Bundled care

The opportunities and challenges for providers
Contacts

Beirut

Gabriel Chahine
Partner
+961-1-985-655
gabriel.chahine
@strategyand.pwc.com

Jad Bitar
Principal
+961-1-985-655
jad.bitar
@strategyand.pwc.com

Berlin

Peter Behner
Partner
+49-30-88705-841
peter.behner
@strategyand.pwc.com

Chicago

Gary Ahlquist
Senior Partner
+1-312-578-4708
gary.ahlquist
@strategyand.pwc.com

Minoo Javanmardian, Ph.D.
Senior Partner
+1-312-578-4712
minoo.javanmardian
@strategyand.pwc.com

Frankfurt

Rainer Bernnat, M.D.
Partner
+49-69-97167-414
rainer.bernnat
@strategyand.pwc.com

New York

Joyjit Saha Choudhury
Partner
+1-212-551-6871
joyjit.sahachoudhury
@strategyand.pwc.com

San Francisco

Igor Belokrinitsky
Partner
+1-415-653-3525
igor.belokrinitsky
@strategyand.pwc.com

Shanghai

Sarah Butler
Partner
+86-21-2327-9800
sarah.butler
@strategyand.pwc.com
About the authors

Gary Ahlquist is a senior partner with Strategy& based in Chicago. He leads the firm’s work for healthcare clients worldwide, specializing in strategy and organization development for health plans, insurance companies, and providers. A pioneer of the consumer health movement, he has authored many articles and speaks frequently on the future of the U.S. health system.

Minoo Javanmardian, Ph.D., is a senior partner with Strategy& based in Chicago who works with the firm’s global healthcare clients. She focuses on strategy, strategy-based transformation, and delivery system innovation for payors and providers.

Sanjay B. Saxena, M.D., was formerly a partner with Booz & Company.

Brett Spencer, M.D., was formerly a principal with Booz & Company.

This report was originally published by Booz & Company in 2013.
Executive summary

Bundled care represents a major strategy for achieving the goals of the Affordable Care Act — extending healthcare to all Americans at affordable prices with no sacrifice in quality. This is the second in a series of Strategy& articles on bundled care. The first dealt with growing consumer demand for transparent end-to-end solutions, including the fact that half of consumers would consider changing providers to access bundled care.¹ This Perspective presents survey data from providers: physicians and hospitals. (A third piece will discuss the attitudes of payors — health plans and employers — regarding bundles.)

Overall, larger provider organizations are leading the industry’s shift and early results are encouraging. Smaller entities see similar potential benefits, but are cautious in the face of resistance, uncertainty, and complexity. The survey findings are presented in the context of what’s important, what’s going to cause problems, and what can be done to position leading provider organizations to succeed in the larger and more competitive healthcare economy of the future.
Introduction: Where’s my jet pack?

We believe that healthcare bundles are the most promising strategy for systematically and sustainably reducing costs and improving healthcare quality. They are applicable to a wide range of procedures and conditions — including coronary artery bypass grafting, orthopedic procedures such as knee and hip replacements, and certain cancer treatments. The core concept of a bundle (including care redesign) is to give a patient an end-to-end view of the solution, along with a clear explanation of episode treatments, costs, experiences, and outcomes. The bundled-care model reduces fragmentation and waste and is a far cry from the current situation, in which patients often have to stitch together all the pieces of their treatment for themselves, while plan sponsors and payors pay for activities as opposed to outcomes.

Consumers are ready for bundles. More than three-fourths of consumers surveyed by Strategy& found the concept appealing.¹ Major employers and plan sponsors are providing real-world impetus for bundles by negotiating attractive prices with regional and national provider systems and offering financial incentives to employees to use those services, even if doing so involves significant travel. Though travel remains a barrier to some patients, the idea of high-quality bundles carrying warranties at fixed prices is an easy winner in consumers’ minds — especially those familiar with the sometimes nightmarish difficulties of navigating the healthcare system as a patient with a serious medical problem. Much like the allure of jet packs in the 1950s, consumers are ready for bundles — perhaps ahead of their widespread availability.

