



May 15, 2008

Dear Prospective Medicare Demonstration Applicant:

Enclosed please find the Centers for Medicare & Medicaid Services (CMS) Solicitation for Applications for the Acute Care Episode (ACE) demonstration.

The goal of the demonstration is to test the effect that provision of transparent price and quality information has on beneficiary choice and provider referrals for select inpatient episodes of care. Bundled payment for such episodes should foster coordination of care between hospitals and physicians as well as produce savings to the Medicare program. The demonstration will focus on cardiac and orthopedic inpatient surgical services.

This demonstration presents several opportunities for demonstration site providers, including:

- Increasing volume at participating sites due to CMS providing financial incentives to beneficiaries who receive care there and CMS help with marketing the demonstration;
- Enhancing community reputation as a Medicare Value-Based Care Center and strengthened product line; and
- Engaging in gainsharing (in which the providers of care can distribute payment for quality improvement as they deem most appropriate throughout their health care group).

Participation in the ACE demonstration is only open to health care groups located in Texas, Oklahoma, Colorado, and New Mexico. A health care group is defined as an affiliation between a hospital with at least one physician group.

If you have any questions regarding this demonstration, please contact the CMS project officer, Rachel Duguay, at 410-786-6654 or by emailing acedemonstration@cms.hhs.gov. Also, an applicant teleconference is scheduled for June 4, 2008 from 3 to 4:30 p.m. EST. You may call 1-888-982-4492 (participant passcode "Acute Care") to learn more about the demonstration and ask questions. Also, please consult the demonstration website for the application and guidance: <http://www.cms.hhs.gov/DemoProjectsEvalRpts/downloads/acedemonstration.pdf>.

Thank you for your consideration. We look forward to working with you.

Sincerely,

Linda M. Magno
Director, Medicare Demonstrations Program Group
Centers for Medicare & Medicaid Services