

PHYSICIAN HOSPITAL COLLABORATION DEMONSTRATION FACT SHEET

Statutory Authority MMA section 646 authorizes a 5-year program (the Medicare Health Care Quality Demonstration) to examine health delivery factors that encourage delivery of improved quality of care. Sec. 646 explicitly permits waiver of any provision of Title XI necessary to carry out these projects. Title XI includes civil monetary penalties. In the absence of this 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: This demonstration will examine the effects of gainsharing aimed at improving the quality of care in a health delivery system. This demonstration will examine approaches that involve long-term follow-up to assure both documented improvements in quality and reductions in the overall costs of care beyond the acute inpatient stay. CMS is particularly interested in demonstration designs that track patients well beyond a hospital episode, to determine the impact of hospital-physician collaborations on preventing short and longer-term complications, duplication of services, coordination of care across settings, and other quality improvements that hold great promise for eliminating preventable complications and unnecessary costs.

Timing: This 3-year project is expected to begin next year 2007.

Eligible Organizations: Physician groups, integrated delivery systems (IDSs) or regional coalitions of physician groups or IDSs. A hospital may be included if it has an affiliation agreement with an eligible physician group.

Number and composition of projects: A limited number of projects will be operated. CMS will give preference to projects developed and implemented by a consortium of groups, with each consortium consisting of up to 12 physician groups and their affiliated hospitals in a single geographically contiguous area (state or metropolitan area), in which there is standardization of the quality improvement gainsharing activity, quality measures, internal cost measurement methodology, and gainsharing payment methodology. No more than 72 hospitals will be included across all projects.

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. For all projects, we 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 quality and costs through the immediate

post-discharge period and beyond to look at impacts of gainsharing activities on longer-term outcomes (mortality, readmissions) and utilization of services.

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: The evaluation will examine quality of care, cost savings within the hospital, budget neutrality to CMS, and the operational feasibility and transferability of the project.

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?filterType=none&filterByDID=0&sortByDID=3&sortOrder=ascending&itemID=CMS1186653>