CMS Gainsharing Demonstration Projects

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Overview of Presentation

- Medicare Demonstrations
- Gainsharing background
- Description of current Medicare Gainsharing demonstrations

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Examples of Medicare Demonstrations

- Hospital prospective payments using DRGs
- Medicare managed care and PPOs
- Critical Access Hospitals in rural areas
- Medicare disease management
- Pay for performance
- Evaluations are essential

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Medicare Hospital Payment Train Wreck

- Hospital payments are the largest part of the Medicare Program
- Medicare Part A Trust Fund expected to go into deficit in 2010, exhausted in 2018
- Urgent need to increase efficiency while improving quality of care

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Hospital and Physician Alignment of Incentives

- Medicare pays hospitals prospectively for bundles of services using DRGs
- Physicians generally paid per service
- How to align incentives to improve quality and efficiency?

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Gainsharing

- Means to align incentives between hospitals and physicians
- Hospitals pay physicians a share of savings that result from collaborative efforts between the hospital and the physician to improve quality and efficiency
- Allowed in Medicare managed care

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Background to Medicare Gainsharing Demonstrations

- CABG global payment demonstrations used shared savings from hospitals to doctors in 1980s, incentives were helpful
- NJ Hospital Association proposed a gainsharing demonstration
  - Demo started in 2004
  - Injunction against demo due to lack of statutory authority to waive gainsharing restrictions

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Current Projects

- Gainsharing may offer a model to improve hospital quality and efficiency
- CMS will conduct two demonstration programs to test this concept in the Medicare FFS program

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Two Demonstrations

- Deficit Reduction Act Sec. 5007: Gainsharing *(applications due Nov. 17, 2006)*
- MMA Sec. 646: Physician Hospital Collaboration Demonstration *(applications due Jan. 9, 2007)*

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Demonstration Goals

- Improve quality and efficiency of care
- Encourage physician-hospital collaboration by permitting hospitals to share internal savings
- CMS open to wide variety of models; projects must be budget neutral

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Gainsharing Payments

- Must represent share of internal hospital savings and be tied to quality improvement
- No payments for referrals
- Limited to 25% of physician fees for care of patients affected by quality improvement activity

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Quality Safeguards

- Savings available for gainsharing derived from quality improvement initiatives
- Proposals subject to independent reviews
- Hospital oversight committee to monitor quality and operations
- Incentive payments limited to physicians who contribute to quality efforts
- Ongoing CMS monitoring of projects
  - Quality measurement and tracking

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Evaluation

- Independent evaluator will draft reports to Congress
- Issues will include:
  - Quality
  - Internal cost savings
  - Medicare payments/savings
  - Reasonable and fair payments to physicians
  - Any needed changes to policy or design

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Demo Comparison

Design Feature	DRA Section 5007	MMA Section 646
Size	6 hospitals (2 rural)	Physician groups and up to 72 affiliated hospitals in limited number of geographic areas
Scope of Evaluation	Inpatient episodes and post-discharge window (e.g., 30 days)	Inpatient episodes including pre- and post-hospital care over duration of demonstration
Eligible Organizations	PPS hospitals, excludes CAHs	Physician groups and affiliated hospitals, integrated delivery systems

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Deficit Reduction Act Gainsharing

- DRA Sec. 5007 waives civil monetary penalty (CMP) restrictions that otherwise prohibit gainsharing
- Major focus on quality as well as efficiency
- Scope: Six hospitals, two in rural areas

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Physician-Hospital Collaboration

- Preference to applications from consortia
- Consortia = physician groups or integrated delivery systems + up to 12 affiliated hospitals within a geographic area
  - Limited number of areas
  - Maximum of 72 hospitals across all projects

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Demo Requirements

- Standardization of quality & efficiency improvement initiatives $\Rightarrow$ Synergy across providers within local delivery system
- Standardization of internal cost savings measurement
- Standardization of physician payment methodology

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Possible Approaches

- Reduced time to diagnosis/treatment
- Improved scheduling of OR, ICU
- Reduced duplicate or marginal tests
- Reduced drug interactions, adverse events
- Improved discharge planning and care coordination
- Reduced surgical infections, complications

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For More Information

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