ONE YEAR OF INNOVATION

[Taking Action to Improve Care and Reduce Costs]

DEPARTMENT OF HEALTH & HUMAN SERVICES · USA

CMS
CENTERS for MEDICARE & MEDICAID SERVICES

Center for Medicare & Medicaid INNOVATION

OVER THE PAST SEVERAL YEARS, there is one point on which policy makers, health care providers and patients have come to agree: if we want an improved and sustainable health care system, **we need to transform how we deliver and pay for health care**.

Through the Affordable Care Act, the U.S. Department of Health and Human Services (HHS) has been helping providers improve how they deliver health care services, through hospital value-based purchasing, realigned and increased primary care payments, and greater coverage for preventive care. The Center for Medicare and Medicaid Innovation (the Innovation Center), is an important new resource for health care providers dedicated to improving how our health care system works. Its mission is to move quickly to identify, test, and spread delivery and payment models to help providers improve care while cutting costs.

In the year since opening its doors, the Innovation Center's work is well underway. It has introduced 16 initiatives (see Table at end of report) involving over 50,000 health care providers that will touch the lives of Medicare and Medicaid beneficiaries in all 50 states and will continue to expand its partnerships and reach in the years to come. These initial efforts are focused on improving patient safety, promoting care that is coordinated across health care settings, investing in primary care transformation, creating new bundled payments for care episodes, and meeting the complex needs of those dually eligible for Medicare and Medicaid.

THE CASE FOR INNOVATION

The American health care system is, in many respects, the envy of the world. The United States is the global leader in developing new ways to prevent, diagnose, manage, and cure illness. Our academic institutions offer the finest education and training available. Our talented physicians, nurses, and clinicians work hard each day to deliver the highest quality care. Many of our hospitals are internationally known and admired. Yet despite having the world's best doctors and nurses, most advanced medical technology, and finest hospitals, Americans continue to live sicker and die sooner than citizens of many other nations.

Our health care system is full of barriers, roadblocks, and red-tape—ranging from the way we pay for health care services to a lack of usable, reliable information for patients and clinicians alike—that often keep health care professionals from practicing medicine in a collegial, evidence-based, and patient-centered manner. Many doctors, nurses, and other providers have had great ideas, good intentions, and determined efforts, but have been thwarted by disincentives and other obstacles to innovation. The result is a health care system that is often disjointed, inefficient, and costly.

Yet we know improvement is possible. Dedicated clinicians and innovative entrepreneurs around the country have found ways to work with other providers and payers in their local communities to break down barriers and redesign care for the benefit of their patients, themselves, and their communities. For example, large employers and unions are working together to improve the health of their workers by investing in comprehensive primary care, which is decreasing the overall cost of healthcare.

Similarly, some health systems have demonstrated that by keeping people healthy in the first place, providing a coordinated care experience, and striving to get care right every time, they can achieve better outcomes and lower costs for their patients. From their efforts, we know what can and should be done. The current and crucial health care challenge is to bring the best of these approaches to every community in the country.

Through specific transformative programs in the Affordable Care Act and programs launched by the Innovation Center, HHS and Centers for Medicare and Medicaid Services (CMS) are working hard to support physicians, nurses, hospital systems, and others who have accepted the challenge to develop a new, sustainable health care system. It will be a system where providers work with engaged patients and are rewarded for keeping people well, not simply for delivering more services.

AN INNOVATIVE "MENU" OF OPTIONS FOR PARTNERSHIP

We know there is growing consensus that we must move from a volume-based and fragmented health care system to one more based on achieving value for patients and providers through better care, better health, and lower cost. Our strategy is to partner with the patients, providers, and other payers to test new payment and care models that support providers in transitioning to that new system.

To implement that strategy over the past year, the Innovation Center actively sought input from a broad array of stakeholders to identify some of the most promising ways to improve care and lower costs. The Innovation Center met with hundreds of outside innovators, held ten regional meetings with over 4,000 attendees, and received nearly 500 significant proposals for improving health care payment and delivery through the "Innovation Portal" on its website.