Demand, existing and pent-up, is an excellent starting point for a new idea. However, creating, perfecting, and scaling up a new idea — the supply side — remains a challenge. Fortunately, there are early-stage models that are working and there is no shortage of strategic imperatives pushing the delivery side to develop ways of making step changes in cost performance just to survive, much less thrive. Although many new patients will have coverage under the Affordable Care Act (ACA), it is clear that the average price realization for providers will decline. The nascent bubble of baby boomer demand under Medicare will further stress the entire health system.
Bundles represent a major opportunity to make step-change improvements in cost performance, customer service, and outcomes — and they will get an open reception from consumers and many employers (translating into increased market share for successful providers). But provider organizations face major challenges in designing, implementing, and continuously improving bundles of care — highlighting tensions already existing between sectors of the industry, as well as traditional boundary issues between hospitals, specialists, primary-care providers, and alternative settings of care.

This Perspective focuses on the current state of play for bundles, the attitudes and experiences of providers, and the implications for design and implementation. Progress is being made, but it needs to accelerate and intensify if providers want to avoid consumers’ central question: “Where are my bundles?”
Larger healthcare systems and multispecialty groups are early adopters

High-profile providers — including the Mayo Clinic, the Cleveland Clinic, and Geisinger Health System — are already providing selected bundles to large employers such as Walmart on a national basis, as well as to their own local and regional markets (see Exhibit 1, next page). These arrangements typically feature no out-of-pocket costs for the patient and include travel expenses for the patient and a family member or caregiver. Clearly, both the plan sponsors and the healthcare systems are convinced of the long-term clinical efficacy and economic benefits of bundles (currently focused primarily on procedure-based care, such as joint replacements). On a more localized basis, pioneering providers, in conjunction with payors, have been experimenting and fine-tuning cardiac and orthopedic bundles at least since 2006, most notably in south Florida (a multicity effort with Strategy&). At the national level, about 450 hospitals and health systems have already signed on to a program for bundled reimbursement that is run by the Centers for Medicare & Medicaid Services (CMS) — although the CMS version falls short of true bundles by shortchanging care redesign and being retrospective.

Our survey indicates that a large and growing number of provider systems are hard at work on bundles, but are flying beneath the national-level radar (see the survey results, beginning on page 16). Overall, about 30 percent of hospitals surveyed are already pursuing the model and another 51 percent are exploring the idea. Not surprisingly, the trends are somewhat different by enterprise size. Some 53 percent of systems having in excess of US$1 billion in annual revenues are already taking action to implement bundles, and nearly all large systems expect to develop bundles. By contrast, just 24 percent of smaller healthcare systems are currently taking action, and 20 percent of the smaller systems see little efficacy in the approach.

Clinical depth and breadth, combined with enterprise size, appear to be the strongest predictors of interest in and implementation of bundles. Physicians in larger, multispecialty groups or employed by a health system are more active and interested in bundles (59 percent) than their single-specialty counterparts (34 percent). Most strikingly, single-
specialty practitioners are much more likely to doubt the efficacy of bundles (44 percent) than doctors organized in multispecialty groups (27 percent). This is likely a by-product of the sample, which included primary-care providers (usually organized in single-specialty groups), who sense that bundles will occur mostly downstream from their office-based practices, especially with the advent of hospitalists. This could change, however, when bundles migrate to less procedure-based conditions and include chronic-care management.

Exhibit 1
Health systems’ bundled care agreements with employers

Source: FierceHealthcare; Advisory Board Company; L.A. Times; CalPERS; Journal of Healthcare Contracting
Providers recognize the value of bundles

Physicians and hospitals alike believe that bundles are valuable tools for improving the affordability of care — bundles exceed both accountable care organizations (ACOs) and patient-centered medical homes (PCMHs) on this dimension. Physicians hold this view somewhat more strongly than hospitals — and specialists (the most likely “bundlers”) most strongly of all. Of course, ACOs, PCMHs, and bundles are not mutually exclusive structures and systems for reducing cost and improving quality. But bundles are likely seen as the most easily separable because they can be developed independently of the other two approaches. In that sense, they are viewed as producing results more quickly, with most of the benefits being cost-based. The overall message of openness to bundles, though, needs to be placed firmly in the larger context of healthcare reform.

