The benefits of implementing outpatient bundled payment

By Dawn Weimar

How easy is it to implement bundled payment? Depending on your team and key policy choices, easy is relative. You can avoid pitfalls and experience a relatively stress free, structured design process while coordinating with stakeholders if you:

1) Choose the correct payment method
2) Are guided by a reasoned voice of experience to anticipate key issues
3) Are supported by senior analytical staff
4) Document the process
5) Properly inform stakeholders and provide adequate lead time

Your payment policy decisions can lay the groundwork for proper incentives for efficient care while protecting access for the sickest patients and case mix adjustment of reports.

Intrigued? While the work to create and maintain bundled payment by classifying patients into clinical cohorts and assigning expected resource utilization groups has already been done, the decision to adopt and implement a bundled payment method still requires practical expertise that you may have to engage an outside resource for.

If you choose to work with a consultant, look for someone experienced in cost to charge ratios, provider peer groups, revenue streams, supplemental payments, care categories, state funding priorities, changing incentives and who are sensitive to hospital and provider financing implications. Any one of these subjects is complex for experienced health care financing executives, much more for professionals often new to managing payment method transformation.

Financial modeling using paid claims data is required with many caveats per analysis. This work can be prioritized, properly guided and executed by a rare species of consultant experienced in payment method design. There may be pitfalls if you decide to embark on this journey with someone less qualified.

First, select an appropriate bundled payment method for your population. For example, 3M maintains the Medicare payment methods for inpatient and outpatient bundled payment, respectively Medicare Severity Diagnosis Related Groups (MS DRGs) and ambulatory payment classifications (APCs).

Medicare has established that MS DRGs and APCs are appropriate for a Medicare population. For instance, Medicare DRGs do not include many DRGs for obstetrics,

pediatrics and newborns since those hospitalizations are uncommon in the Medicare population, whereas 50 percent of births are covered by Medicaid.

Next, let's focus on outpatient payment. Similar to MS DRGs, APCs are designed to fit a Medicare population and apply Medicare policies. **3M™ Enhanced Ambulatory Patient Groups (EAPGs)** a specifically designed bundled payment appropriate for all ages of patients and the health care provided to them. 3M EAPGs are most appropriate for Medicaid and commercial populations, for example, neonate, maternity and dental care can be accommodated in 3M EAPGs.

What are 3M EAPGs? 3M EAPGs are designed to explain the amount and type of resources used in an ambulatory visit or define the product of ambulatory care. Here are some questions to ask yourself, your policy experts and systems team:

- APCs are designed for Medicare, therefore, what effort is required to implement and work around the Medicare edits for your population?
- As APCs do not cover maternity, newborns, neonatal intensive care or pediatric care, including dental care, what will the payment be for those services?
- For outpatient sites of service not grouped by APCs, what fee schedules must we maintain quarterly as Centers for Medicare & Medicaid Services (CMS) adds new CPT® and Healthcare Common Procedure Coding System (HCPCS) codes? Who will perform this ongoing maintenance?

As illustrated by this table, the advantage under 3M EAPG payments is that the grouping can be done across any outpatient site of service, as well as prescription drugs.

3M EAPG payment in various outpatient settings and for drugs

Services	Medicare APCs, grouped by	Medicare payment policy outside of APCs	3M EAPGs - bundled payment
Emergency department	Yes	n/a	Yes
Other hospital outpatient departments	Yes	n/a	Yes
Ambulatory surgical centers	APC groups for categorization of procedures	Reimbursement is per procedure but based upon OPPS/APC payment structure	Yes
Other diagnostic and treatment clinics	Not paid by APCs	Depends on the type of clinic (FQHC, RHC, CMHC, etc.) - run through the editor OCE, but not paid by APC	Yes

Drugs: **1) Low cost bundled** **2) Separately payable**	APC assigned based on ASP +6% HCPCS rate	ASP (or HCPCS) rate x units = payment	Yes, grouped within drug ranges; average ASP calculated to include median utilization. Low cost drugs are packaged.
Notes on drugs: 1. ASP - Average sales price 2. 3M EAPGs package low-cost drugs with services, e.g., no relative weight for 3M EAPGs 495, 496, 430 or 435. 3. For separately payable drugs under Medicare and 3M EAPGs - a minimum dollar threshold is encouraged 4. MedPAC is considering policy changes and references 3M EAPG-like structure of multiple drugs assigned the same weight.[i]			

