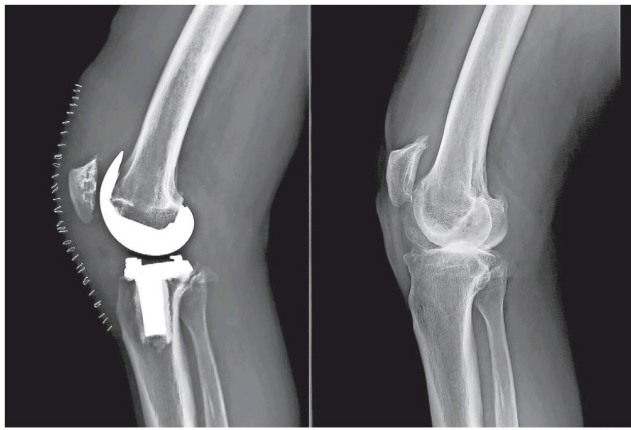
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ing care was available — as long as doctors and organizations were paid for what they did, they just kept providing care the way they always had.

But ordinary people do not think this way. We focus on solving our health problem, not which — or how many — discrete health care services might address it. New Medicare programs are devised to more closely align how care is paid for with what we want that care to achieve.

One of these programs is known as bundled payments. Instead of paying separately for every health care service associated with a medical event, you pay (or Medicare pays, in this case) one price for the entire episode. If health care providers can address the problem for less, they keep the difference, or some of it. If they spend more, they lose money. Bundled payment programs vary, but some also include penalties for poor quality or bonuses for good quality.

Medicare has several bundled payment programs for hip and knee replacements — the most common type of Medicare procedure — and associated care that takes place within 90 days.



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This includes the operation itself, as well as follow-up rehabilitation (also known as post-acute care). In theory, if doctors and hospitals get one payment encompassing all this, they will better coordinate their efforts to limit waste and keep costs down. They certainly appear promising, at least for some treatments. But it's important to conduct rigorous evaluations.

Previous studies for Medicare by the Lewin Group and other researchers suggest that Medicare's Bundled Payments for Care Improvement program has reduced the amount Medicare pays for each hip and knee replacement.

But that doesn't mean the program saved money over all. One possible issue would be if,

despite saving money per procedure, health care providers wastefully increased the number of procedures — replacing hips and knees that they might not otherwise. A related concern is if hospitals try to increase profits by nudging services toward patients who may not need a procedure as much as patients with more severe and more expensive conditions. An average joint replacement costs \$26,000, split almost equally between the initial procedure and post-acute care. But more expensive cases can be \$75,000 to \$125,000 — a costly proposition for hospitals.

A recent study published in JAMA examined whether the volume of Medicare-financed hip and knee replacements changed in the markets served by hospitals that volunteered for a bundled payments program, relative to markets with no hospitals joining the program. It found no evidence that the bundled payment program increased hip and knee replacement volume, and it found almost no evidence that hospitals skewed their services toward patients whose procedures cost less.

These results suggest bundled payments are a win-win," said Ezekiel Emanuel, a co-author of the study. "They save payers like Medicare money and encourage hospitals and physicians to be more efficient in the delivery of care."

But Robert Berenson, a fellow at the Urban Institute, urges some caution. "Studying one kind of procedure doesn't tell you much about the rest of health care," he said. "A lot of health care is not like knee and hip replacements."

Michael Chertow, a Harvard health economist, agreed. "Bundles can certainly be a helpful tool in fostering greater efficiency in our health care system," he said. "But the findings for hip and knee replacements may not

generalize to other types of care."

Christine Yee, a health economist with the Partnered Evidence-Based Policy Resource Center at the Boston Veterans Affairs Healthcare System, has studied Medicare's previous efforts and summarized studies about them. (I and several others were also involved in compiling that summary.) "Medicare has tried bundled payments in one form or another for more than three decades," Ms. Yee said.

"They tend to save money, and when post-acute care is included in the bundle, use of those kinds of services often goes down."

One limitation shared by all of these studies is that they are voluntary: No hospital is required to participate. Nor are

X-rays of a patient who had a knee replacement. Medicare has several bundled payment programs for hip and knee replacements and recovery.

because it is an area where there is concern about overuse," said Amy Finkelstein, an M.I.T. health economist and an author of the study. "In addition, prior work suggested that it's a type of care that hospitals can often avoid."

