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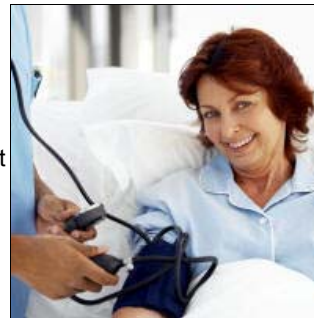
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**Medicare News**

**Medicare Shifting Strategy to Pay Hospitals for Quality Care Over Quantity**

**It is part of new "quality" emphasis in new health care bill (Affordable Care Act)**

May 2, 2011 – Medicare is making a change in the strategy for payments to hospitals that will reward quality treatment rather than the quantity of care provided. The change was set in motion by the new health law, the Affordable Care Act. Following is the report by Jordan Rau of Kaiser Health News on what it means to senior citizens.



Medicare took its broadest step yet in moving away from its traditional hospital payment method, finalizing a plan to alter reimbursements based on the quality of care hospitals provide and patients' satisfaction during their stays.

The initiative is the beginning of a transition from paying hospitals on the basis of the amount of care they provide. Many health care researchers believe this fee-for-service system has encouraged unnecessary care, driving up costs and giving hospitals no incentive to economize.

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[AHCA Pushing Bill to Protect Senior Citizens' Full Access to Skilled Nursing in Medicare](#)

Improving Access to Medicare Coverage Act of 2011 presented by Senators John Kerry (D-MA), Olympia Snowe (R-ME) and Representatives Joe Courtney (D-CT), Tom Latham (R-IA)  
April 26, 2011

[Senior Citizens Not Taking Advantage of Some New, Free Medicare Testing](#)

Medicare's new "value-based purchasing" program was mandated in last year's health care law. It has sparked less discussion than has another experiment to change Medicare's payment system through [accountable care organizations](#), where a select group of doctors and hospitals get bonuses if they find ways to save money.

But this latest payment change affects twenty times more hospitals than would ACOs. More than 3,000 acute care hospitals will have their payments adjusted starting in October 2012.

Under the [final rules](#) announced Friday, Medicare will cut payments to hospitals 1 percent and set that money aside for a bonus pool. Hospitals that do better than average on a variety of measurements, or show the greatest improvement from the previous year, would earn bonus payments, totaling \$850 million in the first year. The bonus pool would increase to 2 percent of Medicare payments in October 2016.

"In many ways, it's a watershed moment for the health care system," said Ashish Jha, a professor at the Harvard School of Public Health who has studied hospital quality. "It's a modest amount of money and not something that's going to radically change the

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## Medicare Shifting Strategy to Pay Hos...

It's a modest amount of money and not something that's going to radically change the way we pay for hospital care in America. But it's a really important step toward paying for better care and not just for more care."

Seventy percent of the bonuses initially will be based on how often hospitals follow guidelines on 12 clinical care measures. These include giving anti-clotting medication to heart attack patients within 30 minutes of arrival; providing antibiotics to surgery patients just before an operation; and taking steps to avoid blood clots in surgical patients.

The other 30 percent of the bonuses will be determined by how patients rate hospitals on their experiences. Medicare will use hospital-conducted surveys that ask patients about how nurses and doctors communicated, how clean their rooms and bathrooms were and how well their pain was controlled.

Hospital groups had unsuccessfully pushed federal officials to reduce the influence that patient views would have on their payments, arguing that the surveys didn't always reflect reality and would penalize hospitals in [some regions](#) where patients are less forthcoming with praise.

Medicare has run voluntary programs where quality alters how much hospitals are paid, but this is the first time hospitals will be obliged to participate. CMS estimates 353 hospitals initially won't be included in the new payment program because they don't have enough cases to be measured accurately. For the rest, judgment begins soon, because CMS will look at their scores starting in July when it determines how much they've improved for the first year of the payment program.

