

# Medicare Program Savings Under the Bundled Payments for Care Improvement Advanced (BPCI Advanced) Model, Model Year 4 (2021)

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## KEY TAKEAWAYS

- During Model Year 4 (2021), the Bundled Payments for Care Improvement Advanced (BPCI Advanced) Model resulted in an estimated net savings to Medicare for the first time since the model's inception.
- The model led to an estimated **\$464.7 million** (or 3.4% of what Medicare payments would have been had the model not existed) in net Medicare savings, which may have ranged from \$376.6 million to \$552.8 million based on a 90% confidence interval.
- Estimated net savings were \$306.0 million for medical episodes and \$147.1 million for surgical episodes.

## The BPCI Advanced Model

- BPCI Advanced is a voluntary Advanced Alternative Payment Model designed to test whether linking Medicare payments for an episode of care can reduce Medicare expenditures while improving or maintaining quality of care.
- Participants are accountable for the cost and quality of eligible episodes of care, starting with an anchor stay or procedure and lasting for 90 days after discharge or completion of the procedure. If episode expenditures are above a target price set by the Centers for Medicare & Medicaid Services (CMS), participants must pay the excess back to CMS. If expenditures are below the target price, participants receive a reconciliation payment from CMS.
- In Model Years 1–3, despite reductions in payments, the model resulted in losses to Medicare. CMS made changes to the model design in Model Year 4, including changes to improve the target pricing.

**Target prices** are based on historical payments, patient case mix, peer group historical payments, and a prospective peer group trend and are discounted by 3%. Starting in Model Year 4, final target prices reflect a realized peer group trend. Reconciliation payments are adjusted for participants' performance on quality and stop-loss or stop-gain limits.

## Research Objective

- To assess whether model changes led to CMS achieving net savings in Model Year 4.

## Study Design and Methods

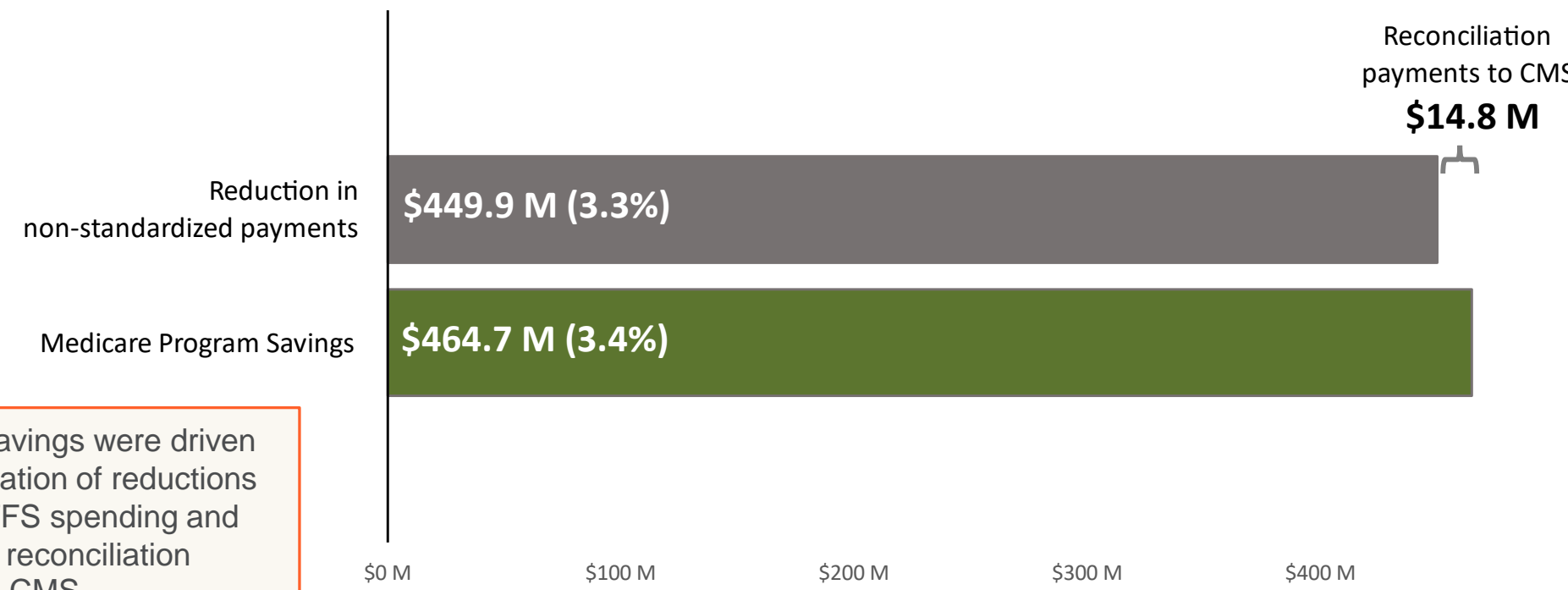
- A difference-in-differences approach estimated the change in Medicare fee-for-service (FFS) episode spending for groupings of clinical episodes between a baseline period (January 2015–September 2018) and intervention period (January 2021–December 2021) (Model Year 4) for model participants relative to a matched comparison group.
- To calculate Medicare savings, we subtracted reconciliation payments paid to (or received from) participants from the total change in FFS spending (non-standardized paid amounts).

