

CMS Demonstrations Projects
under
the Medicare Modernization Act (MMA)

as of May 3, 2007

Among the many provisions of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA, P.L. 108-173) are several demonstration projects intended to test potential future improvements in Medicare coverage, expenditures, and quality of care.

The Centers for Medicare & Medicaid Services (CMS) is preparing to implement these projects, addressing coverage of certain prescription drugs, rural community hospitals, quality of care, chronic care improvement, and more.

The results of such demonstrations have helped shape many of the changes in Medicare over the years. The demonstration programs mandated in the MMA will continue CMS's ongoing efforts to improve and modernize the Medicare program.

The following demonstration projects are found in MMA.

Section 302(b) -- Competitive Bidding Demonstration for Clinical Laboratory Services.

<http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD/itemdetail.asp?itemID=CMS1198949>

Requires a demonstration project that uses competitive acquisition for payment of clinical laboratory services that would otherwise be using regular Medicare Part B fee schedules.

Section 306 -- Demonstration Project for Use of Recovery Audit Contractors.

<http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD/itemdetail.asp?itemID=CMS061621>

Requires the Secretary to conduct a demonstration project to pay recovery audit contractors on a contingency basis to identify Medicare underpayments and overpayments and to recoup overpayments for both Part A and Part B services. This provision also permits the money collected by the recovery audit contractors (less their contingency fee) to be made available to the CMS program management account. A Report to Congress is required six months after completion of project analyzing impact of the demonstration on Medicare savings and recommendations on extending or expanding the project.

Section 409 -- Rural Hospice Demonstration Project.

<http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD/itemdetail.asp?itemID=CMS1183983>

Requires the Secretary to conduct a demonstration project, lasting not longer than five years, providing hospice care in three facilities of 20 or fewer beds located in rural areas, in which Medicare beneficiaries are currently unable to receive hospice care for lack of an appropriate caregiver. A Report to Congress is required making recommendations regarding extension of the project to hospice programs serving rural areas.

Section 410A -- Rural Community Hospital Demonstration Program.

<http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD/itemdetail.asp?itemID=CMS1198993>

The Secretary is required to conduct a demonstration, lasting five years, to test the advisability and feasibility of establishing rural community hospitals (RCHs) to provide Medicare covered inpatient hospital services in rural areas. The Secretary is required to select not more than 15 hospitals to participate in the demonstration in States with low population densities. Medicare payment to the hospitals will be on the basis of reasonable costs or a "target amount" of prior year reasonable costs plus the increase in the inpatient hospital update factor.. Implementation of this demonstration is required to occur no later than January 1, 2005, but not before October 1, 2004. A Report to Congress is required six months after completion of the program, making recommendations as the Secretary deems appropriate.

Section 434(a) -- Frontier Extended Stay Clinic Demonstration Project.

<http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD/itemdetail.asp?itemID=CMS1198957>

The Secretary is required to conduct a demonstration project under which frontier extended stay clinics located in isolated rural areas are treated as Medicare providers. The clinics must be located at least 75 miles from the nearest acute care hospital, or inaccessible by public road, and must be designed to address the needs of seriously or critically ill or injured patients or patients who need monitoring and observation for a limited period of time. The project is to last three years; no start date is specified in the legislation. The project is budget neutral to the Medicare program. A Report to Congress is required making recommendations as the Secretary deems appropriate.

Section 623(e) – Demonstration of Case-Mix Adjusted Payment for Renal Dialysis Services.

The Secretary is required to develop a fully case-mix adjusted payment system for ESRD services, and to conduct a three-year demonstration project of the case-mix adjusted payment system, beginning January 1, 2006. Not more than 500 ESRD facilities may participate in the demonstration, and the Secretary is required to increase payment amounts to those facilities by 1.6%. The Secretary is required to appoint an advisory board to oversee the demonstration.

Section 641(a) - The Medicare Replacement Drug Demonstration

<http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD/itemdetail.asp?itemID=CMS063468>

The Secretary shall conduct a demonstration project under which payment is made for drugs or biologicals prescribed as replacements for drugs or biologicals that are otherwise covered by Medicare (those administered in the physician's office). Cost-sharing under the demonstration is required to follow cost-sharing amounts in Part D. The demonstration is to begin 90 days after enactment of the legislation and last for two years, but not beyond December 31, 2005. The demonstration will cover 50,000 Medicare beneficiaries. The costs of the demonstration may not exceed \$500 million. Not later than July 1, 2006, the Secretary is required to submit a Report to Congress evaluating patient access to care and patient outcomes under the project, as well as cost effectiveness of the project, including an evaluation of the cost savings (if any) to the Medicare program attributable to reduced physician services and hospital outpatient services for administration of the drugs or biologicals.

