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**MEDICARE DEMONSTRATIONS SHOW PAYING FOR QUALITY HEALTH CARE  
PAYS OFF**

Demonstrations being conducted by the Centers for Medicare & Medicaid Services (CMS) continue to provide strong evidence that offering financial incentives for improving or delivering high quality care increases quality and can reduce the growth in Medicare expenditures.

Today CMS is announcing new results from three of these demonstrations, one for large physician practices, one for small and solo physician practices, and one for hospitals. CMS is also announcing the start of three additional value based purchasing demonstrations.

"We continue to be encouraged by the progress of our ongoing programs that test value based-purchasing across a variety of health care services," said Charlene Frizzera, Acting Administrator of CMS; "Building on those efforts, we are pleased to announce the start of our Nursing Home Value-Based Purchasing Demonstration and two gainsharing demonstrations."

"What we learn from the various Medicare demonstrations help to achieve the Administration's goals of paying for high quality and efficient health care in America," said Jonathan Blum, director of the CMS' Center for Medicare Management and acting director of the Center for Health Plan Choices. "Building on these findings, we will aggressively test new demonstration concepts to continue to meet these goals."

The CMS value-based purchasing (VBP) initiative is designed to tie Medicare payments to performance on quality and efficiency and is part of CMS' effort to transform Medicare from a passive payer to an active purchaser of higher quality, more efficient health care.

Entering its fifth year, the Hospital Quality Incentive Demonstration (HQID) shows continued quality improvement among participating hospitals. In addition, physician practices participating in the Physician Group Practice (PGP) Demonstration continue to improve quality for patients with chronic illnesses or requiring preventive care.

And more than 560 small and solo physician practices participating in the Medicare Care Management Performance (MCMP) Demonstration are being rewarded for providing high quality care in the delivery of preventive care and care for patients with chronic illnesses.

New demonstration programs include the Nursing Home Value-Based Purchasing Demonstration, the Medicare Hospital Gainsharing Demonstration, and the Physician Hospital Collaboration Demonstration.

The nursing home demonstration program will reward facilities that can improve or deliver high quality care in four specific areas: staffing, resident outcomes, avoidable hospitalizations and reductions in deficiency citations.

The gainsharing and physician hospital collaboration programs will evaluate whether gainsharing leads to improvements in quality and efficiency. The demonstrations provide a promising opportunity for hospitals and physicians to join forces to improve quality and efficiency of care, establish effective means to govern use of inpatient resources, reduce costs, and share the rewards.

Overall, demonstrations give CMS the opportunity to work closely with providers to improve quality and efficiency and serve as a vehicle to test various VBP methodologies.

### **Hospitals Continue to Improve Quality**

The HQID is sponsored by Medicare in partnership with Premier, Inc., a national hospital quality measurement organization. The demonstration, which began in 2003 with hospitals in 38 states, was designed to test payment incentives under Medicare to see if they would improve the safety, quality and efficiency of inpatient services by linking incentives to improved quality.

Participants raised overall quality by an average of 17 percentage points over four years, based on their performance on more than 30 nationally standardized and widely accepted care measures for patients in five clinical

areas – heart attack, coronary bypass graft, heart failure, pneumonia, and hip and knee replacements.

CMS is awarding incentive payments totaling \$12 million in year four to 225 hospitals for top performance, top improvements and overall attainment in the five clinical areas. Through the first four years, CMS awarded more than \$36.6 million to top performers. After the initial three years of the demonstration, CMS extended the project for three additional years to test new incentive models and ways to improve patient care.

### **Physician Groups Improve Quality and Share Savings**

All ten of the physician groups participating in the PGP Demonstration achieved benchmark performance on at least 28 of the 32 measures reported in year three of the demonstration. Two groups – Geisinger Clinic in Danville , Penn. and Park Nicollet Health Services in St. Louis Park , Minn. – achieved benchmark performance on all 32 performance measures.

