



## “Medicare Value Based Purchasing Programs”

ICE

*Annual Conference*

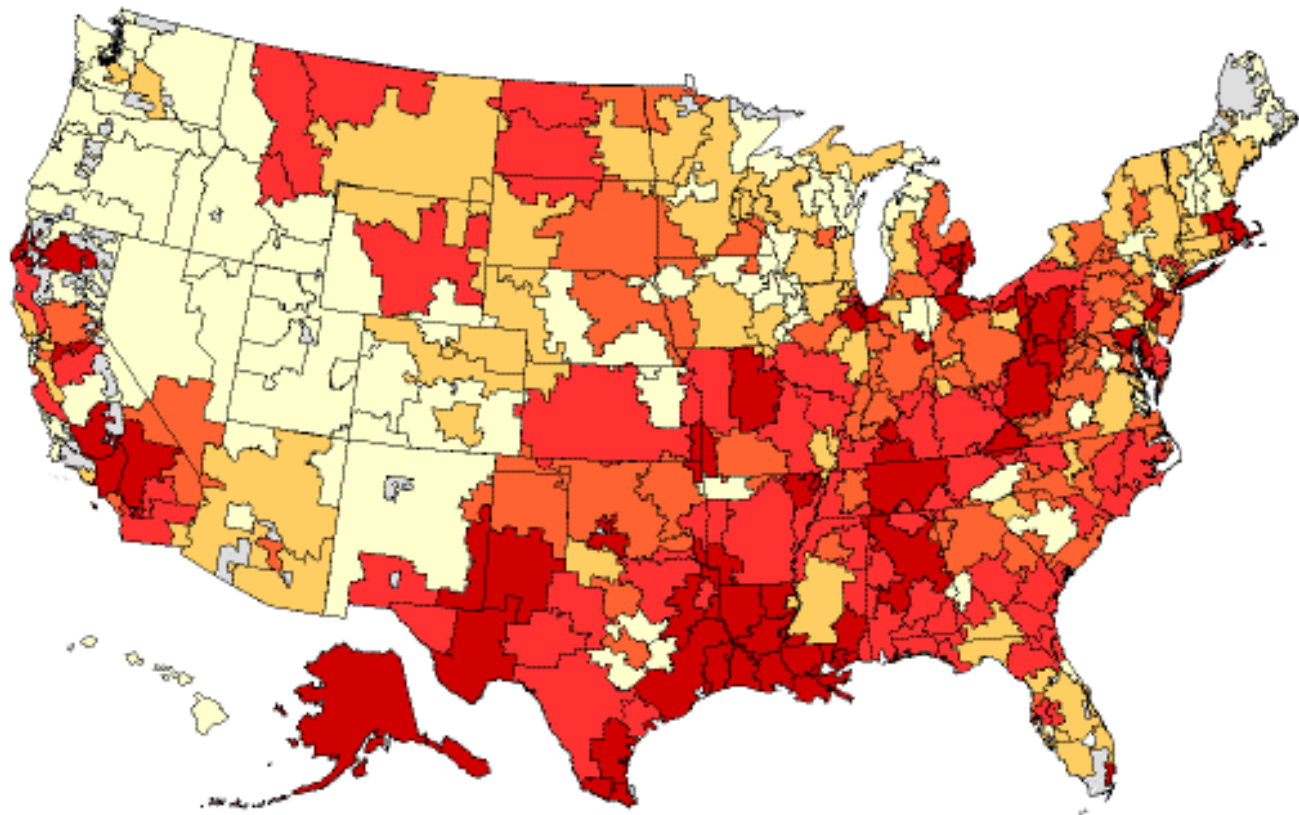
*November 14, 2008*

David Sajen, CMS Regional Administrator,  
San Francisco, Region IX

# CMS

- 90 million covered lives
- T18 + T19 + SCHIP = \$675B
- 17<sup>th</sup> largest GDP on the planet!
- Volume not value ☹️

