DEFINING EPISODES OF CARE (EoC)

EoC begin with a healthcare “event,” such as a knee replacement surgery, and extend throughout a window of time when a patient receives healthcare services following that event.

HOW ARE EPISODES OF CARE DATA USED?

EoC data are relevant for developing and updating healthcare payment policies such as:

• Bundled payments
• MACRA – Medicare Access and CHIP Reauthorization Act
• MIPS – Merit-based Incentive Payment System
• APMs – Alternative Payment Models

TAKEAWAYS FROM OUR RESEARCH ON SURGICAL EoC

1. Large payment variations exist in Medicare payments for EoC. Medicare payments can vary 40–60% for the same surgery.

2. Payment variation is predominantly driven by five factors:
   • Procedure(s) performed
   • Complications
   • Patient complexity
   • Post acute care use
   • Readmissions

3. Drivers of payment variation differ across hospitals. Hospitals need access to comprehensive data on their own EoCs to address variations.

4. Patient complexity causes differences in bonuses and penalties that hospitals may receive. Patient complexity includes factors like age, health conditions, or socioeconomic status.

WHAT DOES ALL OF THIS MEAN FOR POLICY DISCUSSIONS?

As the Centers for Medicare & Medicaid Services (CMS) continues to pursue payment reform around episodes of care, several factors should be considered:

• These programs should incorporate risk adjustment to account for hospitals that care for complex patients.
• CMS should provide all hospitals access to EoC data so they can evaluate ways to improve care and decrease unnecessary costs.
• For each clinical condition in an EoC, CMS should tailor the payment incentives to the specific sources of variation in that condition.
• CMS should continually evaluate payment variation and rebalance incentives/payments when needed.
IHPI BRIEF: UNDERSTANDING & ANALYZING Episodes OF CARE (EoC)

EoC STUDIES BY OUR MEMBERS:

Episode-based Payment Variation for Urologic Cancer Surgery
Ellimoottil C, Li J, Ye Z, Dupree JM, Min HS, Kaye D, Herrel LA, Miller DC.

Drivers of Payment Variation in 90-Day Coronary Artery Bypass Grafting Episodes
Guduguntla V, Syrjamaki JD, Ellimoottil C, Miller DC, Prager RL, Norton EC, Theurer P, Likosky DS, Dupree JM.

Risk Adjustment May Lessen Penalties On Hospitals Treating Complex Cardiac Patients Under Medicare’s Bundled Payments

Implications of the Definition of an Episode of Care Used in the Comprehensive Care for Joint Replacement Model
Ellimoottil C, Ryan AM, Hou H, Dupree JM, Hallstrom B, Miller DC.

Identifying Drivers of Episode Cost Variation With Radical Prostatectomy
Herrel LA, Syrjamaki JD, Linsell SM, Miller DC, Dupree JM.
Urology. 2016 Nov;97:105-110. PMID: 27496300 doi.org/10.1016/j.urology.2016.05.071

Medicare’s New Bundled Payment For Joint Replacement May Penalize Hospitals That Treat Medically Complex Patients
Ellimoottil C, Ryan AM, Hou H, Dupree J, Hallstrom B, Miller DC.
Health Aff (Millwood). 2016 Sep 1;35(9):1651-7. PMID: 27605647 doi.org/10.1377/hlthaff.2016.0263

Medicare’s Bundled Payments for Care Improvement initiative: expanding enrollment suggests potential for large impact
Chen LM, Meara E, Birkmeyer JD.

Variations in Medicare payments for episodes of spine surgery
Schoenfeld AJ, Harris MB, Liu H, Birkmeyer JD.

Large variations in Medicare payments for surgery highlight savings potential from bundled payment programs
Miller DC, Gust C, Dimick JB, Birkmeyer N, Skinner J, Birkmeyer JD.

For more information, please contact Eileen Kostanecki, IHPI’s Director of Policy Engagement & External Relations, at ekostan@umich.edu or 202-554-0578.