Bundles can and should be a significant strategy within an overarching model for serving patients and going to market. As such, we expect to see many provider systems viewing ACOs, PCMHs, and bundles as interrelated components of an integrated business model where entities go to market under an ACO umbrella, customize their PCMH model, and include bundles for their own contracted lives, making them available on a retail-like basis to other players (plans, employers, and physicians, including those working under other ACO and PCMH brands). In that sense, bundles can be “sold” on either a wholesale (internal) or a retail (external) basis. Bundles are not an alternative to population health management and other global approaches; they are necessary components of almost any future model for delivering better care and outcomes at reduced cost.

Providers’ expectations that the cost dimension will drive most of bundles’ benefits probably reflects inexperience. Bundles are most easily imagined as “packaging” what is already done — specifically, a fairly superficial averaging of fee-for-service (FFS) pricing, combined with some program supervision and discounting. This might produce some near-term benefits, but it misses much of the value of bundles to improve the customer experience and clinical outcomes. If a health system’s approach to bundles doesn’t include detailed and ongoing
evaluations of protocols, coordination, communication, and customer/family experiences, providers will see little sustainable benefit — and will be passed by competitors that grasp the transformative value of the concept and gain share as a result. When fully developed and realized, bundles provide strategic advantages to providers beyond initial cost savings. Along with state-of-the-art PCMH approaches, bundles represent the most “brandable,” defensible, and consumer-centric features of a delivery strategy for post-reform success.
Spectrum expansion and scaling up are looming challenges

The cost concentration in acute, procedure-based treatments thus far has skewed the industry's efforts to develop bundles. These are episodes most susceptible to packaging and pricing and, if successful, have a disproportionate impact on cost. Most of these bundles (primarily cardiac and orthopedic) also have well-established parameters for out-of-hospital rehabilitation services. Our survey shows this tendency clearly, with nearly 75 percent of the bundles developed to date focused on procedure-based treatments and other acute-care conditions (41 and 33 percent, respectively). Only about 25 percent of the respondents' bundles dealt with chronic-care conditions.

This focus on acute care and procedures makes sense at this stage of the concept's development for two reasons. First, and most obviously, it makes sense because these treatments almost universally display discrete beginning and end points — and typically have a readily defined “good” outcome. Further, because hospitals are leading in adoption thus far, this approach tends to go after the sweet spot of their cost concentration.

It is clear, however, that chronic conditions need to receive greater attention going forward, because the universe of covered lives with chronic conditions (requiring almost constant treatment or monitoring) is large and growing. In addition, chronic conditions do not exist in a vacuum. Congestive heart failure, diabetes management, and obesity/wellness patients can create major cost stress on the system downstream from the presenting conditions. This will be an important consideration as health systems and others are increasingly paid for their population health management success. Proof of concept may indeed come from joint replacements and pacemakers, but the spectrum of care covered will need to be expanded to the world of chronic care and prevention.

Scaling up — along multiple dimensions — will be a major challenge to those currently implementing bundles (and those that eventually follow). Scaling up includes increasing the percentage of patients using a specific bundle, adding additional bundle sets, pushing the beginning
and end points on the spectrum of care, extending the facilities and geographies where the bundles are available, and expanding the number and scope of partnerships through which the bundles are marketed and delivered. Of those currently offering bundles, there is strong interest in expanding the clinical and economic impact by scaling up on all these dimensions — with roughly 50 percent of all respondents seeing a one- to three-year horizon for pushing forward to more robust offerings.
Encouraging results for leaders — and caution for fast followers

Of the 42 respondents in the survey already offering bundles, the economic results can be characterized as good to very good, though success so far is not universal. Overall, nearly 64 percent reported cost savings, while 24 percent were unsure and about 12 percent saw no savings. The significance of the savings, and their comparison to expectations, is in line with the relatively early days of this new concept.

Going into their bundles initiatives, a third of providers expected early-stage savings in the range of 1 to 5 percent. Roughly a fourth hoped for larger savings (5 to 10 percent), and a fifth expected gains in excess of 10 percent. (The remaining fifth of providers were unsure.) Their expectations were in line with actual results. About 40 percent reported savings of 1 to 5 percent. What’s more impressive, 37 percent believed that their savings were in excess of 5 percent, with 40 percent of those reporting gains in excess of 10 percent. Longer term, these successes should translate into share gains as well.

Bundles are difficult to do, as the responses along multiple dimensions from implementers clearly show. Design is hard, especially getting the risk- and gain-sharing arrangements right.