# Practice Variation

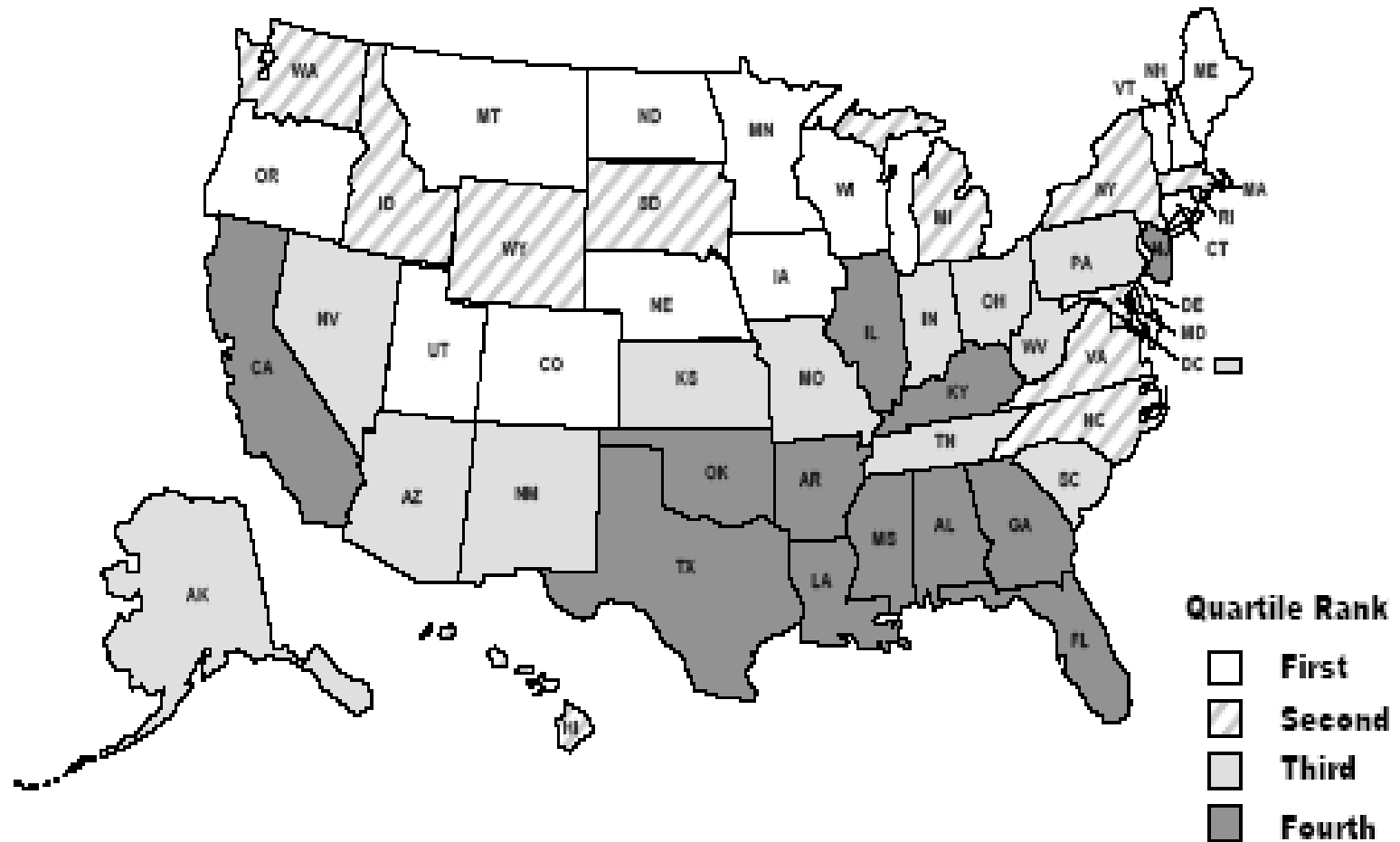


**Map 2.5. Inpatient Hospital Services per Medicare Enrollee**  
by Hospital Referral Region (1995)

- \$2516 to 3723 (61)
- 2321 to < 2516 (60)
- 2117 to < 2321 (61)
- 1893 to < 2117 (62)
- 1483 to < 1893 (62)
- Not Populated

