# Medicare Demo Lets Physicians Share in Savings

***During the first year of the project, all 10 of the participating practices improved their diabetes care.***

BY MARY ELLEN SCHNEIDER
*New York Bureau*

Preliminary results of a demonstration project that allows physician groups to share in savings they earn for the Medicare program has also resulted in quality gains, according to the Centers for Medicare and Medicaid Services.

The Medicare Physician Group Practice Demonstration is a 3-year project that encourages group practices to improve coordination of care for patients with chronic diseases. The project offers the practices financial incentives that meet clinical targets and save the Medicare program money above a certain threshold. In the first year, 10 participating practices were assessed based on their performance on evidence-based diabetes measures.

In the first year (April 2005–March 2006), all participating practices improved their clinical management of diabetes and met targets on at least 7 of 10 measures; two practices improved on all 10 measures.

Measures for the first year included hemoglobin $A_{1c}$ management and control, blood pressure management, lipid measurement, LDL cholesterol level, urine protein testing, eye exam, foot exam, influenza vaccination, and pneumonia vaccination.

In addition to improving care, the demonstration saved the Medicare program about $9.5 million, Herb Kuhn, CMS acting deputy administrator, said during a press conference to announce the first-year results. "We are seeing substantial and verifiable improvements in the quality of care for patients and improved efficiency in the delivery of that care," Mr. Kuhn said.

The results show that Medicare is "on the right track" in terms of providing incentives for coordinating care, he said.

The demonstration includes 10 large, multispecialty group practices with a total of about 224,000 Medicare beneficiaries. The 10 group practices are Dartmouth-Hitchcock Clinic, Bedford, N.H.; Deaconess Billings (Mont.) Clinic; the Everett (Wash.) Clinic; Geisinger Health System, Danville, Pa.; Middlesex Health System, Middletown, Conn.; Marshfield (Wisc.) Clinic; Forsyth Medical Group, Winston-Salem, N.C.; Park Nicollet Health Services, St. Louis Park, Minn.; St. John's Health System, Springfield, Mo.; and University of Michigan Faculty Group Practice, Ann Arbor.

**The demonstration encourages physicians to invest in new care management programs and redesign processes of care.**

The demonstration encourages physicians to coordinate Part A and Part B Medicare services, invest in new care management programs, and redesign care processes. If these investments save money for the Medicare program, the physician groups are able to share in a portion of the savings. These performance payments are in addition to the regular fee-for-service Medicare payments received. Physician groups may share up to 80% of the savings, which are distributed based on financial performance and achievement of benchmarks in care quality measures, Mr. Kuhn said.

To receive a performance payment, the practices' total Medicare spending growth rate must be more than 2 percentage points lower than a comparison population of Medicare beneficiaries in their local market area.

Although all the practices met clinical targets for at least seven diabetes measures, only two practices received performance payments.

The Marshfield Clinic, and the University of Michigan Faculty Group Practice earned performance payments for quality and efficiency improvements. In total, the two groups earned $7.3 million in payments; however, the two practices that met benchmarks in every clinical area—St. John's Health System and the Forsyth Medical Group—did not receive payments.

While other participating practices did achieve lower Medicare spending growth rates than comparison populations in their local markets, their savings did not meet the 2% threshold to share in the Medicare savings, Mr. Kuhn said.

Part of the problem may be that not all practices were able to fully deploy their initiatives in the first year, Mr. Kuhn said. "I think, overall, it's trending in a very positive way."

The first-year evaluation has revealed an emphasis among the practices on care coordination, chronic disease management, efforts to avoid unnecessary hospitalizations, proactive case management, timely follow-up after hospital stays, and the use of health information technology. For example, St. John's Health System is using a Web-based patient registry aimed at helping physicians to plan patient visits.

In the second and third years of the program, the group practices will be assessed on additional measures related to heart failure, coronary artery disease, hypertension, and cancer screening. ■

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