Implementation is no picnic either — with persuading physicians to deliver against the bundles, integrating data, and running bundles alongside traditional fee-for-service approaches topping the list of challenges. For those that succeed at design and initial implementation, scaling up the number of procedures, conditions, and geographies is the focus of intense effort. That effort, though, is viewed as worthwhile by the hospitals that are implementing bundles: Virtually all of them indicated a commitment to scaling up the clinical scope of bundles (diagnoses and settings), with about half hoping to do so in one to three years, and more than 70 percent looking to ramp up within five years.

In a competitive world where step-change improvement in performance (cost, customer service, and outcomes) is imperative, bundles are beginning to reveal their promise as a key strategic option. So why have only a third of the survey’s respondents begun implementation of
bundles? Their concerns involve all three dimensions of the model — proof of concept, design, and implementation. To paraphrase their major concerns in a sentence, they believe there are still problems with proven savings (though perhaps this will begin to change); the value proposition for payors is a hard sell; bundle definition and especially pricing are difficult; and running “dual operating models” (fee-for-service and bundles) is financially and organizationally risky and expensive in transition. In addition, it wouldn’t take much reading between the lines to infer that many are still unconvinced that bundles are a major part of the end game of competing in the new world — though they express no confidence that superior models are available.

No idea gains universal support immediately, and bundles are no different — despite fairly obvious consumer and plan-sponsor demand, a near mandate from CMS, and high-profile programs already successfully in place. The depth and breadth of their impact is certainly daunting, hence the fears of running dual operating models (running one is hard enough). But, anecdotally, we hear discussions and comments from providers and payors alike that there is something else that will subsume and/or supersede bundles — an overarching scheme (for example, “total cost of care”) that will make bundles an unnecessary stopover on the way to another new way of managing care and costs. It is possible, perhaps, that bundles will not be the dominant form of transactional payments and reimbursements in the post-ACA healthcare system. We believe, however, that bundles show the way to effectively managing healthcare delivery costs and outcomes — whether as a freestanding effort or as part of a migration to population health management models.

Bundles’ underlying processes, organizational relationships, and keen attention to what happens in the actual delivery of care are the very heart of the change that is needed to make healthcare more affordable and more accountable. Consumers are ready now, and a growing segment of providers is moving to meet those expectations and prepare for the future.
Methodology

This study was based on an online survey of more than 400 physicians and 150 hospital administrators, conducted in October 2012. The questions included demographic data and quantitative data in order to analyze the prevailing attitudes, preferences, and experiences among physicians and hospitals regarding healthcare bundles. The results have a confidence interval of +/-4.5 percent (physicians) and +/-8 percent (hospitals) and also included qualitative responses (via free-text boxes).
**Detailed findings**

**Exhibit 2**
Relative attractiveness of care delivery models for physicians

<table>
<thead>
<tr>
<th></th>
<th>Affordability</th>
<th>Quality</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bundles</td>
<td>51%</td>
<td>26%</td>
<td>23%</td>
</tr>
<tr>
<td>PCMHs</td>
<td>28%</td>
<td>43%</td>
<td>31%</td>
</tr>
<tr>
<td>ACOs</td>
<td>24%</td>
<td>43%</td>
<td>21%</td>
</tr>
<tr>
<td>Bundles</td>
<td>26%</td>
<td>49%</td>
<td>35%</td>
</tr>
<tr>
<td>PCMHs</td>
<td>27%</td>
<td>35%</td>
<td>38%</td>
</tr>
<tr>
<td>ACOs</td>
<td>24%</td>
<td>36%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Related question: “Please rank-order the relative attractiveness of each model in terms of its ability to address the targeted triple aim of affordability, quality, and patient experience.”