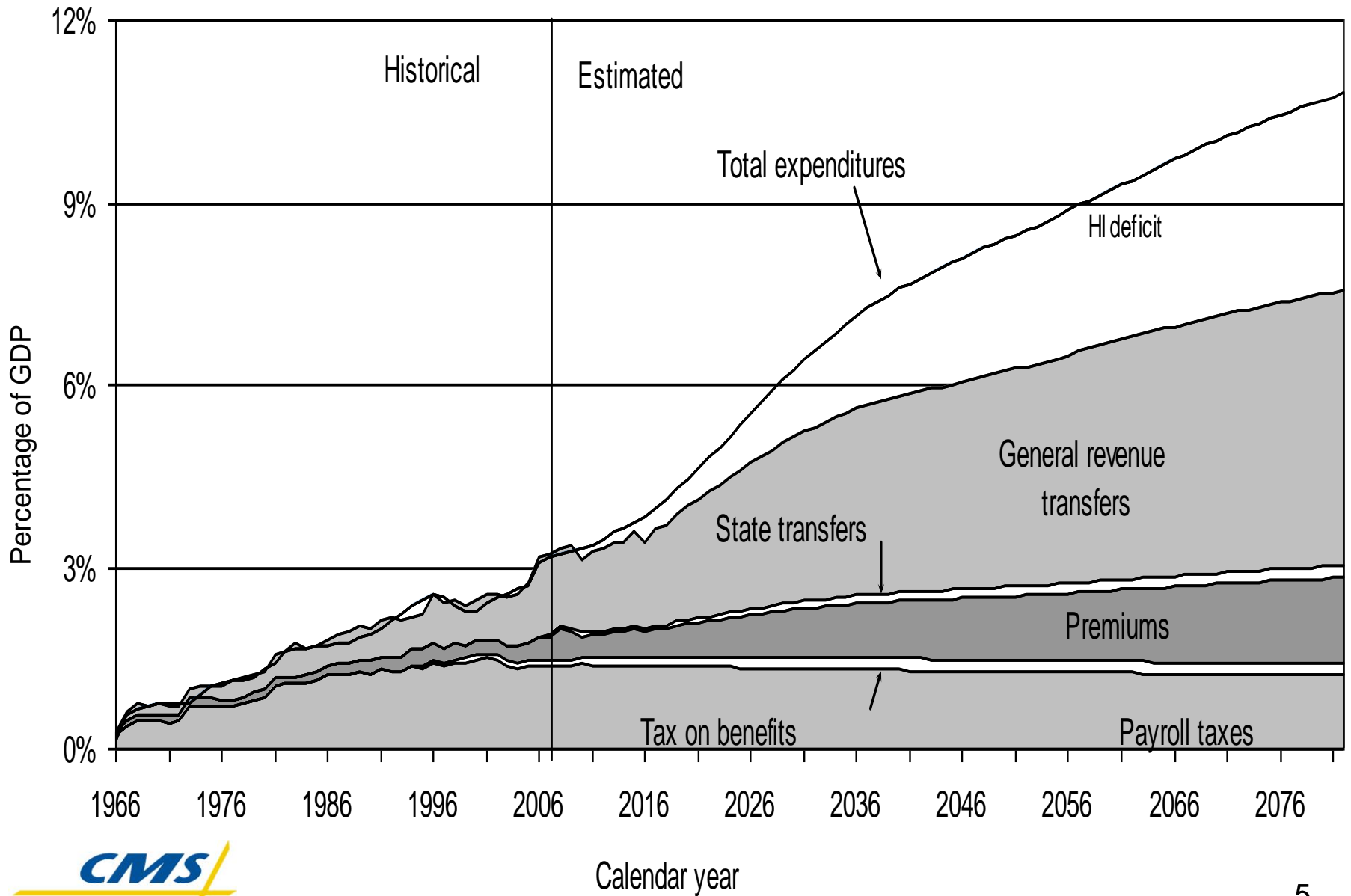
# Practice Variation

## Performance on Medicare Quality Indicators, 2000–2001



Source: S. F. Jencks, E. D. Huff, and T. Cuerdon, "Change in the Quality of Care Delivered to Medicare Beneficiaries, 1998–1999 to 2000–2001," *Journal of the American Medical Association* 289 (Jan. 15, 2003): 305–312.

