

New Risk for Hospitals - CMS Proposes Bundled Payments for Hip & Knee Replacement Surgeries

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Building upon the bundled payment demonstration programs currently underway for Medicare, the Centers for Medicare and Medicaid Services (CMS) announced a proposal for a major shift in the way hospitals will be paid for hip and knee replacements. In an effort to incentivize hospitals to encourage quality and care improvements as patients transition from surgery to recovery, CMS proposed a change in the manner of payment to focus on episodes of care, rather than a piecemeal system.

This CMS announcement proposes a 5 year payment model, whereby providers in 75 geographic areas will continue to receive payments under existing Medicare payment systems. However, those hospitals where hip or knee replacement occurs, the hospital will be responsible for the quality and costs of care for the entire episode of care beginning with the time of surgery through 90 days after the patient's discharge. Under this model, the hospital should be encouraged to work with physicians, home health agencies, and nursing facilities to ensure patients receive the coordinated care needed with the goal to avoid unnecessary hospitalizations and complications.

Health and Human Services Secretary Sylvia M. Burwell is quoted as saying "We are committed to changing our health care system to pay for quality over quantity, so that we spend our dollars more wisely and improve care for patients." By incentivizing the hospitals to provide patients with the right care the first time, CMS indicates the providers will find better ways to help the patients recover. The goal of the bundled payments is to reward providers and doctors to help patients to get and stay healthy.

Since this proposal for bundled payments, placing the risk for hip and knee replacements on the hospital, creates a new way for many hospitals to do business, CMS is seeking comments from the providers and the public during the 60 day comment period.

The CMS proposal is available at: <https://www.federalregister.gov/public-inspection> and can be viewed at <https://www.federalregister.gov> starting July 14, 2015. The deadline to submit comments is September 8, 2015.

This proposal represents a major shift for passing risk to hospitals for hip and knee replacement surgery with this proposal for bundling the payments for these surgeries. The hospitals would be responsible for the patient from the time of surgery through 90 days after discharge. While bundled payment demonstration programs are already underway, health care providers may wish to comment prior to the September 8, 2015 deadline.