$$\text{Medicare savings} = \text{change in non-standardized paid amounts} - \text{net reconciliation payments}$$

- The population included Medicare FFS patients with episodes of care initiated by BPCI Advanced hospitals and physician group practices (PGPs) participating in eight clinical episode service line groups (four medical and four surgical) during Model Year 4. We omitted a few clinical episodes from our results due to inadequate volume for evaluation.

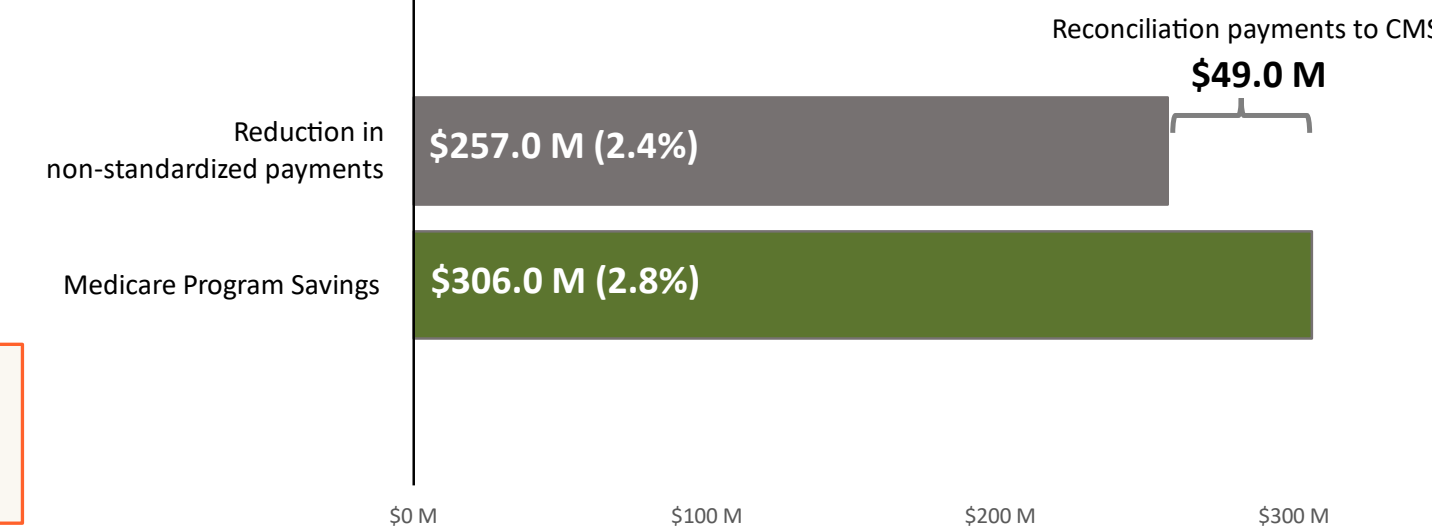
## Principal Findings

The BPCI Advanced Model Resulted in Net Savings to Medicare in Model Year 4 (2021) due to Reconciliation Amounts Paid to CMS and Reductions in Episode Payments



