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MEDICARE NEWS

Physician Group Practice Demonstration succeeds in improving quality and reducing costs

All participating practices to continue in 2-year PGP Transition Demonstration

Today the Centers for Medicare and Medicaid Services (CMS) announced results from the initial Physician Group Practice (PGP) Demonstration, a landmark partnership with physician group practices that aims to better coordinate care across different settings, leading to improved quality and cost savings. After five years, this demonstration has shown positive results, including significant progress in areas of both quality improvement and savings in Medicare expenditures. The lessons learned from this demonstration helped shape the Accountable Care Organization (ACO) model put forth by the Affordable Care Act.

CMS also announced that all ten of the physician groups will continue to participate in the new PGP Transition Demonstration, a two-year supplement to the original PGP Demonstration.

"As we work to help bring care coordination to a broader set of providers through Accountable Care Organizations, the lessons learned by this demonstration provide great insight into how to use Medicare's payment systems to improve quality while reducing costs," said CMS Administrator Donald M. Berwick, M.D. "We have learned to invest in sustained improvement over time, and that short-term comparisons between start-up costs and measureable results may fail to realize the long-term value of these efforts."

Under the PGP Demonstration, physician groups earn incentive payments based on the quality of care they provide and the estimated savings they generate in Medicare expenditures for the patient population they serve. For each participating PGP practice, CMS established a minimum threshold (or benchmark) for each of the quality performance measures. In order to receive incentive payments, a group had to meet the quality performance benchmark.

The results from the demonstration underscore the opportunities for integrating care for patients enrolled in traditional fee-for-service Medicare. In the fifth year of the demonstration, seven groups achieved benchmark performance on all 32 performance measures; these include Billings Clinic in Billings, Montana, Everett Clinic in Everett, Washington, Forsyth Medical Group in Winston-Salem, North Carolina, Geisinger Health System in Danville, Pennsylvania, Middlesex Health System in Middletown, Connecticut, Park Nicollet Health Services in St. Louis Park, Minnesota, and St. John's Health System in Springfield, Missouri. The remaining three groups achieved benchmark performance on at least 30 of the

32 reported measures. These results mark a significant increase from year 1, when only 2 physician groups achieved benchmark performance on all measures.

All ten physician groups achieved benchmark performance on heart failure, coronary artery, and preventive care measures. Over the five years of the demonstration, the physician groups also increased their quality scores in the following areas an average of: 11.0 percentage points on diabetes measures, 12.4 percentage points on heart failure measures, 6.0 percentage points on coronary artery disease measures, 9.2 percentage points on cancer screening measures, and 3.8 percentage points on hypertension measures.

Four of the groups will receive incentive payments of $29.4 million (out of total savings to Medicare of $36.2 million). Over the five years of the demonstration, Medicare has paid $110 million in incentives to seven of the PGP participants. These incentive payments reward the PGP participants for both the savings they have achieved for the Medicare program, as well as quality improvements that have resulted in not only better health, but also a better experience of care for patients.

The first performance year of the 2-year PGP Transition Demonstration began on January 1, 2011. The Demonstration will provide CMS with additional performance data and insight into how the successes of this type of program can be sustained, as well as offer CMS the opportunity to continue testing additional quality measures using a methodology that encourages continual improvement. The Demonstration also continues to provide incentives for improvement as the broader Medicare Shared Savings Program and the Innovation Center's Pioneer Accountable Care Organization begin to become operational.

Under the PGP Transition Demonstration, PGPs will need to have lower growth in Medicare costs relative to a national benchmark in order to share in savings. The PGP Transition Demonstration design includes a retrospective assignment algorithm based on services provided by primary care providers, rather than all specialties as was done under the initial PGP Demonstration. This methodology underscores the important role primary care providers play in coordinating care to achieve better quality and cost outcomes. Quality performance continues to be a key aspect of the Demonstration design and the PGP Transition Demonstration includes new measures and areas of focus, including claims and chart based measures, composite measures, and patient experience measures.

"We are optimistic that these groups that participated in the both the initial PGP Demonstration and the new PGP Transition Demonstration will continue to show improved quality and generate shared savings for the Medicare program," said Dr. Berwick. "The continued movement towards shared savings programs is beneficial for the both providers and their patients.**"**

For additional details on the design of the PGP Transition Demonstration, visit the Physician Group Practice Demonstration webpage at: http://www.cms.gov/demoprojectsevalrpts/md/itemdetail.asp?itemid=CMS1198992. Information about other Medicare Demonstrations can be found on the CMS Web site at: http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD.