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CMS ANNOUNCES PILOT PROJECT TO DETERMINE EFFECTIVENESS OF HOSPITAL COMPLIANCE PROGRAMS

Centers for Medicare & Medicaid Services (CMS) Administrator Mark McClellan, M.D., Ph.D. today announced CMS will soon undertake a pilot program in partnership with hospitals in 13 states and the District of Columbia to determine the effectiveness of the voluntary compliance programs used by many hospitals. The evaluation seeks to identify approaches that may constitute best practices to prevent improper activities, and how these approaches can be applied successfully.

CMS will also look at developing incentives, such as expedited appeals or enhanced claims data, to encourage providers with an effective compliance program to continue their existing program and to encourage additional hospitals to implement best practices, as necessary. In addition, CMS will examine how these practices may be applicable to other health care providers.

“We intend to get the maximum compliance possible by hospitals in preventing waste, fraud, and abuse,” Dr. McClellan said. “Most hospitals want to comply, and our goal is to help as broad a range as possible of hospitals implement successful compliance practices. We will encourage applications from rural hospitals, as well as large medical centers in urban centers, and from hospitals with either basic or advanced compliance programs.”

Compliance programs are intended to assist providers in implementing internal controls and monitoring to correct and prevent improper activities. These programs also encourage adherence with all federal and state laws that govern hospitals and the program requirements of federal, state and private health plans, and assist hospitals in providing quality care for their patients.

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The CMS pilot program, which will run for 18 months, will focus on acute-care hospitals and academic medical centers with a minimum of 100 beds. This is based on the prevalence of compliance programs in hospital settings and the types of hospitals typically having operational compliance programs. In addition, the hospital's inpatient revenues should account for at least 30 percent of total revenue, and the Medicare billings must account for at least 25 percent of total revenue.

CMS plans to focus this project on hospitals in three CMS regions, including the six New England states, the District of Columbia and the eastern states of Delaware, Maryland, New Jersey, New York, Pennsylvania, Virginia and West Virginia. These 13 states and Washington, D.C., have about 1,000 inpatient hospitals. Hospitals have until June 25 to indicate to CMS their interest in participating in the pilot.

The project will include outcome measures based on information from contractors, including a provider's Medicare claims rejection and overall error rate. This information is already being collected, so no additional level of scrutiny or review will be required by providers participating in the project.

This data will be compared with the results of an on-site review of the compliance program to see if any correlation can be identified. For example, the project will examine the nature of the connection between a hospital's compliance program and its overall denial and error rate.

To provide an educational incentive for hospitals and medical centers participating in the pilot, participating hospitals may receive enhanced claims data. This would be a report card type option, allowing these institutions to get detailed information from the contractor to find out how that provider is doing in various areas tracked by the contractor. Typically, this information, which is not compiled in one place, would serve as a road map for a hospital's compliance program to see where possible problem areas are occurring. CMS expects to provide this information to all hospitals that have implemented compliance programs.

Several health care trade associations are assisting CMS in soliciting participants. "These trade groups are very supportive of this effort and are willing to offer their resources to assist with the project," Dr. McClellan said. "The associations also will inform their members that CMS plans to work closely with the participants during the pilot to answer their questions, and to provide feedback to the providers on the best practices identified through the site visits." CMS plans to work with groups such as the American Association of Medical Colleges, American Hospital Association and Health Care Compliance Association to promote the participation of their members in the pilot project.

After receiving notice, hospitals will have about six weeks to decide whether to participate. The pilot would begin about two months after this date, and continue for 18 months. Two site visits will be conducted with each of the participants to assess the extent of the hospital's compliance program. The initial visit will begin soon after providers are notified they have been selected to participate in the project. A second site visit will be made at the end of the project to compare results with the initial visit.

CMS will develop a list of indicators to be used during the site visits to come up with a quantifiable measure of the provider's effectiveness. The final list of indicators will be developed with input from the hospital community and compliance professionals in conjunction with CMS, the HHS Office of the Inspector General, compliance officers from several large hospital systems, and private sector individuals with extensive compliance experience. These indicators will primarily focus on certain areas, including auditing and monitoring, education and training, and corrective action aspects of a hospital's compliance program.

CMS is part of the Department of Health and Human Services (HHS). HHS' Inspector General (IG) is currently developing an update to its 1998 voluntary compliance guidance for hospitals. The draft update is expected to be published in the Federal Register in the next several weeks, at which time the Office of the IG will take public comments.

For further information on the compliance pilot program, contact the CMS electronic mailbox at compliance@cms.hhs.gov.

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