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CMS ANNOUNCES DEMONSTRATION TO ENCOURAGE GREATER COLLABORATION AND IMPROVE QUALITY USING BUNDLED HOSPITAL PAYMENTS

The Centers for Medicare & Medicaid Services (CMS) today announced a new demonstration for hospitals to test the use of a bundled payment for both hospital and physician services for a select set of episodes of care to improve the quality of care delivered through Medicare fee-for-service.

“We are always looking for ways to improve the Medicare program, both in efficiency and in better care for patients, and this new demonstration promises to be a big step in that direction,” said Health and Human Services Secretary Mike Leavitt. “It brings patients and health care providers together in an innovative cooperative effort to improve the quality of care for all.”

The goal of the Acute Care Episode (ACE) demonstration is to use a global payment to better align the incentives for both types of providers leading to better quality and greater efficiency in the care that is delivered. The demonstration will also test the effect that transparent price and quality information has on beneficiary choice and provider referrals for select inpatient care.

“CMS expects to demonstrate how to not only better coordinate inpatient care, but to also achieve savings in the delivery of that care that can ultimately be shared between providers, beneficiaries, and Medicare,” said CMS Acting Administrator Kerry Weems. “The ACE demonstration reflects CMS’ ongoing commitment to actively pursuing the best medical care for Medicare beneficiaries through value-based purchasing.”

CMS plans to competitively award only one ACE demonstration site per market area during the first year of the demonstration. Each demonstration site, or “Value-Based Care Center”, will be selected and actively marketed by CMS to both beneficiaries and referring physicians.

For purposes of this demonstration, a bundled payment is a single payment for both Part A and Part B Medicare services furnished during an inpatient stay. Currently, CMS generally pays the hospital a single prospectively-determined amount under the Inpatient Prospective Payment System (IPPS) for all the care it furnishes to the patient during an inpatient stay. The physicians who care for the patient during the stay are paid separately under the Medicare Physician Fee Schedule for each service they perform. The separate payment systems can lead to conflicting incentives that may affect decisions about what care will be provided.

The select sets of procedures included in the bundled payment demonstration are 28 cardiac and 9 orthopedic inpatient surgical services. These elective procedures were selected because profit margins and volume have historically been high; there is sufficient marketplace competition to ensure interested demonstration applicants; the services are easy to specify, and quality metrics are available for them.

This demonstration provides an opportunity for Value-Based Care Centers to develop efficiencies in the care they provide to beneficiaries through increasing market share, quality improvement in clinical pathways, improved coordination of care among specialists, and “gainsharing.” Gainsharing, or provider incentive programs, allow physicians and hospitals to share remuneration for implementing and coordinating improvements in efficiency and quality.

This demonstration also provides an opportunity for Medicare to share savings achieved through the demonstration with beneficiaries who, based on quality and cost, choose to receive care from participating demonstration providers. Beneficiary choice of providers (Value-Based Care Center or other) will remain and will not be restricted by this demonstration.

The ACE demonstration is open to applicants from Texas, Oklahoma, New Mexico, and Colorado.

More information can be found at:
<http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD/itemdetail.asp?filterType=none&filterByDID=99&sortByDID=3&sortOrder=descending&itemID=CMS1204388&intNumPerPage=10>.

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