# Under Current Law, Medicare Will Place An Unprecedented Strain on the Federal Budget



# Cornerstones to Value Driven

## Healthcare

- I. Interoperable Health Information Technology (*Health IT Standards*)
- II. Measure and Publish Quality Information (*Quality Standards*)
- III. Measure and Publish Price Information (*Price Standards*)
- IV. Promote Quality and Efficiency of Care (*Incentives*)

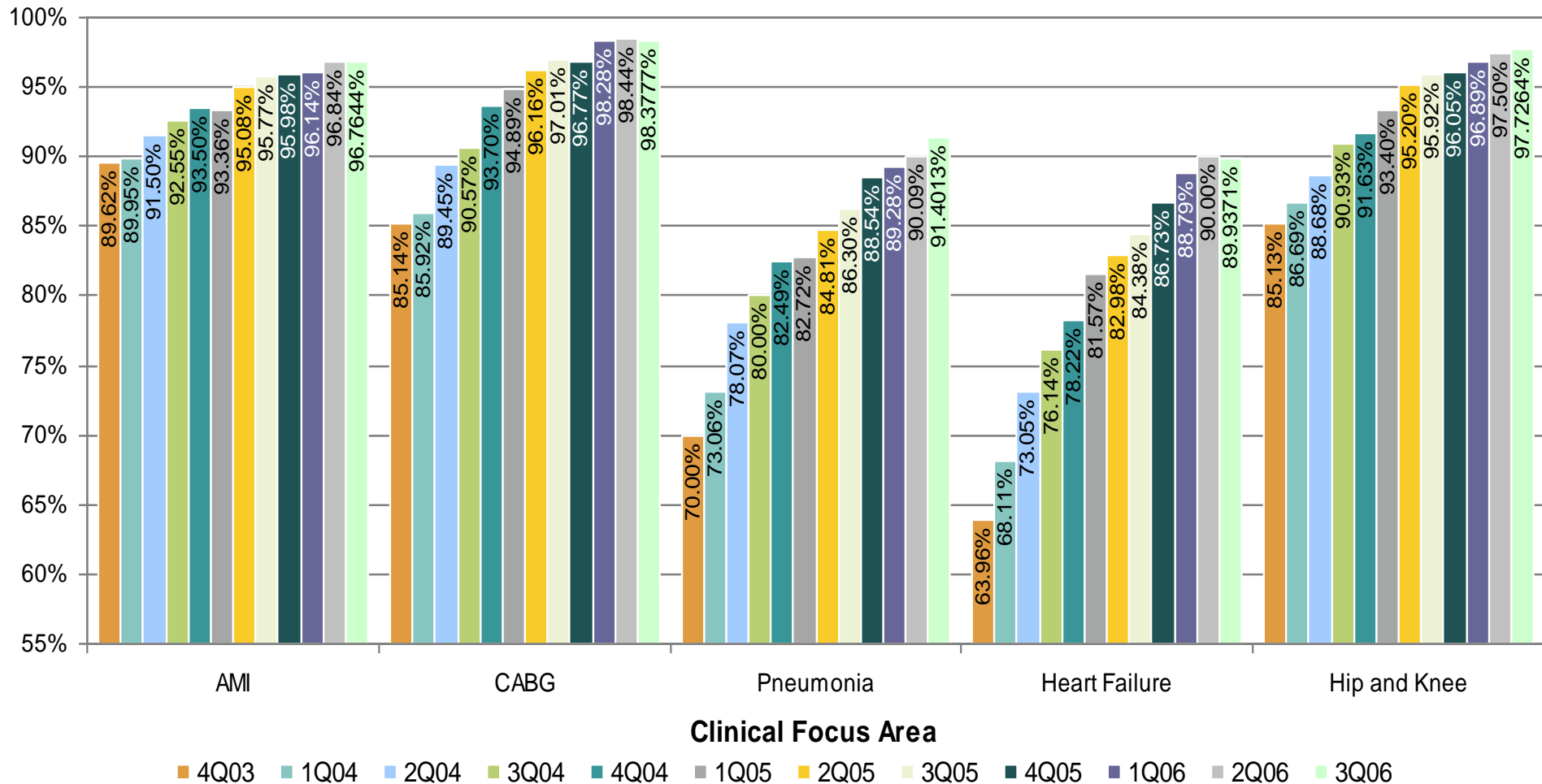
*Broad bipartisan support across business sectors!*