Incorporating this rich feedback, the Innovation Center launched an initial menu of initiatives that engage different types of providers and payers at varying levels of experience with care coordination. Each initiative holds the promise of reducing health care costs, improving quality, and improving health. All of these models are tests to help identify which care and payment models deliver greater value for our health system and then to rapidly spread what works.

Some of the new initiatives launched by the Innovation Center this year are described below, and a broader list of initiatives are described in the table at the end of this report:

Improving Patient Safety in Hospitals—The Partnership for Patients. Through the Partnership for Patients initiative, the Innovation Center is working with hospitals, physicians, nurses, other clinicians, consumer groups, and employers to reduce hospital-acquired conditions and preventable hospital readmissions. The program is a public-private partnership with over 7,100 organizations participating as of January 2012—including more than 3,200 hospitals. By joining the Partnership, these organizations have pledged to meet the Partnership's two goals—to reduce preventable harm in hospitals by 40 percent and readmissions to hospitals within 30 days of discharge by 20 percent in the next three years.

The Partnership is investing up to $500 million in public-private engagement networks that will help hospitals adopt proven strategies to reduce hospital-acquired conditions in their own facilities and systems. The Partnership's second component, the Community-based Transitions Program, is a $500 million initiative to reward hospitals, physicians, and others who partner together to keep patients out of the hospital after discharge. Taken together, the Partnership has the potential to save 60,000 lives, reduce millions of preventable injuries and complications in patient care and, by meeting its goals, save our health care system as much as $50 billion over 10 years, according to the CMS Office of the Actuary.

Encouraging Care Coordination—Pioneer Accountable Care Organizations (ACOs) and Advance Payment Models. Today's system of paying on a per-service basis often discourages—and even financially penalizes—health care providers for working together to coordinate care and keeping patients healthy and out of the hospital or a nursing home. The Pioneer ACO Model tests the rapid transition to a new payment model where experienced organizations are paid according to their ability to improve the health of their patient population, rather than for each specific service they provide. Starting on January 1, 2012, 32 organizations are participating in the Pioneer ACO Model to test what can be achieved through highly coordinated care for more than 850,000 Medicare fee-for-service beneficiaries. Participating organizations must create similar arrangements with other private sector payers so that more patients have access to this highly coordinated care. According to the independent CMS Office of the Actuary, this model is projected to save Medicare up to $1.1 billion over five years.

A closely related initiative, the Advanced Payment ACO Model, will test whether pre-paying a portion of future shared savings will allow more physician-based and rural ACOs to participate in the Medicare Shared Savings Program, to improve care for beneficiaries and generate greater Medicare savings more quickly. In the Shared Savings Program, groups of providers come together

"The Partnership for Patients is going to give us the ability, for the first time, to unlock the energy that's already there. We know when we look at some of the hospitals that we work with, that people are doing great stuff around really saving lives, around making patients lives better. So, for instance, one hospital in our membership, Stony Brook, has cut mortality from sepsis, from severe infections, by half. That's great news. But now the question is, how do we spread that, how do we make sure that that's not just exception, that everybody's doing that and everybody knows how to do that and has sort of the basic tools to make it happen? That's what the Partnership can really accelerate, can really create a breakthrough around."

DR. BRUCE SIEGEL
President and CEO, National Association of Public Hospitals and Health Systems

"The Pioneer ACO program provides an important opportunity for physicians who are ready to participate in an ACO now, while other groups can begin the process of forming a Medicare ACO in CMS' program throughout 2012."

PETER W. CARMEL, MD.
President, American Medical Association

"This (Pioneer ACO announcement) is a large step forward for Medicare, and for the entire health care delivery system."

DR. DON CRANE
President, California Association of Physician Groups

as accountable care organizations to improve care coordination for Medicare beneficiaries and can share in savings they generate for Medicare if they meet certain quality improvement metrics. The Innovation Center is still accepting applications for Advanced Payment ACOs, which will start in April and July of this year in concert with the first two enrollment periods for the Shared Savings Program.