Over the first three years of the demonstration, the physician groups increased their quality scores an average of 10 percentage points on ten diabetes measures, 11 points on ten congestive heart failure (CHF) measures, 6 points on seven coronary artery disease (CAD) measures, 10 points on two cancer screening measures, and 1 percentage point on three hypertension measures.

Under the PGP demonstration, physician groups earn incentive payments based on the quality of care they provide and the estimated savings they generate in Medicare expenditures for the patient population they serve. As a result of their efforts to reduce the growth rate in Medicare expenditures, five physician groups will receive performance payments totaling \$25.3 million as part of their share of \$32.3 million of savings generated for the Medicare Trust Funds in performance year 3.

### **Over 560 Small Physician Practices Earn Incentive Payments for Quality Performance**

In the first year of the MCMP demonstration, almost all of the 610 participating small and solo physician practices are being rewarded for performance on 26 quality measures. CMS is awarding approximately \$7.5 million dollars in incentive payments to over 560 practices in California , Arkansas , Massachusetts and Utah . The average payment per practice is \$14,000 but some practices earned as much as \$62,500. Last year, CMS paid out over \$1.5 million in incentives for reporting baseline quality measures.

The goal of the MCMP Demonstration is to promote the use of health information technology to improve the quality of care for beneficiaries with chronic conditions.

Doctors in small to medium sized practices who meet clinical performance standards on each measure are eligible to receive financial rewards under the MCMP Demonstration. The demonstration also provides an additional bonus to practices that report the data using an electronic health record (EHR) certified by the Certification Commission for Health Information Technology. Twenty-three percent of practices were able to submit at least some of the measures from a certified EHR.

### **Nearly 200 Nursing Homes in Three States Testing Value-Based Purchasing**

Nearly 200 nursing homes in three states will participate in a Medicare demonstration to determine if financial incentives will improve the quality of the care they provide.

The Nursing Home Value-Based Purchasing demonstration will reward those facilities that improve or deliver quality care in four areas: nurse staffing, resident outcomes, avoidable hospitalizations and reduction of the scope and severity of deficiency citations the home may have received during inspections. Nursing homes will be awarded points in each of these areas; homes with the highest scores or greatest improvement will become eligible for a performance payment.

Savings that result from improved quality and efficiency will be used to fund incentive pools in each state.

CMS will conduct the demonstration in 79 homes in New York , 62 in Wisconsin and 41 in Arizona . Each of these states assisted in the recruitment process by encouraging facilities to apply to CMS. Participating homes were then selected from the applicant pool.

The demonstration will run from July 2009 through June 2012, at which time its effectiveness will be evaluated to inform Medicare value-based purchasing policies.

### **14 Hospitals Collaborating with over 1,000 Physicians in Gainsharing Demonstrations**

CMS also announced today it will operate two demonstrations to evaluate gainsharing as a means of aligning incentives between hospitals and physicians to improve quality of care and overall hospital efficiency.

Gainsharing occurs when a hospital pays incentives to a physician who assists in saving internal hospital costs while improving quality and efficiency and is normally restricted in Medicare's fee-for-service program.

The Medicare Hospital Gainsharing Demonstration began in October 2008. This demonstration consists currently of two sites, Beth Israel Medical Center in New York City and Charleston Area Medical Center in West Virginia. Under this demonstration, CMS will evaluate whether gainsharing leads to short-term improvements in quality and efficiency during the inpatient stay and immediately following discharge.

The Physician Hospital Collaboration Demonstration, comprised of a consortium of twelve hospitals administered by the New Jersey Hospital Association, began in July. This demonstration is designed to track patients beyond a hospital episode to determine the impact of hospital-physician collaborations on preventing short- and longer-term complications and duplication of services.

These demonstrations will allow physicians to share in the savings generated by the adoption of structural and procedural changes made to improve the quality of inpatient hospital care.

For additional information on value based purchasing demonstrations, visit the demonstrations webpage at <http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD/list.asp>.