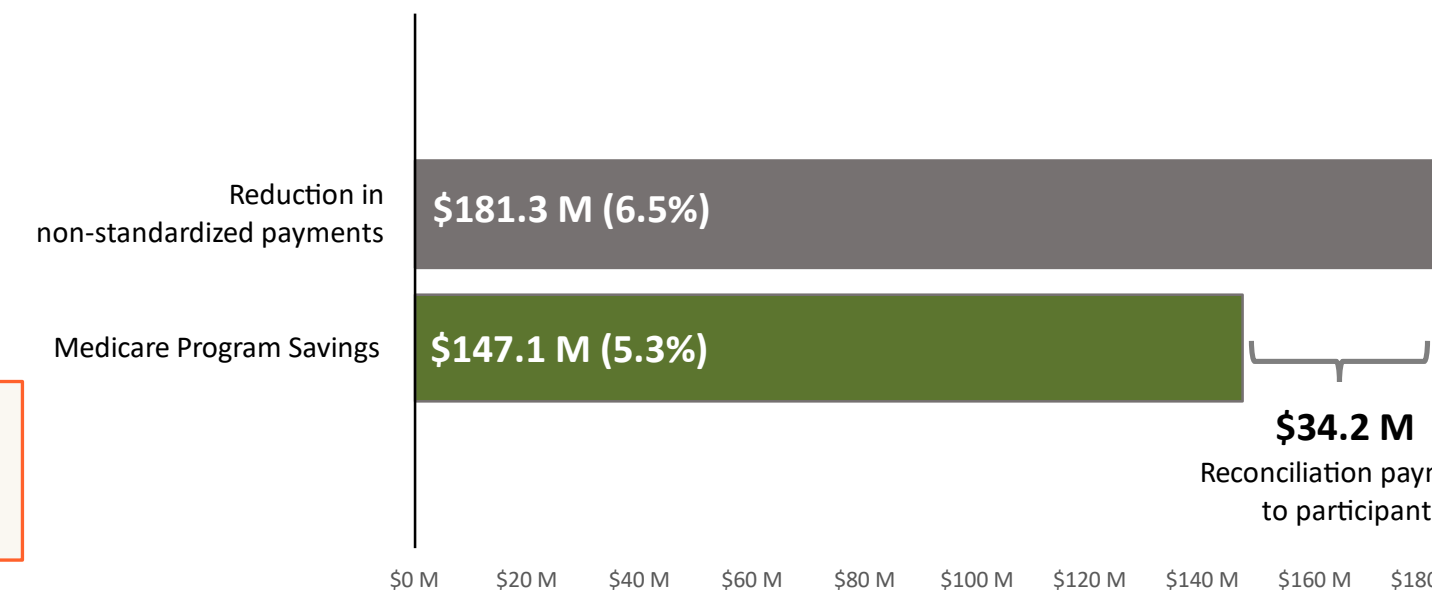
These net savings were driven by a combination of reductions in episode FFS spending and increases in reconciliation payments to CMS.

After Accounting for \$49.0 Million in Reconciliation Payments Paid to CMS, the BPCI Advanced Model Resulted in Net Savings of \$306.0 Million for Medical Episodes



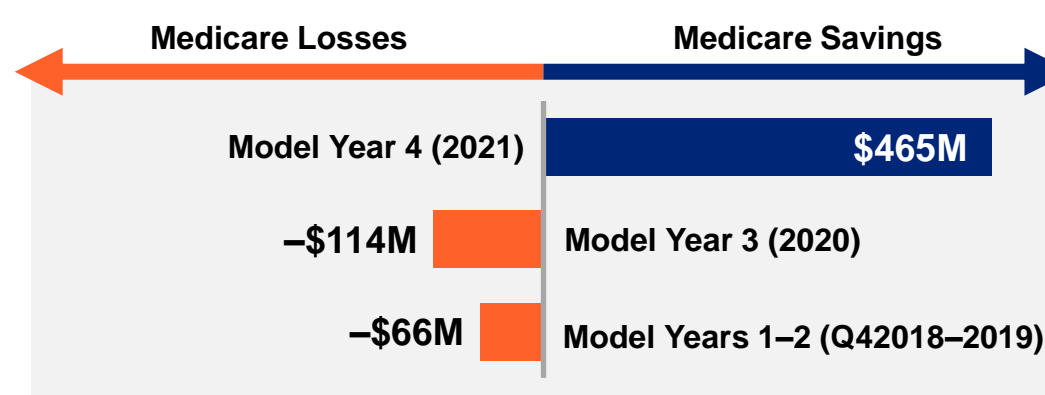
Medical clinical episode service line groups include *cardiac care, gastrointestinal care, neurological care, and medical and critical care.*