The study found that bundled payments reduced the use of post-acute care by about 3 percent, which is less than what prior studies found. "Those prior studies weren't randomized trials, so some of the savings they estimate may really be due to which hospitals chose to participate in bundled payment programs," Ms. Finkelstein said. Despite reduced post-acute care use, the study did not find savings to Medicare once the costs of paying out bonuses were factored in. The study also found no evidence of harm to health care quality, no increase in the volume of hip and knee replacements, and no change in the types of patients treated.

"Savings could emerge in later years because it may take time for hospitals to fully change their behavior," Ms. Finkelstein said. In addition, the program's financial incentives will increase over time; bonuses for saving money and penalties for failing to do so will rise.

On the other hand, Dr. Berenson said, health care providers could figure out how to work the system: "In three to five years, we may see volume go up in a way that offsets savings through reduced payments for a procedure. We'll wait and see."

Medicare put its best foot forward by using a randomized design. Not only were the markets selected in a randomized fashion, but providers in those markets were also required to participate. Though common in medical studies, randomization is rare in health care policy, as is mandatory participation. Nearly 80 percent of medical studies are randomized trials, but less than 20 percent of studies testing health system change are. Organizations that would be subject to the experiments often strongly resist randomizing health system changes and forcing providers to participate.

Unfortunately, the randomization of the Comprehensive Care for Joint Replacement program will be partly compromised in coming years. The Centers for Medicare and Medicaid Services announced last year that hospitals in only half of markets under the program would have to stay in it. Participation is voluntary in the other half, and only one-quarter of hospitals opted in.

Going to a partly voluntary program will make it harder to learn about longer-term effects, Ms. Finkelstein said, and to get at the answers we're seeking.

Paying for all services needed for a medical event in a lump sum.

they randomized into the new payment system (treatment) or business as usual (control). Therefore we can't be certain that apparent savings are real. Maybe hospitals that joined the bundled payment programs are more efficient (or can become easily become so) than the ones that didn't.

Another new study in JAMA examines a mandatory, randomized trial of bundled payments. On April 1, 2016, Medicare randomly assigned 75 markets to be subject to bundled payments for knee and hip replacements and 121 markets to business as usual. This policy experiment, known as the Comprehensive Care for Joint Replacement program, will continue for five years. The JAMA study analyzed just the first year of data.

"In this first look at the data, we examined post-acute care

Public Notice

NOTICE OF AVAILABILITY OF THE DRAFT GENERAL CONFORMITY DETERMINATION FOR THE PROPOSED NORTHEAST SUPPLY ENHANCEMENT PROJECT
The staff of the Federal Energy Regulatory Commission (FERC or Commission) issued a draft General Conformity Determination (GCD) to satisfy the requirements of the Clean Air Act and address air emission impacts associated with the Northeast Supply Enhancement Project (NESP) Project proposed by Transcontinental Gas Pipe Line Company, LLC (Transco). Transco requests authorization to construct and operate interstate natural gas facilities to provide about 600 million cubic feet per day of natural gas to the New York City area.

The draft GCD was prepared pursuant to the U.S. Environmental Protection Agency's General Conformity Regulations (40 CFR Part 93, Subpart B). The FERC staff concludes that the Project would achieve conformity in New York and New Jersey through direct mitigation projects and the purchase of emission reduction credits.

The Commission mailed a notice of the draft GCD to federal, state, and local government representative and agencies; elected officials; environmental and public interest groups; Native American tribes; potentially affected landowners and other interested individuals and groups; and libraries in the NESP Project area. The draft GCD is available in electronic format for review and comment. It may be viewed and downloaded using the following link: <https://www.ferc.gov/docs/efiling/efiling.asp>. Click on General Search, and enter the docket number in the "Docket Number" field, excluding the last four digits (i.e., CP17-101). Be sure you have selected an appropriate date range to include September 21, 2018. For assistance, please contact FERC Online Support at FERCOnlineSupport@ferc.gov or toll free at (866) 208-3674, or for TTY, contact (202) 502-8659.