Seniors not lining up for free mammograms, colonoscopies, but free wellness checkup is luring patients

By Susan Jaffe, Kaiser Health News, with [The Washington Post](#)

April 26, 2011

**[Partnership for Patients to Improve Care, Lower Costs Introduced by Obama Administration](#)**

Potential savings of \$50 billion for Medicare plus billions for Medicaid by improving hospital care

April 12, 2011

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Hospitals are worried that some cash-poor hospitals that don't have as many resources to invest in quality improvements will lose money under this program, potentially exacerbating the rift between affluent and struggling institutions.

"The powerful thing about value-based purchasing is that it's going to continually raise the bar," said Blair Childs, an executive with Premier, an alliance of more than 2,500 hospitals. "The bad thing is that if you start behind and you're penalized financially and there are costs associated with doing all the programs you need to do, you run the risk of being in a death spiral."

But Dr. Donald Berwick, the administrator of the Centers for Medicare & Medicaid Services, said the government already provides financial assistance to help hospitals reduce infections and unnecessary readmissions. He said hospitals that serve lots of indigent and uninsured patients will benefit financially when they improve their quality, because they'll find ways to care for patients more efficiently.

"For the hospitals that are most strapped for resources, improvements of quality are the most important," Berwick told reporters as he announced the final rules. "We know examples — Parkland Hospital in Texas, Denver Health in Denver, Colo. and others — that serve mainly Medicaid populations and nonetheless have been able to achieve real breakthroughs in quality and should be rewarded for that performance."

The measures CMS plans to use are already published for each hospital on Medicare's Hospital Compare website. CMS plans to add more measures to its payment rules in future years, including ones that sample how patients actually fared, and not just what procedures doctors and nurses followed.

>> [Jordan Rau](#), Kaiser Health News, Staff Write

**What Others Are Reporting**

**[Los Angeles Times: New Medicare Payment Strategy to Reward Hospitals For High-Quality Care](#)**

The Obama administration issued a final regulation to reward hospitals that provide high-quality care, the first in a series of steps that are designed to fundamentally transform the way that the federal government pays for health care (Levey, 4/30).

**[The Hill: Medicare To Start Paying Hospitals Based On Quality, Not Quantity](#)**

Medicare will begin to reward hospitals for the quality, rather than the quantity, of care they provide under new regulations released Friday. The changes were called for in the health care reform law that was enacted last year. Health experts say the U.S. spends much more on health care than any other country without getting better outcomes in return, in large part because Medicare reimburses doctors and physicians for the number of tests and procedures they do, rather than their performance (Pecquet, 4/29).

**[Reuters: U.S. Hospitals To Get Cash Boost For Better Care](#)**

U.S. hospitals that improve medical care for elderly patients, and reduce deadly errors, will get millions of dollars under an incentive program launched on Friday that aims to cut overall Medicare costs (Smith, 4/29).

*Below is the Complete News Release from Health and Human Services (April 29, 2011)*

**Administration Implements Affordable Care Act Provision to Improve Care, Lower Costs**

**Value-Based Purchasing Will Reward Hospitals Based on Quality of Care for Patients**

The Department of Health and Human Services (HHS) today launched a new initiative which will reward hospitals for the quality of care they provide to people with Medicare and help reduce health care costs. Authorized by the Affordable Care Act, the Hospital Value-Based Purchasing program marks the beginning of an historic change in how Medicare pays health care providers and facilities—for the first time, 3,500 hospitals across the country will be paid for inpatient acute care services based on care quality, not just the quantity of

the services they provide.

This initiative helps support the goals of the [Partnership for Patients](#), a new public-private partnership that will help improve the quality, safety and affordability of health care for all Americans. The Partnership for Patients has the potential over the next three years to save 60,000 lives and save up to \$35 billion in U.S. health care costs, including up to \$10 billion for Medicare. Over the next ten years, the Partnership for Patients could reduce costs to Medicare by about \$50 billion and result in billions more in Medicaid savings.