# Premier Hospital Quality Incentive Demonstration

CMS/Premier HQID Project Participants Composite Quality Score:

Trend of Quarterly Median (5th Decile) by Clinical Focus Area

October 1, 2003 - September 30, 2006 (Year 1 and Year 2 Final Data, and Yr 3 Preliminary)



# Other Avenues

- Physician Group Practice Demo
  - 4 of the 10 practices garnered \$13.8 m
- EHR Demo
- PQRI
- E-prescribing
- Medical Home sites to be announced



# Rulemaking Integrates VBP

*Hospital Acquired Conditions cost \$5b/year!*

1. Foreign object retained after surgery
2. Air embolism
3. Blood incompatibility
4. Pressure ulcers
5. Falls
6. Manifestations of poor glycemic control
7. Catheter-associated urinary tract infection
8. Vascular catheter-associated infection
9. Deep vein thrombosis (DVT)/pulmonary embolism (PE)
10. Surgical site infection

# [www.hospitalcompare.gov](http://www.hospitalcompare.gov)

Find

About

Data Details

Resources

## Find and Compare Hospitals

Welcome to Hospital Compare. This tool provides you with information on how well the hospitals care for all their adult patients with certain [medical conditions or surgical procedures](#). This information will help you compare the quality of care hospitals provide. Talk to your doctor about this information to help you, your family and your friends make your best hospital care decisions.

Hospital Compare was created through the efforts of the Centers for Medicare & Medicaid Services (CMS), the Department of Health and Human Services, and other members of the [Hospital Quality Alliance: Improving Care Through Information \(HQA\)](#). The information on this website has been provided primarily by hospitals that have agreed to submit quality information for Hospital Compare to make public.

Find and Compare Hospitals

## General Information

### [Hospital Checklist:](#)

Be prepared. Here are some important questions for you to consider before you or your loved one goes to the hospital.

### [Your Rights as a Hospital Patient:](#)

Know your Medicare rights.

### [Note to Hospitals:](#)

[Who to contact if the information about your hospital's characteristics is incorrect](#)

## Overview

### ■ **Hospital Process of Care Measures:**

See how often a hospital gives recommended treatments for certain conditions or procedures.

[Learn More](#)

### ■ **Hospital Outcome of Care Measures:**

See the results of care or treatment for certain conditions or procedures.

[Learn More](#)

### ■ **Survey of Patients' Hospital Experiences:**

See what hospital patients say about the care they received during a recent hospital stay.

