Subject: Centers for Medicare & Medicaid Services (CMS) Cms.gov- Press Releases Update
Date: Thu, 09 Dec 2010 14:12:32 -0600
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From: Centers for Medicare & Medicaid Services <cmslists@subscriptions.cms.hhs.gov>

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Washington, DC 20201
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Medicare demonstrations illustrate benefits
in paying for quality health care

Results from three health care demonstrations announced today by the Centers for Medicare & Medicaid Services (CMS) provide strong evidence that offering providers financial incentives for improving patient care increases quality of care and can reduce the growth in Medicare expenditures.

"This is good news for all Americans with Medicare," said CMS Administrator Donald Berwick, M.D. "But it's just a start. Based on what we have learned so far, we know the health care industry can meet high standards for improving quality of care while saving Medicare money."

Key demonstration results, one for large physician practices, one for small and solo physician practices, and one for hospitals, are as follows:

- The Hospital Quality Incentive Demonstration (HQID) shows continued quality improvement among participating hospitals.

- Physician practices participating in the Physician Group Practice (PGP) Demonstration continue to improve preventive and chronic care delivery processes and generate shareable savings for the Medicare program.

- More than 500 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.

Overall, demonstrations give CMS the opportunity to work closely with providers to improve quality and efficiency, and their results and lessons help shape Medicare policies.

Physician Groups Improve Quality and Share Savings

All ten of the physician groups participating in the PGP Demonstration achieved benchmark performance on at least 29 of the 32 measures reported in year four of the demonstration. Three groups – Geisinger Clinic in Danville, Penn., Marshfield Clinic in Marshfield, Wis., and Park Nicollet health Services in St. Louis Park, Minn. – achieved benchmark performance on all 32 performance measures.

All 10 physician groups achieved benchmark performance on the 10 heart failure and 7 coronary artery measures. Over the first 4 years of the demonstration, the physician groups increased their quality scores an average of 10 percentage points on 10 diabetes measures, 13 percentage points on the seven heart failure measures, 6 percentage points on the seven coronary artery disease measures, 9 percentage points on two cancer screening measures, and 3 percentage points 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. Five physician groups will receive performance payments totaling $31.7 million as part of their share of $38.7 million of savings generated for the Medicare Trust Funds in performance year 4.

"These groups have been leaders in organizing care delivery to improve quality and reduce expenditure growth," Dr. Berwick said. "Now we want to raise the bar. We want to support these practices to demonstrate just how much American medicine can achieve if we put the right incentives in place." CMS is currently working to transition the physician groups into the shared savings program established in the Affordable Care Act.

More Than 500 Small Physician Practices Earn Incentive Payments for Quality Performance

In the second year of the MCMP Demonstration, over 500 participating small and solo physician practices are being rewarded for performance on 26 quality measures. CMS is awarding approximately $9.5 million in incentive payments to practices in California, Arkansas, Massachusetts and Utah. The average payment per practice is $18,100 but some practices earned as much as $62,500.

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-six percent of practices were able to submit at least some of the measures from a certified EHR.

Hospitals Continue to Improve Quality

The HQID is sponsored by Medicare in partnership with Premier Healthcare Alliance, a national health care performance improvement organization. The demonstration, which began in

2003 with hospitals in 38 states, was designed to test whether paying hospitals for performance on an array of quality metrics would shift the performance upward across the whole group of hospitals.

The hospitals participating in the demonstration improved performance across the board. CMS is awarding incentive payments totaling $12 million in year 5 to 212 hospitals for top performance, top improvements and overall attainment in the six clinical areas. Through the first 5 years, CMS awarded more than $48 million to top performers. After the initial 3 years of the demonstration, CMS extended the project for 3 additional years to test new incentive models and ways to improve patient care.

An independent evaluation suggests that the demonstration contributed to quality increases. However, quality also increased substantially for similar hospitals that were not participating in the demonstration but had reported quality information on Hospital Compare. Only a small portion (10 percent to 17 percent) of the increase in quality for hospitals that did participate in the demonstration can be attributed to the pay for performance incentives. Participants that received incentive payments raised their quality score by an average of 18.3 percentage points over 5 years. Even the participating hospitals that did not meet their benchmarks and did not receive incentive payments improved their average quality score by 18 percentage points.

Hospitals were measured and scored based on their performance on more than 30 standardized and widely accepted care measures for patients in six clinical areas – heart attack, coronary bypass graft, heart failure, pneumonia, hip and knee replacements, and the Surgical Care Improvement Project (SCIP).

CMS will continue to test new models.

For additional information on these demonstrations, visit the demonstrations webpage at http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD/list.asp.