Source: Strategy&


**Exhibit 3**  
Relative attractiveness of care delivery models for hospitals

N=138 hospitals surveyed

<table>
<thead>
<tr>
<th></th>
<th>Affordability</th>
<th>Quality</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bundles</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PCMHs</td>
<td>27%</td>
<td>48%</td>
<td>25%</td>
</tr>
<tr>
<td>ACOs</td>
<td>31%</td>
<td>34%</td>
<td>31%</td>
</tr>
<tr>
<td><strong>Ranked 1st</strong></td>
<td>42%</td>
<td>48%</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Ranked 2nd</strong></td>
<td>20%</td>
<td>39%</td>
<td>31%</td>
</tr>
<tr>
<td><strong>Ranked 3rd</strong></td>
<td>38%</td>
<td>20%</td>
<td>23%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Affordability</th>
<th>Quality</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bundles</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PCMHs</td>
<td>27%</td>
<td>48%</td>
<td>25%</td>
</tr>
<tr>
<td>ACOs</td>
<td>31%</td>
<td>34%</td>
<td>31%</td>
</tr>
<tr>
<td><strong>Ranked 1st</strong></td>
<td>42%</td>
<td>48%</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Ranked 2nd</strong></td>
<td>20%</td>
<td>39%</td>
<td>31%</td>
</tr>
<tr>
<td><strong>Ranked 3rd</strong></td>
<td>38%</td>
<td>20%</td>
<td>23%</td>
</tr>
</tbody>
</table>

**Related question:** “Please rank-order the relative attractiveness of each model in terms of its ability to address affordability, quality, and patient experience concerns, from most attractive (1) to least attractive (3).”

Note: Percentages may not add up to 100 due to rounding.

Source: Strategy&
### Exhibit 4
Perceived and experienced benefits of bundles by physicians

<table>
<thead>
<tr>
<th>Perceived benefits of bundles</th>
<th>Experienced benefits of bundles</th>
</tr>
</thead>
<tbody>
<tr>
<td>N=386 physicians without bundle programs</td>
<td>N=38 physicians with bundle programs</td>
</tr>
</tbody>
</table>

#### Perceived benefits of bundles

- **Lowering overall cost of care**
  - Highly effective: 22%
  - Moderately effective: 56%
  - Negligible impact: 22%

- **Lowering administrative costs**
  - Highly effective: 20%
  - Moderately effective: 50%
  - Negligible impact: 30%

- **Enhancing quality**
  - Highly effective: 16%
  - Moderately effective: 51%
  - Negligible impact: 33%

- **Better coordination with providers**
  - Highly effective: 15%
  - Moderately effective: 48%
  - Negligible impact: 38%

- **Increasing market share**
  - Highly effective: 10%
  - Moderately effective: 58%
  - Negligible impact: 32%

- **Improving patient engagement**
  - Highly effective: 8%
  - Moderately effective: 44%
  - Negligible impact: 48%

#### Experienced benefits of bundles

- **Lowering administrative costs**
  - Highly effective: 34%
  - Moderately effective: 39%
  - Negligible impact: 26%

- **Lowering overall cost of care**
  - Highly effective: 18%
  - Moderately effective: 58%
  - Negligible impact: 24%

- **Enhancing quality**
  - Highly effective: 16%
  - Moderately effective: 55%
  - Negligible impact: 29%

- **Better coordination with providers**
  - Highly effective: 24%
  - Moderately effective: 39%
  - Negligible impact: 37%

- **Increasing market share**
  - Highly effective: 16%
  - Moderately effective: 42%
  - Negligible impact: 42%

- **Improving patient engagement**
  - Highly effective: 8%
  - Moderately effective: 39%
  - Negligible impact: 53%

**Note:** Percentages may not add up to 100 due to rounding.

Source: Strategy&
Exhibit 5
Bundle interest by physician employment and hospital patient revenues

Physician employment
N=138 hospitals reporting affiliation

<table>
<thead>
<tr>
<th>Range</th>
<th>Have already taken action</th>
<th>Interested in pursuing this model</th>
<th>Do not believe in efficacy of this model</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;10%</td>
<td>36%</td>
<td>48%</td>
<td>15%</td>
</tr>
<tr>
<td>10%-50%</td>
<td>21%</td>
<td>55%</td>
<td>23%</td>
</tr>
<tr>
<td>&gt;50%</td>
<td>34%</td>
<td>48%</td>
<td>17%</td>
</tr>
</tbody>
</table>

Hospital patient revenues
N=130 hospitals reporting revenue

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Have already taken action</th>
<th>Interested in pursuing this model</th>
<th>Do not believe in efficacy of this model</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$1B</td>
<td>24%</td>
<td>56%</td>
<td>20%</td>
</tr>
<tr>
<td>&gt;$1B</td>
<td>53%</td>
<td>44%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Related questions: “What is your hospital’s physician affiliation model?,” “What is the range of your hospital’s net patient revenues?,” and “What is your attitude toward [bundle payments] as a care, payment, and engagement model?”