Matching Payment to the Patient Experience—Bundled Payments for Care Improvement. Patients experience care in episodes, often visiting multiple doctors' offices, hospitals, and laboratories as they seek treatment and recovery. But today's system of paying separately for each service often leads to disjointed care, poor outcomes, and a confusing and frustrating experience for many patients. The Bundled Payments for Care Improvement initiative builds on episode-based payment models pioneered in the private sector by redesigning payment to match the patient experience. It offers providers four patient-centered episode of care models to choose from, allowing providers the flexibility to choose the conditions they believe make sense to bundle, decide how best to work together to deliver high-quality, coordinated episodes-of-care, and determine participating providers' share of payment. Health care organizations will give Medicare a discount off the current cost of care for the episodes covered under the initiative, thereby ensuring Medicare Trust Fund savings.

Revitalizing Primary Care—The Comprehensive Primary Care Initiative and The Federally Qualified Health Center Advanced Primary Care Practice Demonstration. Communities with high-performing health systems share a common trait: a strong primary care backbone. Through various investments such as free Medicare Wellness visits and enhanced reimbursement for primary care as a result of the Affordable Care Act among other initiatives, CMS has made the commitment to strengthen the primary care system. However, general practitioners still often struggle to find time to spend with each patient due to the increasing demand from patients and lagging supply of primary care practitioners. The Innovation Center has launched multiple initiatives to strengthen primary care by supporting clinicians willing to comprehensively manage and coordinate the care of their patients, particularly those with serious or chronic diseases with the goal of reinvigorating the primary care system.

The Comprehensive Primary Care Initiative is a collaboration between public and private payers and primary care practices to support patient-centered primary care in communities across the country. Primary care practices will receive new, public, and private funding for primary care functions not currently supported by fee-for-service (FFS) payments, including an opportunity to share net savings generated through this program. In return, participating practices will agree to give patients 24-hour access to care, create personalized care plans for their patients, and coordinate with other providers to ensure patients are getting healthy and staying well.

The Federally Qualified Health Center Advanced Primary Care Practice Demonstration tests whether advanced primary care practice at community health centers can improve care and patients' health, and reduce costs. In October 2011, 500 community health centers in 44 States were selected to receive approximately $42 million over three years to reorganize as Patient Centered Medical Homes and improve the coordination and quality of care they give to people with Medicare and other patients.

"The Medicare Bundled Payment for Care Improvement Initiative has the potential to speed up bundled payment implementation by testing various models and giving providers a great deal of flexibility to design a model that works for them."

MARK ZEZZA, STUART GUTERMAN, AND JENNIE SMITH
The Commonwealth Fund, January 2012

The Comprehensive Primary Care initiative "offers enormous potential to promote the kind of personalized and coordinated care that patients seek and that physicians want to deliver. The program will provide primary care physicians with the support needed to work hand-in-hand with patients toward a shared goal of ensuring high-quality care while making the most efficient use of health care resources."

DR. STEVEN WEINBERGER
Chief Executive Officer, The American College of Physicians

New Models of Care and Payment to Support Medicare-Medicaid Enrollees. The Innovation Center is committed to working with other purchasers of health care—both private and public—to ensure care is improving across patient populations. Working with the CMS Medicare-Medicaid Coordination Office, the Innovation Center is empowering States to test new payment and service delivery models that will help improve quality of care, and reduce the costs of care, for the nearly nine million people enrolled in both the Medicare and Medicaid programs. While these Medicare-Medicaid enrollees represent a small percentage of the nearly 100 million people enrolled in the two programs, their care is complex and costly: they account for 21 percent of Medicare beneficiaries but 36 percent of Medicare spending, and 15 percent of Medicaid recipients but 39 percent of Medicaid cost. To date, 15 States have been awarded design contracts of up to $1 million to develop new ways to meet the needs of this complex population. Additionally, the Innovation Center and the Coordination Office have offered States the opportunity to move beyond the design phase and test new models of payment and care coordination in their States. Thirty-eight States and the District of Columbia have expressed interest in working with CMS.

