STATEMENT OF

RICHARD J. GILFILLAN, MD

DIRECTOR,

CENTER FOR MEDICARE AND MEDICAID INNOVATION

CENTERS FOR MEDICARE & MEDICAID SERVICES

ON

REFORMING THE DELIVERY SYSTEM:

THE CENTER ON MEDICARE AND MEDICAID INNOVATION

BEFORE THE

U. S. SENATE COMMITTEE ON FINANCE

MARCH 20, 2013

Senate Committee on Finance
Hearing on "Reforming the Delivery System:
The Center for Medicare and Medicaid Innovation"
March 20, 2013

Chairman Baucus, Ranking Member Hatch, and Members of the Committee, thank you for the opportunity to discuss our work at the Center for Medicare and Medicaid Innovation (the Innovation Center) at the Centers for Medicare & Medicaid Services (CMS). In the nearly three years since the Affordable Care Act became law, CMS has established the Innovation Center and initiated testing of numerous innovative payment and delivery models, under Innovation Center authority. The Innovation Center has also assumed administrative responsibility for a range of other pre-existing and separate statutory initiatives.

The Innovation Center has harnessed the energy and enthusiasm of a wide variety of innovators to help us identify models that can drive significant improvements in health care for enrollees in Medicare, Medicaid, and the State Children's Health Insurance Program (CHIP). What we have learned from our outreach – and it confirms my experience in the private sector – is that physicians and providers want and need reform that can allow them to provide sustainable, quality health care to their patients. We are currently working with more than 50,000 health care providers from every State in the country to test various models. Knowing that there is no one solution that will improve the health care system and reduce costs, the Innovation Center is casting a wide net through our broad portfolio to give options and opportunities to participate in testing models.

We are moving forward with a serious and rigorous process to monitor and evaluate the initiatives we have underway and to develop additional initiatives that build on these efforts. One of our goals is to create a solid business case for providers to engage in quality improvement. We have made significant progress in developing these models, and will continue to engage providers, payers, employers, States, and other stakeholders in our efforts. Medicare beneficiaries are already starting to enjoy better quality of care through innovative care delivery systems designed to improve their health outcomes and reduce costs. Affordable

Care Act reforms are contributing substantially to recent reductions in the growth rate of Medicare spending per beneficiary[1] without reducing benefits for beneficiaries. Growth in national health expenditures over the past three years was lower than any time over the last 50 years. Fraud recoveries have increased to a record $4.2 billion in 2012, and $14.9 billion over the last four years. Medicare beneficiaries have gained access to additional benefits, such as increased coverage of preventive services and lower cost-sharing for prescription drugs.

We are also observing a decrease in the rate of patients returning to the hospital after being discharged. After fluctuating between 18.5 percent and 19.5 percent for the past five years, the 30-day all cause readmission rate dropped to 17.8 percent in the final quarter of 2012. This decrease is an early sign that our payment and delivery reforms are having an impact.

Innovation Center Background

Congress created the Innovation Center to test "innovative payment and service delivery models to reduce program expenditures… while preserving or enhancing the quality of care" for those individuals who receive Medicare, Medicaid, or CHIP benefits. The Affordable Care Act appropriated $10 billion to support the Innovation Center's activities initiated from Fiscal Year (FY) 2011 to FY 2019.

Congress also defined – through both the Affordable Care Act and previous legislation – a number of specific CMS demonstrations. Some of these demonstrations test proposed improvements in care delivery and payment, such as the Independence at Home Initiative. The Innovation Center also assumed responsibility for several demonstrations that were initiated through CMS's former Office for Research Development and Information, which was brought into the Innovation Center.[2]

[1] ASPE Issue Brief: "Growth In Medicare Spending Per Beneficiary Continues To Hit Historic Lows" for full report please visit http://aspe.hhs.gov/health/reports/2013/medicarespendinggrowth/ib.cfm.

[2] The Innovation Center staff managed 23 statutorily-prescribed active demonstrations during the period between January 1, 2011 and October 31, 2012. Note that while the Innovation Center has administrative responsibility for these statutory demonstrations, they are not funded out of the Innovation Center's appropriation.

In support of the mission that Congress assigned to us, we organize the Center's work, and the organization structure,[3] around four main priorities: identifying and stimulating the development of innovative ideas; developing and testing new payments and service delivery models; evaluating results; and spreading best practices.

