CMS to Launch Pay-for-Performance Demo Project

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WASHINGTON — The Centers for Medicare and Medicaid Services is experimenting with "pay-for-performance" programs, and observers say it looks as if the agency is really serious about it this time.

"This is not the first time that CMS has come around saying they wanted to pay for performance," Denis Cortese, M.D., said at a health care congress sponsored by the Wall Street Journal and CNBC. "It's the third time that we've been involved in that in 10 years. The other two faded away. This one looks real … and I think Congress is interested in seeing something happen."

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Earlier at the same meeting, CMS administrator Mark McClellan, M.D., announced that the agency was implementing a pilot pay-for-performance project, in which 10 large physician group practices will be rewarded by the agency for improving outcomes in Medicare beneficiaries.

The physicians will continue to be paid on a fee-for-service basis as usual, but CMS also will make additional payments based on quality and outcome measures for patients with chronic illnesses such as congestive heart failure, coronary artery disease, diabetes, and hypertension. The agency also will look at the practices' use of preventive services such as vaccinations, as well as the prevention of complications in patients with chronic illnesses.

Dr. McClellan emphasized that he was not suggesting that physician spending was a major cost problem for Medicare.

"Physicians account for a small fraction of total costs, but doctors have a lot of good ideas and they have the knowledge it takes to get more results for what we actually spend," he said. "I think [pay-for-performance] can potentially save significant amounts of money. At the same time, we're also going to be paying attention to clinical quality, so for diabetic patients, we'll be looking at hemoglobin A_{1c} levels and other well-validated measures of quality. Those will be included along with financial performance measures."

Dr. Cortese, president and CEO, Mayo Clinic, Rochester, Minn., expressed some skepticism about the way pay-for-performance will be implemented. "I noticed that performance was defined as reducing costs," he said. "I was tempted to ask, 'What happens if the quality goes up and the cost goes up with it?' If the value rises higher than cost, are they really going to pay for it? I don't believe they will."

Other groups also offered mixed reactions. Robert Doherty, senior vice president for governmental affairs and public policy for the American College of Physicians, said CMS should be commended on its efforts to test physician performance and provide a model to improve care of chronic disease.

The problem is that some of these projects are limited in scope, he said during a press briefing on the ACP's 2005 policy framework. For example, the new physician group practice demonstration project "puts all of its eggs" in one basket by focusing solely on large group practices, he said. ACP is advocating that Congress authorize a pilot test of a new model for improving the care of patients with chronic diseases in smaller practices, where patients with chronic diseases would be encouraged to select a physician as their medical "home."

The Medicare Modernization Act of 2003 authorized a performance-based demonstration project for small physician practices, although the project is limited to just a few hundred practices in four states. "Expanding the program will give CMS a much larger universe of experience and evidence on how to tailor physician incentive programs to be most effective," Mr. Doherty said.

Physicians are not the only recipients of Medicare funds to be affected by the move toward pay-for-performance programs. CMS also is changing to performance-based incentives for its claims processors, beginning in fiscal 2005. The agency also plans to reduce the number of processors from 51 to 23 and have all contractors processing both Part A and Part B claims.

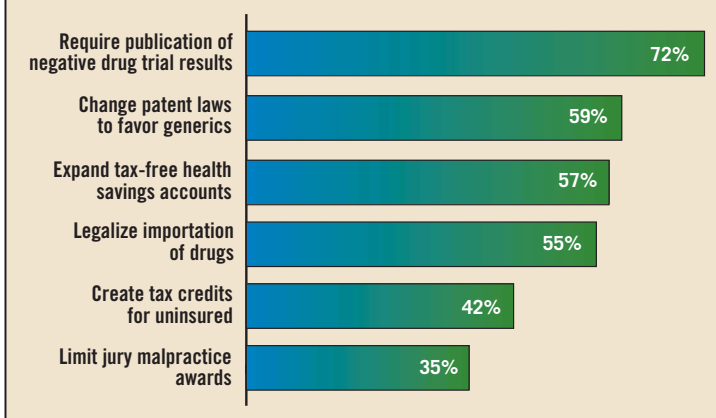
"CMS will develop performance requirements and standards for Medicare administrative contractors through consultations with providers and beneficiaries, which will help ensure that the requirements produce desired results," the agency said in a report on Medicare contracting reform submitted to Congress last month. ■

Jennifer Silverman, Associate Editor, Practice Trends, contributed to this report.

Correction
The photo that accompanied "Azimilide Reduces Arrhythmias in ICD Patients" (February 2005, p. 11) was of Paul Dorian, M.D., not of Arthur J. Moss, M.D. CARDIOLOGY NEWS extends apologies to both gentlemen for the error.

DATA WATCH

Public Support for Various Health Reforms



Note: Based on a nationwide survey of 2,567 adults conducted Nov. 11-15, 2004.
Sources: Harris Interactive, Wall Street Journal Online

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