

“MEDICARE VALUE PURCHASING ACT OF 2005”

JUNE 30, 2005

Summary

Improving Quality of Care in Medicare

The Medicare Value Purchasing (MVP) Act of 2005 requires the Secretary of Health and Human Services to develop and implement value-based purchasing programs under Medicare for acute-care hospitals, physicians and practitioners, Medicare Advantage plans, end-stage renal disease (ESRD) providers, and home health agencies, and to take some initial steps toward value-based purchasing in skilled nursing facilities. This legislation takes a critical step toward addressing the problems of increasing health care costs, and the need for improvement in patient safety and quality of care.

Measuring Quality and Efficiency of Care

The MVP Act of 2005 outlines the process and requirements for the development, implementation, and updating of a Quality Measurement System that will guide reporting and value-based purchasing programs. This process is intended to be open and transparent, and to involve all the key stakeholders:

- Measures shall be developed by nationally-recognized organizations, researchers, and provider-based groups.
- The Secretary shall contract with a private not-for-profit entity representing diverse stakeholders that will build consensus around sets of measures.
- The Secretary shall consult with public-private entities to examine issues of data collection and reporting.

Principles for Medicare Value Purchasing:

- *Involve stakeholders:* Involve Providers, beneficiaries, payers, and other experts in developing and implementing the program.
- *Two-phase program:* In the first stage, Medicare reimbursement updates will be tied to reporting data on quality measures. In the second stage, a portion of total payments will be tied to quality performance. Providers will be rewarded for meeting threshold levels of quality, and for improving the quality of care they provide.
- *Phased-in approach:* The portion of total payment tied to quality of care will be 1% in the first year, scaling up to 2% over a 5-year period.
- *Increase transparency:* Data on quality of care will be made available in a useable manner to Medicare beneficiaries and the public.

Additional Provisions:

- *Facilitate adoption of health information technology (IT):* Reduce the legal barriers to health IT adoption with exemptions to the anti-kickback and Stark laws.
- *Build a National Health Information Technology Network:* Pilot program to facilitate the exchange of health information to improve care delivery.
- *Identify areas that need work:* A Sense of the Senate highlights the broken physician reimbursement system and calls for a long-term strategy to fix this problem while preserving beneficiary access to care and solvency of the Medicare Trust Fund.
- *Explore Innovative Approaches:* Demonstration projects looking at data coordination in rural areas and ways of providing telehealth across state borders.
- *Study and identify the true costs and benefits of a value-based purchasing program in Medicare and of process change in the health care delivery setting.*