It should be apparent from the table that 3M EAPGs cover all outpatient services and drugs, (not professional services, which are reimbursed by relative value units). You can apply 3M EAPGs to clinic office visits, the spectrum of mental health and substance use care, ambulatory surgical center care, drugs, therapy, etc. In contrast, APCs have many exclusions which require you to maintain separate fee schedules. In addition:

- 3M EAPGs give you approximately 60 different built-in policy levers — there is great flexibility using the configurability of 3M EAPGs to accommodate your pricing policy if not aligned or addressed by Medicare rules. In fact, you get to decide on discounting, packaging and consolidation by selecting those configurations. This is especially important to payers implementing many provider contract variations.
- 3M EAPGs provide flexibility for payment for those procedures considered inpatient only by Medicare.
- 3M EAPGs categorize all drugs within a range into groups, then applies a similar weighting to all drugs in that group. “3M EAPGs pay separately for infused drugs, predominantly chemotherapy drugs.”[ii] “The 3M EAPG system collects separately paid cancer treatment drugs into several categories on the basis of drug cost. All drugs in the same groups have the same payment rate. Likewise, all separately paid non-cancer drugs are handled similarly.[iii]

There are claims processing advantages with 3M EAPGs. Policy and codes are always changing, and 3M EAPGs help health systems keep up with those updates. 3M adds all of the quarterly new, changed or deleted HCPCS and CPT codes, including drugs. You simply select the update. Have I mentioned the ease of configurability to implement your policy?

Outpatient costs are increasing across the nation and as care shifts to outpatient facilities this increase needs our attention. What strategies exist to balance incentives? 3M EAPG bundling includes discounting, packaging and consolidation (APCs also provide discounting on multiple procedures performed during the same visit). In short, if two procedures are billed on a claim, the main procedure is paid at 100 percent

while the second procedure is discounted and perhaps paid at 50 percent or even consolidated and not paid separately if incidental to the main procedure. Examples are provided in the following tables. (Note: the first example is medical and the other two are behavioral health. The second example uses the per diem option while the third example does not - demonstrating the configurability of the software.)

In the cardiac catheterization example of a claim with multiple line items, you can see full payment is made for the angiography and for cardioversion, while inserting the catheter is consolidated with no additional payment. Sedation, tests, monitoring and drugs are packaged with no additional payment. Keep in mind that those items are included in the overall reimbursement because your financial modeling would include these levers during rate setting to establish your base rate. Note each line item on a claim is assigned a 3M EAPG.

Outpatient cardiac catheterization bundled using EAPGs- packaging, consolidation and discounting

R07.9	Chest pain						
HCPCS	**HCPCS Long Description**	**EAPG**	**EAPG Description**	**EAPG Type**	**Grouping Outcome**	**Relative Weight**	**Adjusted Rel Wt**
93454	Coronary Angiography only	84	Cardiac Cath Procedures	25-Diag/Ther Proc	1-Full Payment	3.9393	3.9393
36566	Insert non-tunnel CV cath	75	Level 1 Central Venous Access Proc	25-Diag/Ther Proc	2- Consolidated	1.8819	-
92960	cardioversion, elective	93	Cardioversion	2-Significant Proc	1-Full Payment	1.0811	1.0811
99152	Moderate sedation	380	Anesthesia	4-Ancillary	4-Packaged	0.0400	-
88484	Assay of troponin quant	400	Level 1 Chemistry Tests	4-Ancillary	4-Packaged	0.0203	-
93000	ECG complete	413	Cardiogram	4-Ancillary	4-Packaged	0.0441	-
J1810	Fentanyl Inj	496	Minor Pharmocology	6- Drug	4-Packaged	-	-
J2250	Midazolam Inj	496	Minor Pharmocology	6- Drug	4-Packaged	-	-
94760	Measure blood oxygen	2004	Incidental Minor Diagnostic Tests	5-Incidental	4-Packaged	-	-
	Visit Total					**7.0067**	**5.0204**
	Visit Payment using example EAPG base Rate of $500 (base rate chosen by payer)						**$ 2,510.20**

The first behavioral health example shows the per diem option enabled for the EAPG assignment - thus all line items are packaged into the partial hospitalization per diem. The second example shows relative weights applied without the per diem option enabled, but includes discounting of multiple significant procedures and consolidation for a second instance of behavioral health assessment.

