



Committee On Finance

Max Baucus, Ranking Member

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**Statement of U.S. Senator Max Baucus
U.S. Senate Finance Committee Hearing
“Improving Quality in Medicare: The Role of Value-Based Purchasing”**

Remarks as prepared:

Today the Finance Committee considers value-based purchasing, or pay-for-performance, in Medicare. This idea represents a sea change in Medicare policy, a significant departure from business-as-usual.

It is also a rather simple concept. The idea is to reward better health-care quality with better payment. To get the most out of taxpayer dollars and improve health quality at the same time.

Unfortunately, value-based purchasing is a concept that has been hardly used in Medicare, which spends over \$300 billion a year. In fact, the opposite is true. Too often, Medicare rewards poor-quality care.

Consider what the Sunday Washington Post had to say about Palm Beach Gardens Hospital in Florida.

“In 2002, state inspectors found ‘massive post operative infections’ in the (hospital’s) heart unit. In a four-year period, 106 heart patients at Palm Beach Gardens developed infections after surgery. More than two dozen were readmitted with fevers, pneumonia and serious blood infections. And how did Medicare respond? It paid Palm Beach Gardens more.”

This seems counterintuitive, but it’s true. Medicare typically pays according to what patients receive, rather than what they need. And often what patients need and what they receive are two very different things.

A 2003 New England Journal study showed that the typical patient in the U.S. receives recommended care only about half the time. And we know from researchers like Dartmouth’s Dr. Jack Wennberg that more health care is not necessarily better health care. In fact, according to Wennberg, the amount of treatment Medicare beneficiaries receive depends more on how many providers are in their area than on whether the treatment is appropriate.

So how do we move toward a system that rewards quality rather than volume? First, we can learn from the private sector. Many employers, hospital systems, and insurers have taken steps to implement payment-for-quality plans. And these steps show that paying for quality can work. We will hear about some of these examples today.

Second, we can learn from what Medicare has already done. CMS has put forth several quality demonstration projects, including one involving a physician group practice in Billings, Montana. The 2003 Medicare bill mandated another experiment on pay-for-quality, this time in the hospital sector. With 98 percent of hospitals reporting on quality measures, this experiment showed that tying payments to quality works.

But most important, we must act. We have to move past the ideas, past the demonstrations, and on to concrete action. We must establish a pay-for-quality system under Medicare.

Last month the Chairman and I introduced a bill to enable Medicare to proceed with value-based purchasing: the Medicare Value Purchasing Act of 2005.

Our bill starts with paying for the reporting of quality measures. It then moves to a system of paying for quality, gradually changing Medicare into a system that rewards quality over volume. If we do it right, we can reduce improve patient care and check unnecessary spending. That's a win-win.

And if we construct this system right in Medicare, there is a strong likelihood that other payers will follow suit. Medicare tends to influence other insurance plans with the payment systems it establishes.

I want to thank our witnesses for being here today. Many of you have been involved in health care delivery throughout your careers, and I thank you for that service. Doctors, nurses, and other care providers in this country work extraordinarily hard to provide the best care possible to their patients.

I value your thoughts on how we can improve quality and value in Medicare. Because a value-based purchasing program will not work without input from those affected – including patients, providers, and taxpayers.

The status quo will not suffice anymore. We need a system that works. We need it soon. And I look forward to hearing your thoughts on how to get the job done.

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