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Physician Groups Earn Performance Payments for Improving Quality Of Care For Patients with Chronic Illnesses

Demonstration shows great promise for redesigning physician payment system

The Centers for Medicare & Medicaid Services (CMS) announced today that all physician groups participating in the Physician Group Practice (PGP) Demonstration improved the quality of care delivered to patients with congestive heart failure, coronary artery disease, and diabetes mellitus during performance year 2 of the demonstration.

As a result, the 10 groups earned \$16.7 million in incentive payments under the demonstration that rewards health care providers for improving health outcomes and coordinating the overall health care needs of Medicare patients assigned to the groups.

“We are paying for better outcomes and we are getting higher quality and more value for the Medicare dollar,” said Kerry Weems, acting administrator of CMS. “And these results show that by working in collaboration with the physician groups on new and innovative ways to reimburse for high quality care, we are on the right track to find a better way to pay physicians.”

All 10 of the participating physician groups achieved benchmark or target performance on at least 25 out of 27 quality markers for patients with diabetes, coronary artery disease and congestive heart failure.

The groups are:

- Billings Clinic, Billings, Mont.
- Dartmouth-Hitchcock Clinic, Bedford, N.H.
- The Everett Clinic, Everett, Wash.
- Forsyth Medical Group, Winston-Salem, N.C.
- Geisinger Clinic, Danville, Pa.
- Marshfield Clinic, Marshfield, Wis.
- Middlesex Health System, Middletown, Conn.
- Park Nicollet Health Services, St. Louis Park, Minn.

- St. John's Health System, Springfield, Mo.
- University of Michigan Faculty Group Practice, Ann Arbor, Mich.

Five of the physician groups -- Forsyth Medical Group, Geisinger Clinic, Marshfield Clinic, St. John's Health System, and the University of Michigan Faculty Group Practice achieved benchmark quality performance on all 27 quality measures.

This demonstration is one of CMS' value-based purchasing (VBP) initiatives. The goal of VBP is to tie Medicare payments to performance on health care cost and quality measures. VBP is part of CMS' drive to transform Medicare from a passive payer to an active purchaser of higher quality, more efficient health care.

A related CMS physician VBP effort is the Physician Quality Reporting Initiative (PQRI), which uses a pay-for-reporting approach. Under the PQRI, physicians and other health care professionals can earn incentive payments for reporting measurement data about the quality of care they provide to Medicare patients

CMS is also starting development of a Physician VBP Plan for moving from the PQRI pay-for-reporting approach to a performance-based approach for Medicare physician payments. The experience that CMS has gained from the PGP Demonstration will be considered in developing the performance-based payment plan.

The 10 physician groups participating in the PGP Demonstration agreed to place their PQRI incentive payments at risk for performance on the 27 quality measures reported under the demonstration. All physician groups received at least 96 percent of their PQRI incentive payments, with five groups earning 100 percent of their incentive payments. A total of \$2.9 million in PQRI incentive payments was paid out to the 10 groups under the demonstration.

The groups also improved the quality of care delivered to Medicare beneficiaries on the chronic conditions measured. Physician groups increased their quality scores an average of 9 percentage points across the diabetes mellitus measures, 11 percentage points across the heart failure measures, and 5 percentage points across the coronary artery disease measures.

These groups achieved outstanding levels of performance by having clinical champions (physicians or nurses who are in charge of quality reporting for the practice) at the practice, redesigning clinical care processes, and investing in health information technology. The enhancements to their electronic health records and patient registries allow practices to more easily identify gaps in care, alert physicians to these gaps during patient visits, and provide interim feedback on performance.

In addition to achieving benchmark performance for quality, several physician groups also experienced favorable financial performance under the demonstration's performance payment methodology. For patients with diabetes or coronary artery

disease, Medicare expenditures grew more slowly for beneficiaries assigned to the physician groups than for beneficiaries in the comparison group with the same conditions.

This lower expenditure growth for chronic conditions as well as complex patients treated in the ambulatory and hospital settings contributed to four physician groups sharing in savings for improving the overall efficiency of care they furnish their patients.

The four physician groups – Dartmouth-Hitchcock Clinic, The Everett Clinic, Marshfield Clinic, and the University of Michigan Faculty Group Practice – earned \$13.8 million in performance payments for improving the quality and cost efficiency of care as their share of a total of \$17.4 million in Medicare savings. This compares to two physician groups that earned \$7.3 million in performance payments under the first year of the demonstration.

The results are for the second performance year of the demonstration which covered April 1, 2006 through March 31, 2007. The initial three-year demonstration was extended for a fourth performance year, which runs through March 2009.

More information about the PGP demonstration may be found at: <http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD/itemdetail.asp?filterType=none&filterByDID=-99&sortByDID=3&sortOrder=descending&itemID=CMS1198992&intNumPerPage=10>. To learn more about the PQRI please visit www.cms.hhs.gov/PQRI.