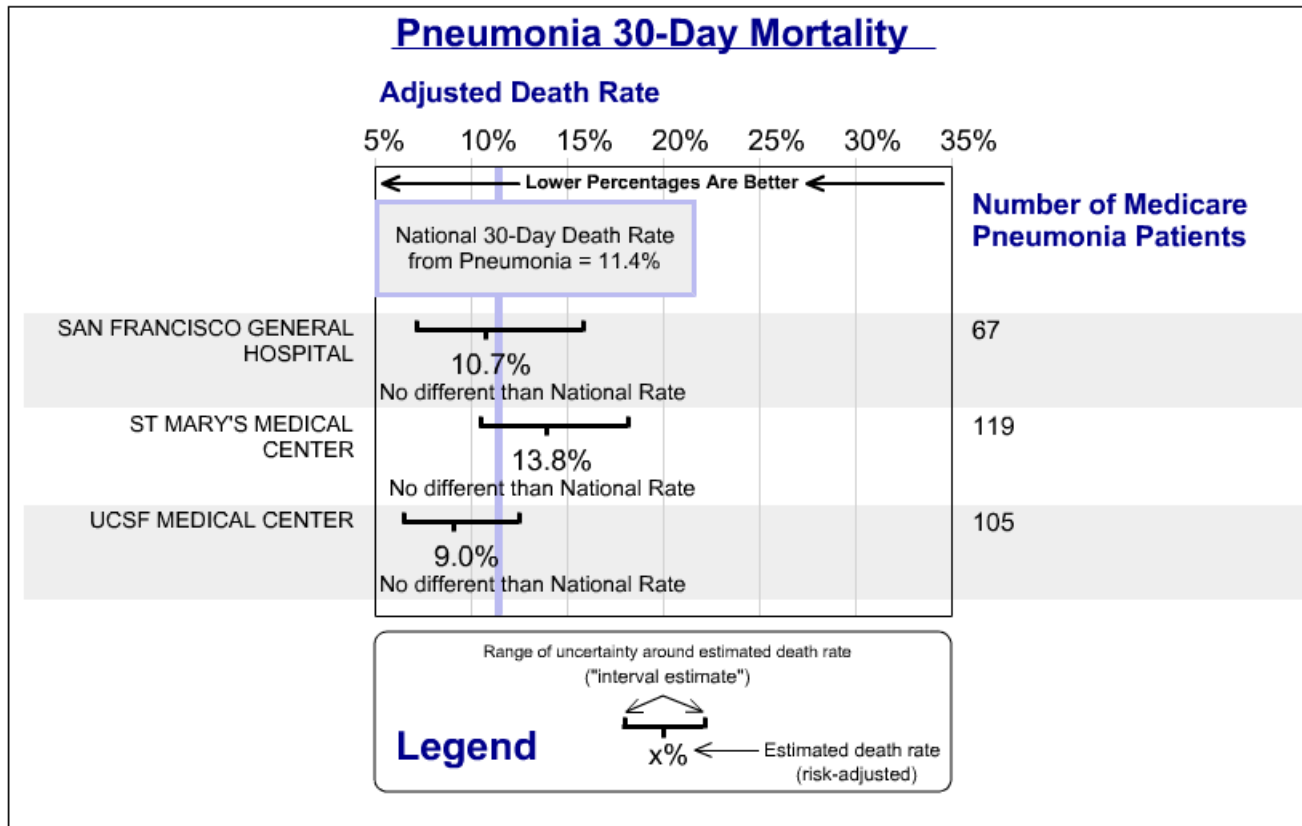
[Learn More](#)

### ■ **Medicare Payment and Volume:**

See how much Medicare paid hospitals on average for certain conditions or procedures. You can see the number of Medicare patients treated for certain conditions.

[Learn More](#)