Engaging Local Innovators—Health Care Innovation Challenge. The Innovation Center recognizes that many of the best ideas will come from physicians, other health care providers, and innovative thinkers in communities across the country. Announced in November 2011, the Health Care Innovation Challenge will award up to $1 billion in grants to applicants who put into practice the most compelling new ideas for rapidly delivering better health, improved care and lower costs to people enrolled in Medicare, Medicaid and CHIP, particularly those with the highest health care needs. The initiative is also looking for new models of workforce development and deployment to support the transition toward high-value care. Awards will range from $1 million to $30 million for a three-year period. Providers, payers, local government, public-private partnerships and multi-payer collaboratives may apply.

Supporting Individuals to Help Transform Health Care—Innovation Advisors Program. Crucial to the efforts of transforming the health care system is supporting individuals who can test and refine new models to drive delivery system reform. The Innovation Center seeks to deepen the capacity for transformation by creating a network of experts in improving the delivery system for Medicare, Medicaid, and CHIP beneficiaries. The Innovation Advisors will:

Utilize their knowledge and skills in their home organizations or communities in pursuit of the three-part aim of improving health, improving care, and lowering costs through continuous improvement;

- Work with other local organizations or groups in driving delivery system reform;
- Develop new ideas or innovations for possible testing of diffusion by the Innovation Center; and
- Build durable skill in system improvement throughout their area or region.

In December 2011, the CMS Innovation Center selected 73 individuals out of 920 applications through a competitive process to participate in the initiative. The first group of Innovation Advisors is starting their six-month intensive orientation and applied research period in January 2012.

LOOKING FORWARD

The Innovation Center is not only testing new models of care delivery and payment, it is also changing the way CMS partners with providers and conducts demonstration projects. Learning from previous CMS projects and feedback from the health care community, the Innovation Center is committed to providing participants more timely and useful data necessary to improve and coordinate care, rapid-cycle evaluations on their performance, and a new array of opportunities to learn from each other as they innovate. The Innovation Center is also piloting new ways to spread lessons learned, so that success is not just a report—but tangible to providers and patients across the country. That's why every Innovation Center initiative includes a "diffusion" element that matches participating organizations with experts in the field and peer organizations to discuss successes and learn from mistakes. Providers will have tools and resources available to them and will be expected to help diffuse best practices, lessons learned, and improved care strategies so that innovation is not limited to a demonstration site or only one particular community.

INNOVATION CENTER INITIATIVES

[2010 – 2011]

INITIATIVE	APPLICATION DEADLINE	INITIATIVE START DATE	LENGTH	PARTICIPANTS/ LOCATIONS	TOTAL FUNDING	NUMBER OF BENEFICIARIES AFFECTED
PRIMARY CARE TRANSFORMATION						
Comprehensive Primary Care Initiative Demonstration Public-private partnership to enhance primary care services, including 24-hour access, care plans, and care coordination	1/17/2012	2012	4 years	Plan for payers and states in 5–7 markets; 75 practices per market	$322 million	315,000 Medicare 15,750 Medicaid
Federally Qualified Health Center (FQHC) Advanced Primary Care Practice Demonstration Care coordination payments to FQHCs in support of team-led care, improved access, and enhanced primary care services	9/16/2011	11/1/2011	3 years ending on 10/31/14	500 FQHCs in 44 states	$49.7 million	202,000 Medicare
Multi-payer Advanced Primary Care Practice Demonstration State-led, multi-payer collaborations to help primary care practices transform into medical homes	8/17/2010	Phased-in starting 07/01/2011	3 years	NC, ME, MI, MN, NY, PA, RI, VT	$283 million*	332,000 Medicare
Independence at Home Home-based care for patients with multiple chronic conditions	2/16/2012	Summer 2012	3 years	Up to 50 practices with at least 200 high need beneficiaries.	$15 million*	10,000 Medicare
BUNDLED PAYMENTS FOR CARE IMPROVEMENT						
Bundled Payment for Care Improvement Initiative Episodic payments around inpatient hospitalizations to incentivize care redesign	Model 1: 11/18/2011; Models 2-4: 4/30/2012	2012	3 years	To be determined	$118 million	Not available

