

ACE Demonstration

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**CMS ANNOUNCES SITES FOR A DEMONSTRATION TO ENCOURAGE
GREATER COLLABORATION AND IMPROVE QUALITY USING BUNDLED
HOSPITAL PAYMENT**

The Centers for Medicare & Medicaid Services (CMS) today announced site selections for the Acute Care Episode (ACE) demonstration. ACE is a new hospital-based demonstration that will test the use of a bundled payment for both hospital and physician services for a select set of inpatient episodes of care to improve the quality of care delivered through Medicare fee-for-service.

Baptist Health System in San Antonio, Texas; Oklahoma Heart Hospital LLC in Oklahoma City, Okla.; Exempla Saint Joseph Hospital in Denver, Colo.; Hillcrest Medical Center in Tulsa, Okla.; and Lovelace Health System in Albuquerque, N.M., have been selected to participate in the demonstration.

"We are always looking for ways to improve Medicare, both in efficiency and in better care for patients, and this new demonstration promises to be a big step in that direction," said CMS Acting Administrator Kerry Weems. "Too often, there are missed opportunities to coordinate care, which can adversely impact Medicare beneficiaries' health. This important demonstration brings hospitals, physicians and patients together in an innovative cooperative effort to improve the quality of care."

The goal of the Acute Care Episode (ACE) demonstration is to use a bundled payment to better align the incentives for both hospitals and physicians, leading to better quality and greater efficiency in the care that is delivered. The demonstration will also test the effect that transparent price and quality information has on beneficiary choice for select inpatient care.

"CMS expects to demonstrate how to better coordinate inpatient care, and achieve savings in the delivery of that care that can ultimately be shared between hospitals, physicians, beneficiaries, and Medicare," Weems said. "The Acute Care Episode demonstration reflects CMS' ongoing commitment to break down silos in health care by creating better care teams and improved communications between care givers and their patients. This

demonstration is another important step to develop new value-based purchasing approaches by rewarding health care providers who provide the right care at the right time.”

The ACE demonstration was open to applicants from Texas , Oklahoma , New Mexico , and Colorado . Each demonstration site, or “Value-Based Care Center,” will be actively marketed to both beneficiaries and referring physicians.

For purposes of this demonstration, a bundled payment is a single payment for both Part A and Part B Medicare services furnished during an inpatient stay. Currently, CMS generally pays the hospital a single prospectively-determined amount under the Inpatient Prospective Payment System (IPPS) for all the care it furnishes to the patient during an inpatient stay. The physicians who care for the patient during the stay are paid separately under the Medicare Physician Fee Schedule for each service they perform.

There are 28 cardiac and 9 orthopedic inpatient surgical services and procedures included in the bundled payment demonstration. These elective procedures were selected because volume has historically been high; there is sufficient marketplace competition to ensure interested demonstration applicants; the services are easy to specify, and quality metrics are available for them.

Lovelace Health System will be a Value-Based Care Center for orthopedic procedures; Oklahoma Heart Hospital and Exempla Saint Joseph Hospital for cardiac procedures; and Baptist Health System and Hillcrest Medical Center for both.

This demonstration provides an opportunity for Value-Based Care Centers to develop efficiencies in the care they provide to beneficiaries through quality improvement in clinical pathways, improved coordination of care among specialists, and “gainsharing.” Gainsharing, or provider incentive programs, allow physicians and hospitals to share remuneration for implementing and coordinating improvements in efficiency and quality.

This demonstration also provides an opportunity for Medicare to share savings achieved through the demonstration with beneficiaries who, based on quality and cost, choose to receive care from participating demonstration providers. However, beneficiaries will still be able to choose a hospital that best meets their needs (Value-Based Care Center or other) and will not be restricted by this demonstration.

The ACE demonstration will be implemented starting in early 2009.