EAPG examples of Bundling- Discounting, Packaging and Consolidation with and without per diem enabled						
Behavioral Health/Substance Abuse - Per Diem EAPG 312 (Per Diem Options - enabled, typically used for structured OP Partial Hospitalization Program)						
F0151	Principal diagnosis: Vascular dementia with behavioral disturbance					
HCPCS	**HCPCS Long Description**	**EAPG**	**EAPG Description**	**Grouping Outcome**	**Relative Weight**	**Adjusted Rel Wt**
H0035	Mental health partial hospitalization, treatment, less than 24 hours	312	Behavioral and substance abuse partial hospitalization program	Per diem payment for EAPG 312.	0.5102	0.5102
90791	Psychiatric diagnostic evaluation	323	Behavioral health assessment	Packaged into per diem flag assigned; no separate payment for line	0.4397	0
90785	Interactive complexity	315	Counselling or individual brief psychotherapy	Packaged into per diem flag assigned; no separate payment for line	0.2028	0
G0411	Interactive group psychotherapy, in a partial hospitalization setting,approximately 45 to 50 minutes	318	Group psychotherapy	Packaged into per diem flag assigned; no separate payment for line	0.3582	0
				total	**1.5109**	0.5102
				EAPG adjusted price		$ 255
Behavioral Health/Substance Abuse Encounter (No Per Diem Options enabled)						
F3162	Principal Diagnosis: Bipolar disorder, current episode mixed, moderate					
HCPCS	**HCPCS Long Description**	**EAPG**	**EAPG Description**	**Grouping Outcome**	**Relative Weight**	**Adjusted Rel Wt**
90791	Psychiatric diagnostic evaluation	323	Behavioral health assessment	Significant procedure; paid at 100%	0.4397	0.4397
90834	Psychotherapy, 45 minutes with patient	316	Individual comprehensive psychotherapy	Discounted- Multiple significant procedure	0.2446	0.1223
90846	Family psychotherapy (without the patient present), 50 minutes	317	Family psychotherapy	Discounted- Multiple significant procedure	0.2525	0.1262
99492	Initial psychiatric collaborative care management, first 70 minutes in the first calendar month	320	Behavioral health- case management and treatment plan development	Discounted- Multiple significant procedure	0.1125	0.0562
H0031	Mental health assessment, by non-physician	323	Behavioral health assessment	Consolidation- Same significant procedure consolidation occurs; no separate payment for line	0	0.0000
				total	**1.0492**	0.7445
				EAPG adjusted price		$ 372
Notes: 1. Each payer must set their base rate and scale relative weights dependent upon the population that EAPGs is used for. In this example, a base rate of $500 is used. 2. Despite consistent relative resource use, and thereby weight, variation in the mix of procedures and visit types means that the average resource consumption across patients will vary considerably across these patient populations. Care must therefore be taken to scale (up or down) the relative weights provided within the calculation to fit the average spend of the population. 3M Version 3.16 weights used.						

3M has designed sophisticated clinical logic to set better payment incentives than a fee schedule approach. All of our methodologies are patient classification methods, first and foremost, so discounting, packaging and consolidation are built upon a clinical rationale for payment.

3M EAPG payment structure is highly configurable to accommodate your policy options, yet every payer is responsible for the financial modeling and simulations that are used to set base rates and policy adjustors. In fact, even rebasing of the relative weights is the responsibility of the payer and should be performed on a regular basis. 3M uses a vast dataset to set the relative weights, but each payer must rebase to establish relative weights for the mix of services generally provided to each population. An experienced consultant can also assist you here to avoid missteps.

Why pay outpatient claims with 3M EAPGs?

- You set a more logical, clinically defensible way to reimburse for outpatient services.
- From an economic standpoint, you set better incentives for payment. Payment at the point of care is what sets the incentives for efficiency and 3M EAPGs

provide the configurability of bundling: packaging, consolidation and discounting.

- Case mix adjust your utilization and financial data.
- You control the overall budget. Remember, you set the payment rates and policy adjustors based upon your financial simulations. This is the key to understanding the impact of the payment change in specific specialty or policy areas.
- Furthermore, 3M has taken great care to ensure the consistency of 3M EAPG assignment over time, critical for meaningful trend analysis.
- You will join the 25 payers that use 3M EAPG for outpatient bundled payment.
- 3M EAPG bundles give insight and transparency in reports. For example, 3M EAPGs use the principal diagnosis code for a medical visit to assign the 3M EAPG, which provides insight into the cause for an emergency department visit. Hence, the sophistication gives you much more insight into what services you are paying for. "Geographic Variation in Hospital Emergency Department Visits in the Medicare Population[iv]" uses 3M EAPGs and **3M™ Potentially Preventable Emergency Department Visits (PPVs)** as tools to accomplish this original 3M research.