# Pneumonia 30-Day Mortality

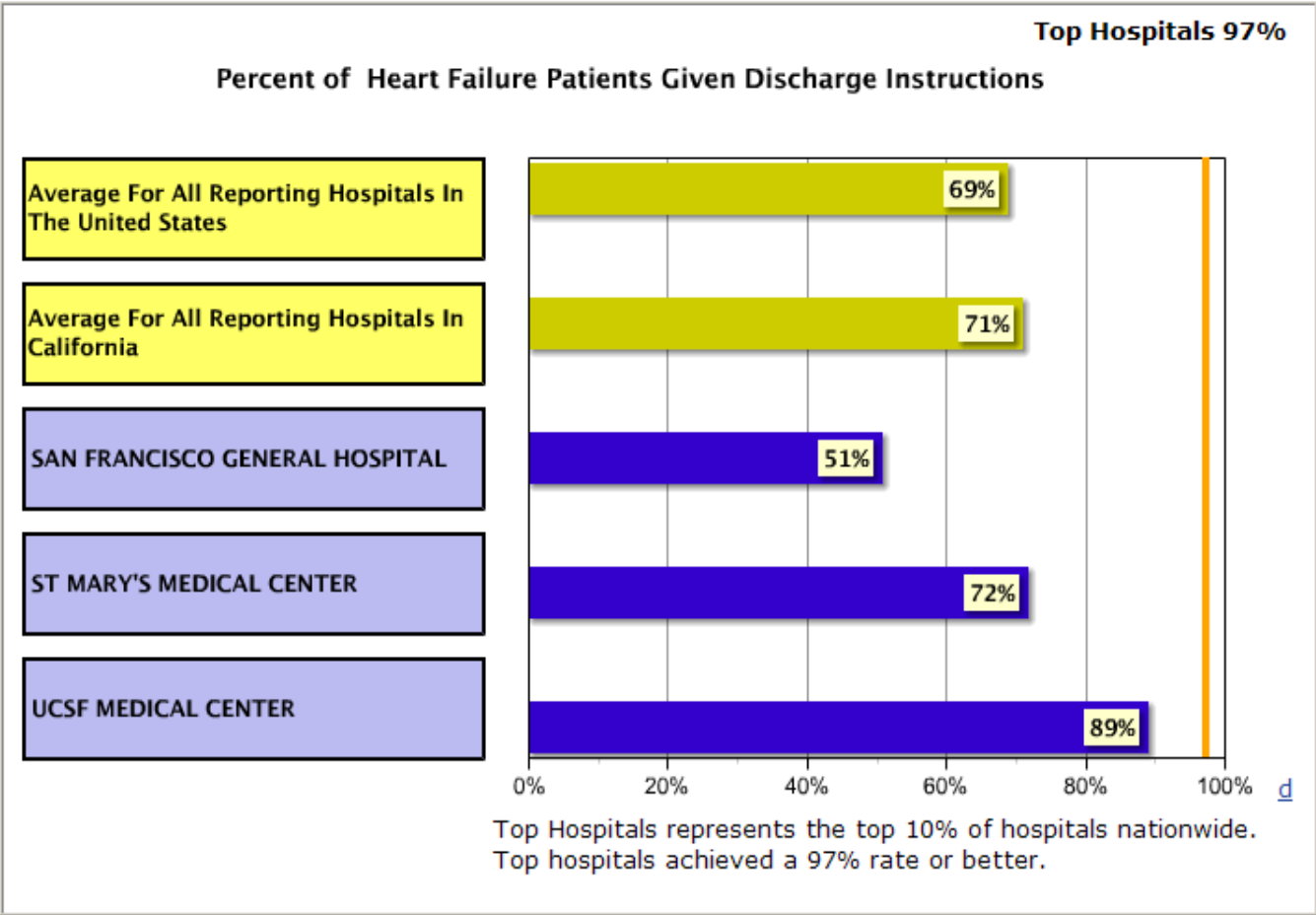


**What does this show you?** The graph above shows the estimated 30-day death (mortality) rates for pneumonia at each of the hospitals you selected, compared to the national 30-day death rate for all Medicare patients treated for pneumonia. The death rates for each hospital shown here have been [Risk-Adjusted](#). This means that they take into account how sick patients were before they were admitted to the hospital.

**None** of the hospitals you selected had death rates for pneumonia that are statistically different than the national rate.

# Heart Failure Patients Given Discharge Instructions

The rates displayed in this graph are from data reported for discharges January 2007 through December 2007.



# Competitive Bidding



# How Medicare Buys DME

<i>DMEPOS Device (rank by use)</i>	<i>CMS Fee (% above average online price)</i>	<i>Illustrative Internet Pricing</i>	<i>CMS payment above average online price</i>
Oxygen concentrator (#1)	\$2,380 (+352%)	\$677	\$1,703
Standard power mobility device (#3)	\$4,023 (+185%)	\$2,174	\$1,849
Hospital bed (#4)	\$1,825 (+242%)	\$754	\$1,071
Continuous positive airway pressure device (#5)	\$1,452 (+517%)	\$281	\$1,171
Respiratory assist device BIPAP (#18)	\$3,335 (+247%)	\$1,348	\$1,987

#1 Medicare beneficiaries typically rent the machines. The rental period, set by statute, is up to 36 months. The monthly rental payment, also set by statute, is \$198.40. So renting an oxygen concentrator for 36 months costs \$7,142.

