

## Acute Care Episode (ACE) Demonstration Overview

The Centers for Medicare & Medicaid Services is in the process of designing the Acute Care Episode (ACE) Demonstration using a competitive bidding model to provide global payments for acute care inpatient episodes for Medicare beneficiaries.

The focus of the demonstration is on selected orthopedic and cardiovascular inpatient procedure episodes to include a post discharge re-admission window of services and outpatient orthopedic and cardiovascular rehabilitation services. RTI International was competitively awarded a contract to assist CMS with the design and implementation of the demonstration.

Specific program characteristics are being considered for this new global bundled payment demonstration. For instance, participating sites will be allowed to implement a program based on a “gainsharing” model to provide monetary incentives for improvements in quality and efficiency, and to share in the savings to Medicare, CMS will provide participating Medicare beneficiaries a rebate of a portion of their annual Medicare premium. The use of a competitive bidding model will be accomplished in a manner to assure a savings to Medicare while maintaining high quality outcomes for selected procedures.

The ACE demonstration goals are to:

- Improve quality of care for FFS Medicare beneficiaries,
- Reduce Medicare payments for acute care services using market-based mechanisms,
- Improve price and quality transparency to consumers for improved decision making,
- Increase collaboration and integration among providers.

The demonstration solicitation, expected in early 2008, will be open to in integrated health care systems in selected geographic areas yet to be selected. Implementation of the demonstration at from 15 to 20 sites is expected in the fall 2008.