While the Center has new authorities and responsibilities, we execute these priorities within CMS's well-established governance and oversight processes. The Innovation Center works closely with other CMS Centers and Offices, through daily, weekly, biweekly, and monthly interactions and meetings. In particular, the Innovation Center works closely with the Center for Medicaid and CHIP Services on initiatives involving Medicaid or CHIP beneficiaries, with the Center for Medicare on initiatives involving Medicare beneficiaries, and with the Medicare-Medicaid Coordination Office on initiatives involving beneficiaries enrolled in both Medicare and Medicaid.

Identifying and Stimulating the Development and Testing of Innovative Ideas

During the development of models, the Innovation Center receives ideas from stakeholders, and consults with clinical and analytical experts, as well as with representatives of relevant Federal agencies. The Innovation Center actively engages innovators through its website, social media outreach, and an email listserv that reaches an audience of over 30,000 people across the country who are interested in innovations in health care delivery and payment. Since its formation, the Innovation Center has held numerous regional meetings, listening sessions, and open-door forums to engage thousands of innovators from around the country. In addition, stakeholders have shared more than 500 ideas for improving health care through the Share Your Ideas section of the Innovation Center's website.[4]

For all models, the Innovation Center selects participating organizations through an open process. The process follows established protocols to ensure that it is fair and transparent,

[3] The Innovation Center's organizational structure is available at http://innovation.cms.gov/about/Our-Team/index.html.
[4] http://innovation.cms.gov/Share-Your-Ideas/Submit/index.html.

provides opportunities for potential partners to ask questions regarding the Innovation Center's expectations, and relies on multi-stakeholder expertise to select the most qualified partners.

Current Innovation Center Models

The Innovation Center is currently responsible for numerous initiatives that test new payment or care delivery systems following the business and experimental processes described above.[5] Major examples of the Innovation Center's initiatives include:

- The *Pioneer Accountable Care Organization (ACO) and Advance Payment ACO models*, which aim to align incentives for organizations to promote higher quality care and better health outcomes for the population served and greater accountability for the total cost of care;
- The *Bundled Payments for Care Improvement Initiative*, which is a series of four models that will realign incentives for hospitals and post-acute care providers to promote quality and efficiency;
- The *Comprehensive Primary Care Initiative*, which provides support to transform primary care practices;
- The *Strong Start for Mothers and Newborns Initiative*, which is an effort to test and evaluate enhanced prenatal care interventions for women enrolled in Medicaid or CHIP who are at risk for having a preterm birth;
- The *State Innovation Model*, which makes awards to States to design and test multi-payer payment and delivery models that seek to deliver high-quality health care and improve health system performance; and
- The *Health Care Innovation Awards*, which funds projects in communities across the Nation that aim to deliver better health, improved care, and lower costs to people enrolled in Medicare, Medicaid, and CHIP.

Each model has been developed to create a business case for quality improvement, relying on innovation to reduce spending while improving patient experience and health outcomes, and rewarding quality and population health management rather than greater volume of care.

[5] A full list of the Innovation Center's initiatives is available at http://innovation.cms.gov/.

Accountable Care Organizations (ACOs)

ACOs are one of the Affordable Care Act's key reforms to improve the delivery of care. ACOs are groups of doctors and other health care providers that have agreed to work together to treat beneficiaries and better coordinate their care across care settings. They share – with Medicare – a portion of savings generated from lowering the growth in health care costs while furnishing high quality care including providing patient-centered care.

Working in concert with the Medicare Shared Savings Program (Shared Savings Program), which is a permanent part of the Medicare program, the Innovation Center is testing two alternative ACO models—the Pioneer and Advance Payment model ACOs—both of which can inform future changes to the Shared Savings Program. The Innovation Center designed the Pioneer ACO model for health care providers that have experience coordinating care for patients across care settings. This model tests alternative payment models that include increasing levels of financial accountability. Thirty-two organizations are testing the Pioneer ACO model.

The Advance Payment ACO model examines whether and how pre-paying a portion of future shared savings could increase participation in the Shared Savings Program from entities such as physician-owned and rural providers with less capital. Through this ACO model, selected participants receive upfront and monthly payments, which they can use to make important investments in their care coordination infrastructure. It is our expectation that the assistance the Advanced Payment model provides to smaller and rural practices will result in expanding access to this coordinated care effort to more fee-for-service Medicare beneficiaries. Thirty-five ACOs are participating in this model.