“Changing the way we pay hospitals will improve the quality of care for seniors and save money for all of us,” said HHS Secretary Kathleen Sebelius. “Under this initiative, Medicare will reward hospitals that provide high-quality care and keep their patients healthy. It’s an important part of our work to improve the health of our nation and drive down costs. As hospitals work to improve their performance on these measures, all patients – not just Medicare patients – will benefit.”

In FY 2013, an estimated \$850 million will be allocated to hospitals based on their overall performance on a set of quality measures that have been shown to improve clinical processes of care and patient satisfaction. This funding will be taken from what Medicare otherwise would have spent, and the size of the fund will gradually increase over time, resulting in a shift from payments based on volume to payments based on performance.

“Medicare is in a unique position to reward hospitals for improving the quality of care they provide,” said Centers for Medicare & Medicaid (CMS) Administrator Donald Berwick, M.D. “Under this new initiative, we will reward hospitals for delivering high-quality care, treating their patients with respect and compassion, and ensuring they have the opportunity to participate in decisions about their treatment.”

Some of these measures will assess whether hospitals:

- Ensure that patients who may have had a heart attack receive care within 90 minutes;
- Provide care within a 24-hour window to surgery patients to prevent blood clots;
- Communicate discharge instructions to heart failure patients; and
- Ensure hospital facilities are clean and well maintained.

The measures to determine quality in the Hospital Value-Based Purchasing Program focus on how closely hospitals follow best clinical practices and how well hospitals enhance patients’ experiences of care. When hospitals follow these types of proven best practices, patients receive higher quality care and see better outcomes.

And helping patients heal without complication can improve health and ultimately reduce health care costs. For example, ensuring heart failure patients receive clear instructions when they are discharged on their medications and other follow-up activities reduces the likelihood that they will suffer a preventable complication that would require them to be readmitted to the hospital.

The better a hospital does on its quality measures, the greater the reward it will receive from Medicare. The measures selected for the Hospital Value-Based Purchasing program in FY 2013 have been endorsed by national bodies of experts, including the National Quality Forum. Hospitals have been reporting on quality measures through the Hospital Inpatient Quality Reporting Program since 2004, and that information is posted on the [Hospital Compare](#) website. For a complete list of quality measures, visit [www.HealthCare.gov/news/factsheets/valuebasedpurchasing04292011b.html](http://www.HealthCare.gov/news/factsheets/valuebasedpurchasing04292011b.html).

In the future, CMS plans to add additional measures that focus on improved patient outcomes and prevention of hospital-acquired conditions. Measures that have reached very high compliance scores would likely be replaced, continuing to raise the quality bar.

The Hospital Value-Based Purchasing initiative is just one part of a wide-ranging effort by the Obama Administration to improve the quality of health care for all Americans, using important new tools provided by the Affordable Care Act.

The Partnership for Patients is bringing together hospitals, doctors, nurses, pharmacists, employers, unions, and state and federal government committed to keeping patients from getting injured or sicker in the health care system and improving transitions between care settings. CMS will invest up to \$1 billion to help drive these changes.

In addition, proposed rules allowing Medicare to pay new Accountable Care Organizations (ACOs) to improve coordination of patient care are also expected to result in better care and lower costs.

For a fact sheet on the Hospital Value-Based Purchasing program, visit [www.HealthCare.gov/news/factsheets/valuebasedpurchasing04292011a.html](http://www.HealthCare.gov/news/factsheets/valuebasedpurchasing04292011a.html). To learn more about Hospital Value-based Purchasing, please visit [www.cms.gov/HospitalQualityInits](http://www.cms.gov/HospitalQualityInits).

The final rule establishing the program was placed on display at the Federal Register today, and can be found online at: <http://www.cms.gov/HospitalQualityInits>.

More technical information about the final rule, including the measures CMS has included in the program, as well as CMS’ scoring methodology, is included in a Fact Sheet posted on our Web page at: <http://www.cms.gov/apps/media/factsheets.asp>.

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