

MEDICARE HEALTH CARE QUALITY DEMONSTRATION
PHYSICIAN GROUP PRACTICE DEMONSTRATION FINANCIAL & QUALITY
REPORTING MODEL

The [Physician Group Practice \(PGP\) Demonstration](#) is Medicare's first pay-for-performance initiative for physicians. The PGP Demonstration rewards physicians for improving the quality and efficiency of health care services delivered to Medicare fee-for-service beneficiaries. Under the PGP Demonstration, 10 participating physician groups continue to be paid on a fee-for-service basis and are eligible for performance payments derived from savings from the implementation of care management strategies designed to anticipate patient needs, prevent chronic disease complications and avoidable hospitalizations, and improve quality of care.

PGP Model Available Under MHCQ Demonstration

In response to industry interest in the PGP Demonstration financial and quality measurement and reporting model, MMA Section 646, Medicare Health Care Quality demonstration applicants may incorporate the PGP model in their proposals responding to the solicitation. The PGP model gives applicants a defined and industry supported financial and quality measurement model so they can focus resources on achieving the MHCQ goals to improve patient safety, enhance quality, increase efficiency, and reduce scientific uncertainty and unwarranted variation.

Applicants focused on other redesign initiatives and payment models should continue to do so. The PGP model is not designed to displace their efforts; rather it is focused on applicants who prefer an off-the-shelf payment solution so they can focus resources on implementing strategies to achieve the MHCQ goals.

Eligible Organizations For The PGP Model

Physician groups, integrated delivery systems and organizations representing regional coalitions of physicians groups and integrated delivery systems, with 150 or more physician FTEs are eligible to use the PGP model. Newly formed regional coalitions of smaller physician groups could come together for demonstration purposes to participate in the MHCQ demonstration using the PGP model. We are interested in applicants with existing clinical, financial and management information systems necessary to be successful under a shared savings model; as well as smaller physician groups that are part of an established IPA and/or physician network with data collection and reporting infrastructure and a proven track record in effectively influencing clinical practice to improve quality and efficiency.

What Applicants Need to Do to Use the PGP Model

Applicants using the PGP model are required to meet all MHCQ goals and objectives (i.e., improve patient safety, enhance quality, increase efficiency, reduce scientific uncertainty and unwarranted variation) and have 150 or more physician FTEs. In addition, applicants must include and attest in their proposal's cover letter that they agree to the financial reconciliation methodology defined in the December 20, 2004 Physician Group Practice Demonstration Bonus Methodology Specifications and the quality measurement and reporting methodology defined in the July 29, 2005 Physician Group Practice Demonstration Quality Measurement and Reporting Specifications with the following exceptions:

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- 100% of performance payment is contingent on achieving quality thresholds and improvement targets and all quality measures apply beginning the first performance year;
- Awards will be for 5 years, but rebasing will occur in 3 year increments;
- Actual base year and performance years will be based on implementation date.

Applicants will use the same application and technical panel review criteria and process as outlined in the MHCQ solicitation. In the payment methodology section, please provide evidence of savings from your experience with other payers and studies in support of your implementation strategy instead of proposing a payment methodology. Applicants using the PGP model must meet all budget neutrality requirements under Section 646. Please note that CMS reserves the right to make adjustments in the PGP model based on its experience under the PGP Demonstration.

Due Dates & More Information

Applicants interested in the PGP model should submit a letter of intent by April 28, 2006 to assist us in our planning processes. The letter of intent should include an outline of the demonstration proposal, description of proposed organizational structure, and timeline for developing and implementing the model. MHCQ-PGP Model applications must be received on or before 5 PM EDT on September 29, 2006.

The PGP Demonstration Bonus Methodology Specifications and the PGP Demonstration Quality Measurement and Reporting Specifications reports may be found at the following url:

<http://www.cms.hhs.gov/DemoProjectsEvalRpts/>

1. Click on “Medicare Demonstrations” in the box on the upper left hand side of the screen.
2. Scroll down to “Medicare Physician Group Practice Demonstration” in Year 2000. Please bypass the select from the following options section.
3. Scroll down to the downloads section. Select the following reports from the available pdf files:
 - a. [Performance Payment Methodology Specifications](#)
 - b. [Quality Specs Report](#)

For More Information

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Please visit the [MHCQ webpage](http://www.cms.hhs.gov/DemoProjectsEvalRpts/) at <http://www.cms.hhs.gov/DemoProjectsEvalRpts/> for more information about the MHCQ demonstration. Click on “Medicare Demonstrations” in the box on the upper left hand side of the screen. Scroll down to “MMA 646: Medicare Health Care Quality Demonstration” in Year 2005. Please bypass the select from the following options section.

Please send your questions to mma646@cms.hhs.gov or call 410 786 6680.