# Bidding Results

- 6209 bids
- 1235 accepted
- Overall 29% of bidding suppliers were 'winners'
- grandfathering provision
- extensive outreach (1,200 touches)

# Competitive Bidding Savings

about 1 billion per year for Medicare

Item/Period of Service	Current Allowed Amount**	New Allowed Amount**	Medicare Savings 80% of Difference	Beneficiary Savings 20% of Difference
<b>Concentrator</b>				
Per month	\$199.28	\$140.82	\$46.77	\$11.69
Per year	\$2,391.36	\$1,689.84	\$561.24	\$140.28
Per 3 years*	\$7,174.08	\$5,069.52	\$1,683.72	\$420.84
<b>Hospital Bed</b>				
Per month	\$140.46	\$99.28	\$32.94	\$8.24
Per 13 months*	\$1,474.78	\$1,042.46	\$345.86	\$86.46
<b>Diabetic Supplies</b>				
Per month	\$82.68	\$47.53	\$28.12	\$7.03
Per year	\$992.16	\$570.36	\$337.44	\$84.36
Per 3 years	\$2,976.48	\$1,711.08	\$1,012.32	\$253.08

\* Beneficiary takes over ownership of equipment after end of rental payment period

\*\* 20% of current and new allowed amount is paid by the beneficiary out-of-pocket

# The New York Times

June 25, 2008

**EDITORIAL**

## **Medicare Savings vs. the Lobbyists**

Congress has bowed to pressure from the losing bidders. This backtracking inevitably makes one wonder if major reform will ever be possible in a medical marketplace dominated by imperfect government bureaucracies and private lobbyists bent on resisting governmental reforms. Competitive bidding is a smart way to help Medicare control equipment costs at a time when all medical costs are soaring and there is relentless pressure to reduce Medicare's services or raise charges to beneficiaries.

Congress must ensure that any delay it imposes does not become a prelude to junking the program for good. There is never a good reason for Medicare to pay far more than the market rate for medical equipment. And certainly not in times like these.



## **Our view on health care: Suppliers defend sweet deal Companies use donations, scare tactics to derail bidding program.**

***June 28, 2008***

So Congress did the right thing five years ago when it passed a law requiring Medicare's suppliers of "durable medical equipment" to submit to competitive bidding. The first bids are in, and they have produced savings that average 26%. Medicare intends to start rolling out the program on Tuesday in 10 metro areas and take it nationwide in 2010.

The industry's objections are exaggerated. Companies generally lost out for legitimate reasons — because they didn't meet new accreditation standards, failed to submit complete bids or just didn't bid low enough. In any case, it's hard to muster sympathy for companies that have been getting overpaid for years.

Delaying the bidding program would be a mistake. "Delay" in Washington often means "kill." Medicare, which cost \$432 billion last year, faces exploding expenses as the Baby Boomers retire. This year, it will begin paying out more than it takes in, and it faces insolvency in 2019. If lawmakers can't make savings in this comparatively small piece now, how will they ever be able to rein it in?

Changing Medicare will always be unsettling for patients, providers and politicians, but change is essential if it is to survive without consuming the federal budget.



# Stay Informed- Region IX Stakeholder Call

- Every 3<sup>rd</sup> Thursday of the month,  
2-3pm PST
- Next call November 20th, 2008 at 2 PM PST.
- Toll Free: 888-452-0273
- Pass Code: Stakeholder Call
- Leader: David Sajen
- Register for “CMS Region IX Stakeholder” ListServ for notification and details about calls, please contact:  
[nicole.lockey@cms.hhs.gov](mailto:nicole.lockey@cms.hhs.gov)



***Thank you Mike Myers!***

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