Section 646 -- Medicare Health Care Quality Demonstration Program

<http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD/itemdetail.asp?itemID=CMS023618>

The Secretary is required to establish a five-year demonstration program to examine factors that encourage the delivery of improved patient care quality, including financial incentives, appropriate use of best practice guidelines, examination of service variation and outcomes measurement, shared decision making between providers and patients, appropriate use of culturally and ethnically sensitive care, and related financial effects associated with these factors. In the demonstration, Medicare may provide

benefits not otherwise covered, but may not deny services that are otherwise covered against the wishes of beneficiaries. The demonstration is required to be budget neutral.

Section 648(a) -- Demonstration Project for Consumer-Directed Chronic Outpatient Services.

<http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD/itemdetail.asp?itemID=CMS1198948>

The Secretary is required to establish demonstration projects to evaluate methods to improve the quality of care provided to Medicare beneficiaries with chronic conditions and that reduce Medicare expenditures, including methods to permit Medicare beneficiaries to direct their own health care needs and services. Prior to initiation of these demonstrations, the Secretary is required to evaluate best practices used by group health plans, State Medicaid programs, the private sector or other areas for methods that allow patients to self-direct the provision of personal care services. The Secretary is required to initiate these demonstrations not later than two years after enactment, and Reports to Congress are required beginning two years after projects begin. The Secretary is required to evaluate clinical and cost effectiveness of the demonstrations.

Section 649 -- Medicare Care Management Performance Demonstration

<http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD/itemdetail.asp?itemID=CMS1198950>

The Secretary is required to conduct a three-year demonstration program where physicians will be paid to adopt and use health information technology and evidence-based outcome measures to promote continuity of care, stabilize medical conditions, prevent or minimize acute exacerbations of chronic conditions, and reduce adverse health outcomes. The statute limits the program to four sites meeting eligibility criteria. Payment can vary based on performance, however total payments must be budget neutral. QIOs could help enroll physicians, evaluate their performance, and provide technical assistance. The Secretary is required to submit a Report to Congress with appropriate recommendations, not later than one year after projects conclude.

MMA Section 651 Expansion of Coverage of Chiropractic Services Demonstration

<http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD/itemdetail.asp?itemID=CMS1198164>

The Secretary is required to establish a two-year demonstration program at four sites to evaluate the feasibility and desirability of covering additional chiropractic services under Medicare, as specified in the legislation. The Secretary is required to evaluate whether beneficiaries who participate in the demonstrations use fewer Medicare covered services than those not participating, the cost of providing such chiropractic services under Medicare, quality of care and satisfaction of participating beneficiaries, and other appropriate factors. The Secretary is required to provide a Report to Congress not later than one year after the demonstration concludes. Total Medicare payments under the demonstration are required to be budget neutral.

Section 702 -- Demonstration Project to Clarify the Definition of Homebound

<http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD/itemdetail.asp?itemID=CMS1188002>

The Secretary is required to conduct a two-year demonstration project to test an expanded definition of the term “homebound” for certain severely and permanently disabled individuals receiving home health care. This demonstration is limited to three sites and 15,000 beneficiaries. The Secretary is required to evaluate whether the provision of services under the demonstration adversely affected the provision of home health services under the Medicare program and any change in expenditures directly attributable to these services.

Section 703 -- Demonstration Project for Medical Adult Day Care Services

<http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD/itemdetail.asp?itemID=CMS1198959>

The Secretary is required to conduct a three-year demonstration to test the effects of substituting adult day-care services for a portion of the home health services that Medicare beneficiaries would otherwise be eligible to receive. This demonstration is limited to five sites and 15,000 Medicare beneficiaries. Under the demonstration, payments for home health services would be budget neutral; payments for an episode of home health services would equal 95% of the amount otherwise paid, and payments to adult day care facilities would be reduced to offset any excess spending. The Secretary would be required to evaluate the clinical and cost effectiveness of the demonstration, and would be required to Report to Congress not later than six months after the conclusion of the demonstration.

Section 924 -- Beneficiary Outreach Demonstration Program

The Secretary is required to conduct a three-year demonstration program in which Medicare specialists would be placed in at least six Social Security district offices to provide Medicare assistance to Medicare beneficiaries. The Secretary is required to evaluate the demonstration regarding the feasibility and cost-effectiveness of permanently out-stationing Medicare specialists in Social Security offices. The Secretary is required to Report to Congress on the demonstration.