After Accounting for \$34.2 Million in Reconciliation Payments Paid to CMS, the BPCI Advanced Model Resulted in Net Savings of \$147.1 Million for Surgical Episodes



Surgical clinical episode service line groups include *cardiac procedures, gastrointestinal surgery, spinal procedures, and orthopedics.*

## Medicare Savings Over the Course of the Model



For the first time since its inception in the fourth quarter (Q4) of 2018, the BPCI Advanced Model resulted in net savings to Medicare, estimated to be **\$465 million**, offsetting losses in earlier model years.

## Additional Findings and Conclusions

- The BPCI Advanced Model was associated with estimated savings of **3.4%** in 2021.
- Unlike in Model Year 3, in Model Year 4, reconciliation payments combined with payment reductions led to net savings for Medicare; both medical and surgical clinical episodes created net savings.

Clinical Episodes (CEs)	Model Year 3			Model Year 4		
	Reduction in Non-standardized Payments (M)	Reconciliation Payments (M)	Savings to Medicare (M)	Reduction in Non-standardized Payments (M)	Reconciliation Payments (M)	Savings to Medicare (M)
<b>All Evaluated CEs</b>	\$514.1	\$627.8	-\$113.7	\$449.9	-\$14.8	\$464.7
<b>Medical</b>	\$305.1	\$505.6	-\$200.5	\$257.0	-\$49.0	\$306.0
Hospitals	\$197.8	\$364.4	-\$166.6	\$196.6	-\$27.0	\$223.5
PGPs	\$80.8	\$141.2	-\$60.4	\$62.7	-\$22.0	\$84.8
<b>Surgical</b>	\$193.5	\$122.2	\$71.3	\$181.3	\$34.2	\$147.1
Hospitals	\$29.9	\$23.6	\$6.3	\$83.8	\$3.9	\$79.9
PGPs	\$157.1	\$98.6	\$58.6	\$92.5	\$30.3	\$62.2

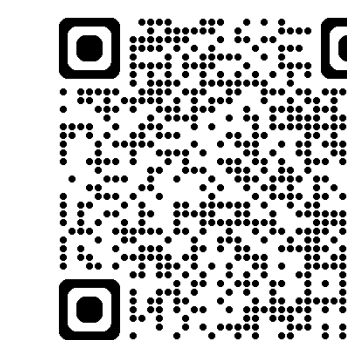
- Analysis by medical and surgical episodes revealed the model resulted in estimated net savings of \$306.0 million (2.8%) from medical episodes and \$147.1 million (5.3%) from surgical episodes.
  - Medical hospital episodes resulted in estimated net savings of \$223.5 million (2.6%), and medical PGP episodes resulted in estimated net savings of \$84.8 million (3.8%).
  - Surgical hospital episodes resulted in estimated net savings of \$79.9 million (5.1%), and surgical PGP episodes resulted in estimated net savings of \$62.2 million (5.6%).

## Implications for Policy or Practice

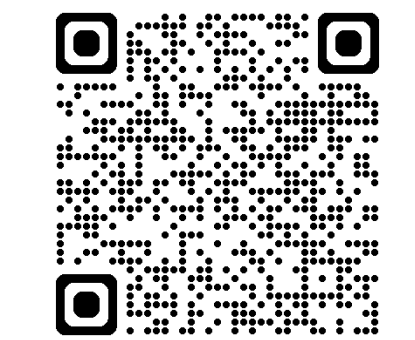
- Our analysis found that changes to the model design implemented by CMS in Model Year 4, which intended to bolster savings to Medicare, were successful. However, in Model Years 5 and 6, we may see reductions to savings due to smaller episode volume caused from participants withdrawing.
- These results highlight that accurate episode pricing in a voluntary model is possible, but further research is needed to assess the sustainability of BPCI Advanced in regard to model participation.

## Learn More About the BPCI Advanced Model Evaluation

[Latest Evaluation Report \(pdf\)](#)



[BPCI Advanced Website](#)



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