In accordance with 40 CFR Part 93.154, the draft GCD is issued for a 30-day comment period. Any person wishing to comment on the draft GCD may do so. To ensure that your comments are properly recorded and considered prior to a final GCD and Commission decision on the proposal, it is important that the FERC receives your comments in Washington, DC on or before October 18, 2018.

For your convenience, there are three methods you can use to submit your comments to the Commission. The Commission encourages electronic filing of comments and has staff available to assist you at (866) 208-3674 or FERCOnlineSupport@ferc.gov. Please carefully follow these instructions so that your comments are properly recorded.

(1) You can file your comments electronically using the eComment feature on the Commission's website (www.ferc.gov) under the link to Documents and Filings. This is a easy method for submitting brief, text-only comments on a project.

(2) You can file your comments electronically using the eFiling feature on the Commission's website (www.ferc.gov) under the link to Documents and Filings. With eFiling, you can provide comments in a variety of formats by attaching them as a file with your submission. New eFiling users must first create an account by clicking on "eRegister." If you are filing a comment on a particular project, please select "Comment on a Filing" as the filing type.

(3) You can file a paper copy of your comments by mailing them to the following address. Be sure to reference the project docket number (CP17-101-000) with your submission:

Kimberly D. Bova, Secretary
Federal Energy Regulatory Commission
888 First Street NE, Room 1A
Washington, DC 20003

Additional information about the NESP Project is available from the Commission's Office of External Affairs, at (866) 208-FERC, or on the FERC website (www.ferc.gov) using the eLibrary link. The eLibrary link also provides access to the texts of formal documents issued by the Commission, such as orders, notices, and rulings.

NOTICE OF PUBLIC FORECLOSURE SALE

Opera Solutions USA, LLC, Opera Solutions, LLC, Opera Solutions Government Services, LLC, BDO, LLC, Lexington Analytics Incorporated, Opera Pan Asia LLC

Collectively the "Debtors" and each a "Debtor")

NOTICE IS HEREBY GIVEN that White Oak Capital Advisors, LLC, as Agent ("Secured Party"), will offer for sale at public auction the following property of Colonial Life, defined in that certain Guaranty and Security Agreement dated as of July 6, 2016, (as amended, restated, supplemented or otherwise modified from time to time, the "Guaranty and Security Agreement"), by and among the aforementioned Debtors and White Oak Capital Advisors, LLC, as Agent, or if undesignated therein, the Uniform Commercial Code, including, but not limited to, all accounts, books, chattel paper, commercial tort claims, deposit accounts, equipment, farm products, fixtures, general intangibles, inventory, investment property, intellectual property and intellectual property licenses, negotiable instruments, payment intangibles, and all other assets, whether tangible or intangible, of any of the Debtors.

The sale made at the auction must be accompanied by evidence satisfactory to Secured Party in its sole and absolute discretion, of the bidder's ability to make payment of the purchase price and meet certain other requirements to "Qualified Bidder". Prospective bidders must also be willing to execute a confidentiality agreement before obtaining additional information. Additional terms of sale shall be provided upon request any prospective bidder.

All of the Collateral will be sold pursuant to a secured party's bill of sale and such other appropriate transfer documents, if any, as secured party deems appropriate on an "as is, where is" basis and without recourse, representations, or warranties of any kind or nature whatsoever, including, without limitation, any representation or warranty of merchantability or fitness for a particular purpose. Specifically, but without limitation of the foregoing, there will be no warranty relating to title, possession, quiet enjoyment, or of the title made or given.

The public auction will take place beginning on October 10, 2018 at 10:00 a.m. EST (New York) at the law offices of Paul Hastings LLP, 200 Park Avenue, New York, NY 10166. All interested prospective purchasers are invited to become Qualified Bidders. Only Qualified Bidders will be permitted to attend the public auction. The terms of sale may be obtained by contacting the person named below: WHITE OAK CAPITAL ADVISORS, LLC, 3 Embury Place, Suite 500, San Francisco, CA 94111, Tel: (415) 444-4716, Email: operations@whiteoak.com and PAUL HASTINGS LLP, Attention: Secured Party, 200 Park Avenue, New York, NY 10166, Tel: (212) 683-4250, Email: whiteoakops@paulhastings.com

Paul Hastings LLP, Attention: Secured Party, 200 Park Avenue, New York, NY 10166, Tel: (212) 683-4250, Email: whiteoakops@paulhastings.com

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