

MEDICARE HOSPITAL GAINSHARING DEMONSTRATION

Statutory Authority Section 5007 of the Deficit Reduction Act of 2005 (DRA) authorizes a gainsharing demonstration program to test and evaluate arrangements between hospitals and physicians designed improve the quality and efficiency of care provided to beneficiaries. The demonstration will allow hospitals to provide gainsharing payments to physicians that represent solely a share of the savings incurred as a result of collaborative efforts to improve overall quality and efficiency. In the absence of this DRA authority, gainsharing is restricted by the Civil Monetary Penalty law, which prohibits hospitals from awarding physicians for reducing services to patients, even if such reductions are limited to duplicative services or otherwise represent improvements in quality.

Demonstration Principles: The demonstration will determine if gainsharing aligns incentives between hospitals and physicians in order to improve the quality and efficiency of inpatient care, and to improve hospital operational and financial performance.

Timing: This 3-year project is to begin January 1, 2007 and end on December 31, 2009.

Number and composition of projects: In accordance with the law, CMS will operate six projects, each consisting of one hospital. Two projects will be rural. Hospitals receiving payment under the Medicare prospective payment system are eligible to participate in this project.

Monitoring: Continuous monitoring of quality and efficiency will be required to ensure care provided to beneficiaries is not compromised throughout the demonstration. The demonstration is designed to improve the quality and efficiency of care to beneficiaries.

Savings approaches: CMS intends to approve projects that propose multiple approaches to achieving savings. CMS will require that gainsharing be based on net savings, that is, reductions in patient care costs attributable to the gainsharing activity offset by any corresponding increases in costs associated with the same patients.

Episode of care: The evaluation will consider short term improvements in quality and efficiency that occur during the in-patient stay and immediately following discharge.

Budget neutrality: Participating hospitals must guarantee budget neutrality or savings to Medicare over the entire episode of care for the period of the demonstration.

Evaluation: There will be an independent evaluation of the demonstration.

For additional information on this demonstration please email

[**GAINSHARING@cms.hhs.gov**](mailto:GAINSHARING@cms.hhs.gov).

Or visit the following websites: <http://www.cms.hhs.gov/DemoProjectsEvalRpts/> or

<http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD/itemdetail.asp?itemID=CMS1186805>