

June 23, 2016

The Honorable Sylvia Mathews Burwell
Secretary of Health and Human Services
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, DC 20201

Dear Secretary Burwell:

We applaud your efforts to reform the health care payment and delivery system to provide better care at lower cost. In particular, Medicare's mandatory bundled payment demonstration for joint replacement represented a significant milestone as the first mandatory demonstration.

This step was necessary to ensure that participants in a demonstration are not only those providers that believe they will financially benefit from participation. All providers will have the incentive to re-design their processes of care to improve quality and lower costs. In addition, this demonstration will accelerate expansion of bundled payments at the same time that the administration continues to test and refine other payment models.

In the remaining months of this administration, we urge you to initiate several additional mandatory bundled payment demonstrations. Additional mandatory demonstrations would send an important signal to stakeholders—hospitals, physicians, device manufacturers, skilled nursing facilities, and home health care agencies—that Medicare plans to aggressively expand bundled payments alongside other payment reforms.

The benefits of this approach are numerous. First, bundled payments can guarantee savings by providing a specific discount from fee-for-service payments. Second, because bundles are for specific treatments, they can deliver these savings over the short term—and evidence can be accumulated rapidly to justify nationwide expansion. Third, bundled payments can be implemented across all providers, in any geographic area.

A promising candidate for a mandatory bundled payment demonstration is one that targets cardiac procedures, such as coronary artery bypass grafting (CABG), stent placement, cardiac catheterization, pacemaker placement, and management of congestive heart failure. Results from the Acute Care Episode Program suggest that both providers and the Medicare program can realize savings and quality improvements by aligning hospital and physician interests and allowing both to share savings that result from delivery of high quality, more efficient care.

In addition, there is a wide variation in Medicare spending for episodes around CABG, suggesting the potential for substantial savings. According to one study, the difference between hospitals in the highest-cost quintile and hospitals in the lowest-cost quintile was \$23,833, or 70

percent.^[1] Much of this variation can be explained by differences in prices, suggesting that bundled payment can address price in addition to utilization.

Since post-acute care also accounts for a large share of the variation (about one-third in the case of CABG), demonstrations should include post-acute care in the bundles and 90-day guarantees. Evidence indicates that providers only focus attention on care or processes that are included in the bundle.^[2]

We believe there is an urgency to moving forward with additional mandatory demonstrations. The market will respond to long periods of inaction or uncertainty. But additional actions this year will keep the momentum going and help keep the brake on health care cost growth.

Respectfully,

Dr. Ezekiel Emanuel, University of Pennsylvania

Dr. Don Berwick, former administrator of the Centers for Medicare & Medicaid Services

Amitabh Chandra, Harvard University

Dr. Alice Chen, Doctors for America

David Cutler, Harvard University

Dr. Bob Kocher, formerly National Economic Council

Peter Orszag, former director of the Office of Management & Budget

Dr. Kavita Patel, The Brookings Institution

Jonathan Skinner, Dartmouth College

Neera Tanden, The Center for American Progress

Topher Spiro, The Center for American Progress

^[1] David C. Miller et al., “Large Variations in Medicare Payments for Surgery Highlight Savings Potential from Bundled Payment Programs,” *Health Affairs*, Vol. 30 No. 11 (2011).

^[2] Unpublished analysis of Baptist Health System.