Note: Percentages may not add up to 100 due to rounding.
Source: Strategy&


Exhibit 6
Bundle interest by practice specialty and clinical experience

Practice specialty
N=247 physicians reporting practice type (not employed by system or managed care organization)

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Already pursuing</th>
<th>Interested</th>
<th>Do not know enough</th>
<th>Do not believe in model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multispecialty</td>
<td>11%</td>
<td>48%</td>
<td>14%</td>
<td>27%</td>
</tr>
<tr>
<td>Single specialty</td>
<td>9%</td>
<td>25%</td>
<td>22%</td>
<td>44%</td>
</tr>
</tbody>
</table>

Clinical experience
N=424 physicians surveyed

<table>
<thead>
<tr>
<th>Experience</th>
<th>Already pursuing</th>
<th>Interested</th>
<th>Do not know enough</th>
<th>Do not believe in model</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;5 years</td>
<td>6%</td>
<td>37%</td>
<td>27%</td>
<td>30%</td>
</tr>
<tr>
<td>5–10 years</td>
<td>11%</td>
<td>38%</td>
<td>21%</td>
<td>30%</td>
</tr>
<tr>
<td>&gt;10 years</td>
<td>9%</td>
<td>31%</td>
<td>21%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Related questions: “Is your practice single specialty or multispecialty?,” “For how many years have you been in practice?,” and “What is your attitude toward [bundle payments] as a care, payment, and engagement model?”

Note: Percentages may not add up to 100 due to rounding.
Source: Strategy&
Prevalence and count of bundle types pursued by hospitals and health systems

Related question: “Based on the care bundle definition provided, which of the following bundle types most closely describes the bundle initiatives your organization is pursuing? Please select all that apply.”
Exhibit 8
Likelihood of hospitals to scale up bundles in the future

N=42 hospitals with bundles

- Procedures or conditions:
  - Likely, 1–3 years: 52%
  - Likely, 3–5 years: 31%
  - Likely, 5+ years: 17%
  - Not at all likely: 0%

- Care settings:
  - Likely, 1–3 years: 55%
  - Likely, 3–5 years: 24%
  - Likely, 5+ years: 17%
  - Not at all likely: 5%

- Facilities/geographies:
  - Likely, 1–3 years: 50%
  - Likely, 3–5 years: 26%
  - Likely, 5+ years: 12%
  - Not at all likely: 12%

- Partnerships:
  - Likely, 1–3 years: 45%
  - Likely, 3–5 years: 26%
  - Likely, 5+ years: 24%
  - Not at all likely: 5%

Related question: “How likely are you to scale bundle efforts across a broader range of procedures or conditions [care settings], [facilities/geographies], [partnerships]?”

Note: Percentages may not add up to 100 due to rounding.
Source: Strategy&
Exhibit 9
Likelihood of physicians to scale up bundles in the future

N=28 physicians with bundle experience

<table>
<thead>
<tr>
<th>Category</th>
<th>Likely, 1–3 years</th>
<th>Likely, 3–5 years</th>
<th>Likely, 5+ years</th>
<th>Not at all likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedures or conditions</td>
<td>50%</td>
<td>21%</td>
<td>18%</td>
<td>11%</td>
</tr>
<tr>
<td>Care settings</td>
<td>39%</td>
<td>11%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Facilities/geographies</td>
<td>39%</td>
<td>11%</td>
<td>11%</td>
<td>39%</td>
</tr>
<tr>
<td>Partnerships</td>
<td>43%</td>
<td>14%</td>
<td>11%</td>
<td>32%</td>
</tr>
</tbody>
</table>

Related question: “How likely are you to scale bundle efforts across a broader range of procedures or conditions [care settings], [facilities/geographies], [partnerships]?”