In just over a year, more than 250 ACOs in 47 States and territories have formed and are working to improve the care experience for more than four million Medicare fee-for-service beneficiaries nationwide, which represents approximately eight percent of all Medicare beneficiaries. That number will grow over time as existing ACOs choose to add providers and more organizations are approved for participation in the Medicare Shared Savings Program.

Bundled Payments for Care Improvement Initiative

Traditionally, Medicare makes separate payments to providers for each of the individual services they furnish to beneficiaries during a single illness or course of treatment. This approach can result in fragmented care and a lack of coordination across health care settings. Bundling payments to multiple providers can better align incentives to those providers – hospitals, post-acute care providers, physicians, and other practitioners– leading them to work closely together to redesign care and better coordinate across all specialties and settings.

The Bundled Payments for Care Improvement Initiative is composed of four broadly-defined models of care, which link payments for multiple services beneficiaries receive during an episode of care. Over the course of the three-year initiative, CMS will work with hundreds of organizations to assess whether the models being tested result in enhanced quality of care and lower costs to Medicare. In January 2013, the Innovation Center announced the participants in Model 1, which tests bundled payments for acute care hospital stays, as well as the participants in Phase One of Models 2 through 4 of the Bundled Payments for Care Improvement Initiative. Phase One is the initial period of the initiative where the participants and CMS prepare for implementation and assumption of financial risk by sharing data and information. Phase Two will begin this summer.

Comprehensive Primary Care

The Innovation Center is also supporting primary care providers interested in transforming their practice. Approximately 500 primary care practices[6] in seven markets are participating in the Comprehensive Primary Care initiative, which is a multi-payer model testing the effectiveness of enhanced payments to improve care coordination for people enrolled in Medicare and Medicaid. We consulted extensively with other payers to design a model that would be suitable for adoption by Medicare, commercial, and Medicaid payers.

Under the Comprehensive Primary Care initiative, Medicare will pay primary care practices a care management fee to support enhanced, coordinated services. Simultaneously, participating

[6] For a full list of participating practices please visit https://data.cms.gov/Government/CPC-Initiative-Participating-Primary-Care-Practice/mw5h-fu5i.

commercial, State, and other Federal insurance plans are also offering an enhanced payment to primary care practices that provide high-quality primary care. In order to receive the new care management fee from Medicare and other payers, primary care practices must agree to provide enhanced services for their patients, deliver preventive care, coordinate care with patients' other health care providers, engage patients and caregivers in managing their own care, and provide individualized, enhanced care for patients living with multiple chronic diseases and higher needs. To simplify the model for practitioners, and to maximize its impact, CMS and other payers used a coordinated approach to transform how primary care is practiced and financially supported. CMS and other payers also agreed to align quality measures in the model.

Strong Start for Mothers and Newborns

The Strong Start for Mothers and Newborns initiative, launched in 2012, is a two-part strategy to reduce preterm births and improve outcomes for newborns and pregnant women. The first is a public-private partnership and awareness campaign to reduce the rate of early elective deliveries prior to 39 weeks for all populations. Avoiding elective deliveries prior to 39 weeks has been a medical best practice recommended by the American Congress of Obstetricians and Gynecologists (ACOG) for more than 20 years but remains a persistent problem. CMS partnered with the ACOG, the March of Dimes, State and local governments, and the private sector to focus on increasing public awareness of this issue. The other component of the Strong Start Initiative is a funding opportunity to test the effectiveness of specific enhanced prenatal care approaches to reduce the frequency of premature births among high-risk pregnant women enrolled in Medicaid or CHIP.

In February 2013, we announced the recipients of 27 Strong Start for Mothers and Newborns awards with a total of up to $41.4 million made available to States, providers, academic institutions, and others to test new ways to prevent significant, long-term health problems for high-risk pregnant women and newborns enrolled in Medicaid or CHIP. The Strong Start awardees are located in 32 States, the District of Columbia, and Puerto Rico, and will serve more than 80,000 women enrolled in Medicaid or CHIP over the three intervention years. The grants will support enhanced prenatal care through group visits, at birth centers, and at maternity medical homes. These approaches expand access to care, improve care coordination, and

provide psychosocial support to pregnant women. Strong Start awardees will be serving women in the areas with the highest preterm birth rates in the country, including areas that are among the top ten prematurity and infant mortality counties according the Centers for Disease Control and Prevention. The Innovation Center will administer these awards through cooperative agreements over four years.