INITIATIVE	APPLICATION DEADLINE	INITIATIVE START DATE	LENGTH	PARTICIPANTS/ LOCATIONS	TOTAL FUNDING	NUMBER OF BENEFICIARIES AFFECTED
ACCOUNTABLE CARE ORGANIZATIONS						
Pioneer Accountable Care Organization Model Initiative Experienced provider organizations taking on financial risk for improving quality and lowering costs for all of their Medicare patients	8/19/2011	January 2012	3 years (with optional 2-year extension)	32 ACOs—see link for full list of orgs	$77 million	860,000 Medicare
Accelerated Development Learning Sessions Public opportunities to learn from leading experts about successful ACO development	Not applicable	June 2011	3 sessions completed	Open to leadership from developing or existing ACOs	$1.5 million	Not applicable
Advanced Payment Accountable Care Organization Model Initiative Prepayment of expected shared savings to support ACO infrastructure and care coordination	2/1/2012 for 4/1/2012 start date; 3/30/2012 for 7/1/2012 start date	4/1/2012 or 7/1/2012	Payments end June 2014	Physician-based and rural ACOs in the Shared Savings Program	$175 million	650,000 Medicare[+]
Physician Group Practice Transition Demonstration A precursor to the Medicare Shared Savings Program; rewards physician groups for efficient care and high quality	Not applicable (open only to participants in original PGP demo)	1/1/2011	Up to 3 years	10 group practices started the demo; 3 moved to the Pioneer ACO model	$500,000* in administration costs	87,700 Medicare
MEDICARE-MEDICAID ENROLLEES						
State Demonstrations to Integrate Care for Medicare-Medicaid Enrollees Assistance to help states engage stakeholders in redesigning care for Medicare-Medicaid enrollees	2/1/2011	April/ May 2011	18 months (with extension option)	CA, CO, CT, MA, MI, MN, NY, NC, OK, OR, SC, TN, VT, WA, WI	$15 million	Not applicable
Financial Alignment Model Demonstrations Opportunity for States to implement new care and payment systems to better coordinate care for Medicare-Medicaid enrollees	Spring 2012	January 2013	3 years	38 States and DC have submitted letters of intent	To be determined	2 million Medicare-Medicaid enrollees

[+] **Note:** The budget for the Advance Payment Model was based on an estimated 650,000 Medicare beneficiaries. These beneficiaries would be assigned to Shared Savings Program ACOs.

INITIATIVE	APPLICATION DEADLINE	INITIATIVE START DATE	LENGTH	PARTICIPANTS/ LOCATIONS	TOTAL FUNDING	NUMBER OF BENEFICIARIES AFFECTED
CAPACITY TO SPREAD INNOVATION						
The Partnership for Patients National campaign targeting a 40% reduction in hospital-acquired conditions and a 20% reduction in 30-day readmissions	Ongoing	4/12/2011	Ongoing	26 Hospital Engagement Networks supporting over 3,200 hospitals in all 50 states	$500 million	Not applicable
Innovation Advisors Program Training health care providers from around the country in achieving the three-part aim	11/15/2011	January 2012	Ongoing	73 Advisors selected and started January 2012 with up to 127 more in the next cycle	$5.9 million	Not applicable
Health Care Innovation Challenge A broad appeal for innovations with a focus on developing the workforce for new care models	1/27/2012	3/30/2012	3 years	To be determined	$1 billion	Not available
OTHER						
Medicaid Emergency Psychiatric Demonstration Expanding access to inpatient psychiatric services for Medicaid beneficiaries	10/14/2011	Spring 2012	3 years	Unspecified number of states	$75 million*	Not yet available
Medicaid Incentives for Prevention of Chronic Diseases (MIPCD) Program Collaborating with States to test the effectiveness of preventive services in Medicaid	5/2/2011	Sites awarded 09/13/2011	5 years	WI, MN, NY, NV, NH, MT, HI, TX, CA, CT	$100 million*	Not available

* Program developed and implemented by the Innovation Center, but funding based on other statutory authorities.