Source: Strategy&
Has the organization realized savings?
N=42 hospitals with bundles

If no or unsure
- Yes: 64%
- Unsure: 24%
- No: 12%

If yes
- Achieved
  - <1%: 7%
  - 1%-5%: 41%
  - 5%-10%: 22%
  - >10%: 15%
  - Unsure: 15%
- Expected
  - <1%: 33%
  - 1%-5%: 27%
  - 5%-10%: 20%
  - >10%: 20%
  - Unsure: 20%

Related questions: “Have any of the bundles realized cost savings for the organization?” and “What is the approximate range of cost savings achieved [expected] through bundles?”

Source: Strategy&
**Exhibit 11**  
Bundle activities that have proven most challenging for hospitals

N=42 hospitals with bundles

### Design
- Risk- and gain-sharing arrangements: 10% 34% 24% 68%
- Attractive physician alignment models: 37% 17% 7% 61%
- Care redesign effort: 20% 15% 12% 46%
- Suitable partners: 10% 15% 7% 32%
- Procedures/conditions to bundle: 2%
- Patient attribution: 7% 10% 10% 27%
- Patient engagement effort: 2%
- Care settings to include: 12% 15% 2%

### Implementation
- Persuading physicians to deliver against bundles: 34% 10% 5% 49%
- Integrating clinical and administrative data: 17% 15% 15% 46%
- Supporting bundles alongside FFS: 7% 20% 12% 39%
- Managing organizational bandwidth: 5% 15% 17% 37%
- Persuading other providers to deliver against bundles: 7% 10% 12% 29%
- Changing clinical processes and protocols: 7% 17% 27%
- Receiving and distributing bundled reimbursement: 7% 12% 24%
- Engaging vendors to assist with implementation: 10% 7% 7% 24%
- Persuading employers and individuals of the values: 7% 15% 22%

### Scale up
- Scaling number of procedures or conditions: 42% 18% 18% 79%
- Scaling number of facilities/geographies: 32% 29% 13% 74%
- Scaling number of partners involved: 13% 21% 26% 61%
- Scaling number of care settings included: 13% 24% 45%

**Related question:** “For the above bundle [design], [implementation], and [scale up] activities you were involved in, please order the top [three] most challenging.”

Note: Percentages may not add up to 100 due to rounding.  
Source: Strategy&
### Exhibit 12
Activities anticipated by hospitals to be most challenging

N=96 hospitals without bundle programs

#### Proof of concept
- Expected gains are not proven: 59%
- Concept is not well defined: 46%
- Value proposition for payors is weak: 45%
- Value proposition for physicians is weak: 41%
- Difficult to explain concept to patients: 32%
- Design/implementing will take too long: 23%
- Superior models exist: 19%
- Value proposition for patients is weak: 20%
- Value proposition for hospitals is weak: 16%

#### Design
- Difficult to distinguish controllable variability drivers: 46%
- Difficult to determine appropriate pricing: 43%
- Bundles are difficult to define: 40%
- Difficult to agree on appropriate risk/gain share: 26%
- Unsatisfactory risk-and gain-sharing arrangements: 25%
- Patient engagement effort required is very high: 25%
- Patient attribution is challenging: 25%
- Few or no compelling protocols for care design: 18%
- Too few procedures that can be bundled: 18%
- Too few conditions that can be bundled: 11%
- Too few care settings that can be bundled: 5%

#### Implementation
- Dual operating model challenge (coexist with FFS): 64%
- Receipt/distribution of bundled reimbursement is complex: 63%
- Organization's financial viability at risk in transition: 58%
- Shortage of suitable partners with which to work: 38%
- Time horizon of bundle implementation is too long: 31%
- Organization does not have the bandwidth: 30%
- Some capability builds are irrelevant in end state: 18%

Note: Percentages may not add up to 100 due to rounding. Source: Strategy&
Endnote

Strategy& is a global team of practical strategists committed to helping you seize essential advantage.

We do that by working alongside you to solve your toughest problems and helping you capture your greatest opportunities.

These are complex and high-stakes undertakings — often game-changing transformations. We bring 100 years of strategy consulting experience and the unrivaled industry and functional capabilities of the PwC network to the task. Whether you’re charting your corporate strategy, transforming a function or business unit, or building critical capabilities, we’ll help you create the value you’re looking for with speed, confidence, and impact.

We are a member of the PwC network of firms in 157 countries with more than 184,000 people committed to delivering quality in assurance, tax, and advisory services. Tell us what matters to you and find out more by visiting us at strategyand.pwc.com.