State Innovation Model

The State Innovation Model initiative was developed for States that are prepared for or committed to planning, designing, and testing new payment and service delivery models in the context of larger health system transformation. The goal is to create multi-payer models with a broad mission to improve community health and reduce long-term health risks for beneficiaries of Medicare, Medicaid, and CHIP, and lower costs in these programs.

The Innovation Center recently announced 25 States are participating in the first round of funding. Six States have received model-testing awards that support the implementation of their State's Health Care Innovation Plan. The Plan is a proposal that describes a State's strategy to use all of the levers available to it to transform its health care delivery system through multi-payer payment reform and other State-led initiatives. Three States are receiving pre-testing awards that will allow them to continue work on their Health Care Innovation Plans, and sixteen States are receiving model design awards to develop Health Care Innovation Plans. We expect to award additional model-testing awards in the future and expect that States that were given design awards will apply for the next round of model-testing awards.

Health Care Innovation Awards

The Health Care Innovation Awards were awarded to 107 recipients who are testing innovative care delivery models that aim to improve outcomes and reduce costs. Awardees were chosen for their innovative solutions to the health care challenges facing their communities and for their focus on creating a well-trained health care workforce that is equipped to meet the Nation's needs in our 21st-century health system. The initiative supports innovators who can rapidly deploy care improvement models (within six months of award) through new ventures or expansion of existing efforts to new populations of patients, in conjunction (where possible) with

other public and private sector partners. Funding for these projects is for three years. The projects are located in urban and rural areas, all 50 States, the District of Columbia, and Puerto Rico.

Some examples of the projects include the Prosser Washington Community Paramedics Program in Washington State, which received an award for a program through which physicians can send a community paramedic to visit a patient of concern, providing in-home medical monitoring, follow-ups, basic lab work, and patient education. By expanding the role of the emergency medical services, community paramedics can increase access to primary and preventive care, provide wellness interventions, decrease emergency room utilization, and improve outcomes.

Another awardee is the Delta Dental Plan of South Dakota's project, "Improving the care and oral health of American Indian mothers and young children and American Indian people with diabetes on South Dakota reservations." Delta Dental Plan, which covers over thirty-thousand isolated, low-income, and underserved Medicaid beneficiaries and other American Indians on reservations throughout South Dakota, aims to improve oral health and health care for American Indian mothers, their young children, and American Indian people with diabetes. Providing preventive care will help avoid and arrest oral and dental diseases, repair damage, prevent recurrence, and ultimately, reduce the need for surgical care.

Other Innovation Center Models

Other Innovation Center initiatives include the *Independence at Home Demonstration*,[7] created by the Affordable Care Act, which uses home-based primary care teams designed to improve health outcomes and reduce expenditures for Medicare beneficiaries with multiple chronic conditions. Under the Independence at Home Demonstration, selected primary care practices will provide home-based primary care to targeted chronically ill beneficiaries for a three-year period. Participating practices will make in-home visits tailored to an individual patient's needs and preferences with the goal of keeping them from being hospitalized.

[7] The Independence at Home Demonstration is funded and authorized by § 3024 of the Affordable Care Act – not § 3021, which established the Innovation Center.

Additionally, the Innovation Center and the Health Resources and Services Administration (HRSA) jointly manage the *Federally Qualified Health Center (FQHC) Advanced Primary Care Practice Demonstration*. Approximately 500 FQHCs are testing whether achieving certification as a medical home can improve care, health, and reduce costs. In addition to the Innovation Center's payments of per beneficiary amounts to support the FQHC's investment in primary care, HRSA is providing technical assistance to the FQHCs.

Another initiative is the *Partnership for Patients*, which is a public-private partnership to support physicians, nurses, and other clinicians in reducing hospital-acquired conditions and improving transitions in care. It will test the effect of multiple strategies to improve patient safety in hospitals, including reducing preventable hospital-acquired conditions and reducing 30-day readmissions. Part of the Partnership for Patients is the *Community-based Care Transitions Program*, an initiative in which 102 participants are working with local hospitals and other service providers to support Medicare patients who are at increased risk of being readmitted to the hospital while transitioning from care settings.[8] The Community-based Care Transitions Program will provide care transition services to over 700,000 Medicare beneficiaries in 40 States across the country.