Here are the top 28 primary reasons for a potentially preventable emergency department visit grouped by 3M EAPGs across the U.S. for a segment of the Medicare population (comprising 1 percent). Does your emergency department reporting provide this level of insight currently, not to mention the proprietary insight on potentially preventable visits?

EAPG	EAPG of PPV	Count	Percent
661	LEVEL II MUSCULOSKELETAL & CONNECTIVE TISSUE DIAGNOSES	26,178	8.2
674	CONTUSION, OPEN WOUND, TRAUMA TO SKIN & SUBCUTANEOUS TISSUE	23,864	7.4
628	ABDOMINAL PAIN	18,442	5.8
871	SIGNS, SYMPTOMS & OTHER FACTORS INFLUENCING HEALTH STATUS	16,840	5.3
656	BACK & NECK DIAGNOSES EXCEPT LUMBAR DISC DIAGNOSES	14,937	4.7
727	ACUTE LOWER URINARY TRACT INFECTIONS	13,355	4.2
627	NON-BACTERIAL GASTROENTERITIS, NAUSEA & VOMITING	13,325	4.2
576	LEVEL I OTHER RESPIRATORY DIAGNOSES	12,480	3.9
675	OTHER SKIN, SUBCUTANEOUS TISSUE & BREAST DIAGNOSES	10,219	3.2
561	VERTIGINOUS DIAGNOSES EXCEPT FOR BENIGN VERTIGO	9,914	3.1
562	INFECTIONS OF UPPER RESPIRATORY TRACT & OTITIS MEDIA	9,457	2.9
271	PHYSICAL THERAPY	8,450	2.6
599	HYPERTENSION	7,994	2.5
270	OCCUPATIONAL THERAPY	7,541	2.4
530	HEADACHES OTHER THAN MIGRAINE	7,324	2.3
624	LEVEL I GASTROINTESTINAL DIAGNOSES	6,028	1.9
694	ELECTROLYTE DISORDERS	6,004	1.9
630	CONSTIPATION	5,389	1.7
601	LEVEL I CARDIAC ARRHYTHMIA & CONDUCTION DIAGNOSES	5,306	1.7
711	DIABETES WITH OTHER MANIFESTATIONS & COMPLICATIONS	4,639	1.4
602	ATRIAL FIBRILLATION	3,742	1.2
564	LEVEL I OTHER EAR, NOSE, MOUTH,THROAT & CRANIAL/FACIAL DIAGNOSES	3,641	1.1
826	ACUTE ANXIETY & DELIRIUM STATES	3,556	1.1
658	LUMBAR DISC DIAGNOSES WITH SCIATICA	3,550	1.1
663	PAIN	3,513	1.1
563	DENTAL & ORAL DIAGNOSES & INJURIES	3,474	1.1
573	COMMUNITY ACQUIRED PNUEMONIA	3,454	1.1
553	LEVEL I OTHER OPHTHALMIC DIAGNOSES	3,242	1.0

Timeframe

Plan for a minimum of six months of financial simulations and modeling with experienced consultants, requiring regular meetings and documentation of decisions along the way. Plan to give stakeholders at least six to 12 months lead time, which may overlap with the policy development period; this allows stakeholders to be apprised of the impact on their internal reporting and management. Be sure to build in educational opportunities or touchpoints for stakeholders as well as time for necessary approvals.

Get more advice and guidance by reading more 3M EAPG information online.[v] 3M EAPGs and 3M APR-DRGs bundled payment methods will establish a successful foundation for your robust value-based payment for decades to come.

Special thanks to our 3M experts from clinical and economic research - Rich Fuller, Anne Boucher and Lyn Wyskiel for their valuable input in the creation of this paper.

---

[i] MedPAC June 2020 Report to Congress, p. 165.
[ii] MedPAC June 2020 Report to Congress, p. 170. https://www.macpac.gov/publication/june-2020-report-to-congress-on-medicaid-and-chip/
[iii] MedPAC June 2020 Report to Congress, p, 176 #4.
[iv] geographic-variation-emergency-department-visits.pdf (3m.com)
[v] 3M™ Enhanced Ambulatory Patient Groups (EAPGs)