

March 5, 2008

RE: Implementing a Medicare Hospital Value-Based Purchasing Program

Dear Members of Congress:

The 31 undersigned organizations representing consumers, labor and purchasers strongly support the Centers for Medicare & Medicaid Services' (CMS) intention to align Medicare's payment policy and practices to encourage ongoing improvements in the quality and efficiency of care delivered by U.S. hospitals. Our current payment system does not reward better care, and moving forward, it is essential that payment provide the right incentives to providers to ensure the delivery of appropriate, high-quality, efficient, equitable, and patient-centered care.

We believe that the elements described in CMS' Report to Congress, *Plan to Implement a Medicare Hospital Value-Based Purchasing Program*, reflect important steps towards reforming Medicare's payment policies. Congress should direct CMS to ensure that any payment reform emphasizes incentives that promote the following:

- A substantial portion of payments to hospitals should be based on performance (e.g., 5% of compensation);
- Providers that deliver high quality care or show significant strides in improving the level of care delivered should be rewarded; and
- Payment changes should be budget neutral and even promote savings by rewarding more efficient and effective care.

While these recommendations are important steps toward improving the quality and efficiency of hospital care, they should be viewed as only one small piece of more substantial payment reform that would:

- Encourage the coordination of care across providers, especially for those with chronic illnesses;
- Support the re-engineering of care systems so patients receive the right care, from the right provider at the right time;
- Assure that all Americans receive the right care by reducing health care disparities and encouraging the provision of quality care for at-risk populations; and
- Recognize that efficient and effective care should reduce unnecessary spending both within and across sectors of care (e.g., physician services may reduce expenditures in emergency rooms and hospital care).

We believe that the sooner we take steps to fundamentally change the way we pay for health care, the sooner Americans will reap the benefits of higher quality and more efficient health care. Our current payment system fails to encourage the most appropriate care and instead, frequently provides perverse incentives for care that is not beneficial. There is evidence that rewarding better performance generates both quality improvements and cost savings, as demonstrated by the evaluations of the CMS/Premier Hospital Quality Incentive Demonstration and the U.K. Pay-for-Performance Program for General Practitioners.

Although payment reform is critical, it is only one piece of the puzzle to solving the quality and cost problems that plague our health care system. Improvements in quality and reductions in spending will only be obtained through a multi-pronged strategy that includes payment reform and other components like performance measurement, public accountability and investments in information systems.

We appreciate your consideration of our suggestions. If you have any questions, please contact either of the Disclosure Project's co-chairs, Peter V. Lee, Executive Director for National Health Policy of the Pacific Business Group on Health, or Debra Ness, President of the National Partnership for Women & Families.

Sincerely,

AARP  
American Benefits Council  
Bridges To Excellence  
Business Health Care Group  
Carlson  
Center for Medical Consumers  
Childbirth Connection  
Consumers Advancing Patient Safety  
Consumers Union  
Consumer Worker Coalition  
Corporate Health Care Coalition  
Employers' Coalition on Health  
Employer Health Care Alliance  
ERISA Industry Committee  
Grand Rapids Area Chamber of Commerce  
Intel  
Iowa Health Buyers Alliance  
Hawaii Business Health Council  
Health Policy Corporation of Iowa  
Labor Management Health Care Coalition, Upper Midwest  
MidAtlantic Business Group on Health  
National Business Coalition on Health  
National Consumers League  
National Partnership for Women & Families  
National Retail Federation  
Nevada Health Care Coalition  
Oregon Coalition of Health Care Purchasers  
Pacific Business Group on Health  
Service Employees International Union  
St. Louis Area Business Health Coalition  
The Leapfrog Group