Other initiatives being tested by the Innovation Center are intended to improve care coordination for beneficiaries with end-stage renal disease (ESRD), support hospitals for the cost of providing clinical training to advanced practice registered nursing students,[9] and determine whether Medicaid can support higher quality care at a lower total cost by reimbursing private psychiatric hospitals for certain psychiatric services for which Medicaid reimbursement has historically been unavailable.[10] The Innovation Center also collaborates with the Medicare-Medicaid Coordination Office to improve the quality of care available to and better coordinate benefits and services for the Medicare-Medicaid enrollee population. This latter category includes initiatives

[8] The Community-based Care Transitions Program is funded and authorized by § 3026 of the Affordable Care Act – not § 3021, which established the Innovation Center.
[9] The Graduate Nurse Education Demonstration is funded and authorized by § 5509 of the Affordable Care Act.
[10] The Medicaid Emergency Psychiatric Demonstration is funded and authorized by § 2707 of the Affordable Care Act.

focused on improving financial alignment between Medicare and Medicaid and reducing avoidable hospitalizations among nursing facility residents.

Evaluating Results and Actively Spreading Best Practices

Congress provided the Secretary of Health and Human Services (HHS) with the authority to expand the scope and duration of a model being tested through rulemaking, including the option of expanding on a nationwide basis. For the Secretary to exercise this authority, a model must reduce net spending (as certified by the CMS Chief Actuary) without reducing the quality of care. No model may deny or limit the coverage or provision of Medicare, Medicaid, or CHIP benefits.

The law also requires that models tested by the Innovation Center shall be modified or terminated, unless the Secretary determines (and the CMS Chief Actuary certifies, with respect to spending) after testing has begun that the model is expected to improve the quality of care without increasing spending, reduce spending without reducing the quality of care, or improve the quality of care and reduce spending. The Innovation Center, working in concert with the Office of the Actuary, continuously monitors progress and results in order to quickly identify successful and unsuccessful models and take necessary action.

To assess the success of initiatives, the Innovation Center has assembled the Rapid Cycle Evaluation Group, responsible for evaluating the impact of each payment and service delivery model on the cost and quality of care, and on health outcomes. The Innovation Center, when considering a model for testing, engages staff from the Rapid Cycle Evaluation Group and the Office of the Actuary. Early in the process of implementation, evaluation staff considers advanced statistical methods, carefully defines and selects comparison groups, and applies conservative evidence thresholds to assure that programs deemed successful represent high-value investments of taxpayer dollars.

Establishing effective metrics at the outset of each model is critical to defining success. The Innovation Center selects measures for those that are appropriate for each model. Innovation Center evaluators collaborate with other CMS components to ensure that the metrics we use are

consistent across our programs as appropriate, and that we can thoughtfully compare the results of different models.

The Rapid Cycle Evaluation Group assesses each model's impact regularly and frequently to identify successful programs as quickly as possible. The Rapid Cycle Evaluation Group also provides ongoing feedback to participating entities to support continuous quality improvement on a quarterly basis. To determine the cost impact of the model, the Office of the Actuary monitors Innovation Center initiatives, and, once testing begins, will use data from the evaluation and monitoring as well as other available sources to certify results. The testing period for most models is typically three to five years, but in some cases it may be clear from the data within one or two years whether a model should be recommended for testing more broadly in Medicare, Medicaid, or CHIP, or should be terminated or modified.

The Innovation Center's work reflects a core belief that effective health care system reform requires continuous learning and sharing of best practices. Using data from the Rapid Cycle Evaluation Group, the Innovation Center organizes learning collaboratives among model participants to share effective approaches and disseminate best practices. This close collaboration will help ensure that best practices are disseminated rapidly, and aims to generate a more cooperative community of providers working together to improve the quality of care.

Looking Forward

The Innovation Center initiatives complement other reforms made by the Affordable Care Act. Thanks to the law, the Innovation Center is moving toward a system that provides better care and better health, and through these improvements, reduced cost. We look forward to advancing models and demonstrations that will provide the results our health care system needs.