

## MEMORANDUM

To: Reporters and Editors  
From: Erin Shields for Senate Finance Committee Chairman Max Baucus (D-Mont.)  
Jill Gerber for Senate Finance Committee Ranking Republican Chuck Grassley (R-Iowa)  
Re: Senate Finance Committee Bipartisan Staff Discussion Draft of Medicare hospital value-based purchasing plan

Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Member Chuck Grassley (R-Iowa) today released a bipartisan discussion draft of legislation that would establish a value-based purchasing program for inpatient hospital care in the Medicare program. The Senators' proposal would take steps to link Medicare payments to the quality of care patients receive rather than just the number of services a hospital provides. Under the current payment system, Medicare payments to hospitals are based solely on the number of surgeries, procedures and services provided, regardless of the quality or health outcomes of the care provided. This proposal would re-focus the Medicare program on quality care, which will result in improved patient care and could lower costs throughout the entire health care system.

**"Paying for the quality, not just the volume, of care that patients receive will improve patient outcomes and reduce costs in our health care system,"** said Baucus. **"This discussion draft will contribute to the dialogue in the hospital community about how we can re-focus our system on quality care. Hammering out plans to improve quality, as well as to reduce costs and increase access, is my goal for overall health care reform. Value-based purchasing is one of the many important policies included in my agenda to achieve quality, affordable health care for all Americans."**

**"Medicare's payment system is set up to reward volume rather than quality. The value-based purchasing initiative we've been pursuing would reverse those incentives in order to improve quality and reduce costs. Senator Baucus and I introduced a bill in 2005 to set up value-based purchasing for hospitals and others in the system. Earlier this year, we hosted a roundtable discussion of experts. The draft legislation we're circulating today demonstrates our commitment to achieving this reform for the sake of every stakeholder in the health care system, starting with patients and the quality of care they receive,"** Grassley said.

The Senators' proposal would – for the first time – provide hospitals with either an increase or a decrease in their Medicare payments depending on how they perform on standard quality measures. In most cases, these measures will be chosen from a list that has been agreed upon

by relevant stakeholder organizations, such as the National Quality Forum, as representing the best practices in inpatient hospital care. Initially, the program would measure performance in the treatment of heart attacks, heart failure, pneumonia, and surgical care. It would also measure overall patient satisfaction of hospital care. The program, for example, would provide increased or decreased payment based on how frequently a heart attack patient receives aspirin upon admission to a hospital.

The new Medicare hospital value based purchasing program will build on the Medicare hospital pay-for-reporting program that Baucus and Grassley created in 2003. That program, which was a precursor to the proposal released today, provides increased Medicare reimbursements to hospitals for tracking and reporting on how well they followed the identified quality measures. The proposal released today takes pay-for-reporting one step further by linking Medicare payments not only to reporting and tracking quality activities, but also how well the hospitals actually perform on these quality measures.

The Senators' proposal would initiate the value-based purchasing program in FY 2012. The program would be phased in over the course of five years, with full implementation beginning in FY 2016. Payment levels would gradually increase from one percent in FY 2012 to two percent by FY 2016. Under the Senators' plan, the program would be budget neutral. Any savings from reduced payments to certain hospitals would be kept in the hospital payment system in the form of increased payments to other hospitals.

Copies of the bipartisan staff discussion draft will be available in 219 Dirksen Senate Office Building and on the Finance Committee website ([click here](#)). Comments should be submitted no later than December 15, 2008. Public comment can be submitted by email to [vbpccomments@finance-dem.senate.gov](mailto:vbpccomments@finance-dem.senate.gov) or in writing to Neleen Eisinger or Michael Park, at the Senate Finance Committee, 219 Dirksen Senate Office Building, Washington, DC 20510.

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