DEPARTMENT OF HEALTH AND HUMAN SERVICES

Health Care Financing Administration

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Medicare Fact Sheet

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PROVIDING COORDINATED CARE TO IMPROVE QUALITY OF CARE FOR CHRONICALLY ILL MEDICARE BENEFICIARIES

The Health Care Financing Administration (HCFA) has selected 15 sites for a pilot project to test whether providing coordinated care services to Medicare fee-for-service beneficiaries with complex chronic conditions can yield better patient outcomes without increasing program costs. The selected projects represent a wide range of programs, use both case and disease management approaches, and operate in both urban and rural settings.

Studies have shown that a relatively small number of beneficiaries with certain chronic illnesses–including asthma, diabetes, congestive heart failure and related cardiac conditions, hypertension, coronary artery disease, cardiovascular and cerebrovascular conditions, and chronic lung disease - account for a disproportionate share of Medicare fee-for-service expenditures. Moreover, patients with these conditions typically receive fragmented health care across multiple providers and multiple sites of care and require repeated costly hospitalizations.

In this demonstration, HCFA will be assessing whether coordinated care programs can improve medical treatment plans, reduce avoidable hospital admissions, and promote other desirable outcomes, without increasing program costs.

Overview

Historically, a small proportion of Medicare fee-for-service beneficiaries has accounted for a disproportionate share of Medicare expenditures. These beneficiaries often suffer from one or more chronic illnesses, and require repeated costly hospitalizations. They typically receive fragmented health care across multiple health care providers and multiple sites of care. Moreover, providers may not follow evidence-based guidelines, and patients may not know how to care best for themselves. As the population ages, the number of chronically ill beneficiaries is expected to grow dramatically, with serious implications for Medicare program costs.

In the private sector, managed care entities such as health maintenance organizations, as well as private insurers, commercial firms, and academic medical centers, have developed a wide array of cost-control programs that combine adherence to evidence-based medical practices with better coordination of care across providers.

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The purposes of this demonstration are to test whether care coordination programs can be applied in Medicare fee-for-service settings, and whether such practices can reduce the number of hospitalizations, improve health status and reduce health care costs.

Legislative Authority

The coordinated care demonstration was authorized by Section 4016 of the Balanced Budget Act of 1997 (BBA). The BBA requires that the projects target chronically ill Medicare fee-for-service beneficiaries that are eligible for both Medicare Parts A and B. At least nine sites must be selected, with at least five of the selected sites targeting urban areas and three sites targeting rural areas. In addition, one site must be in the District of Columbia operated by an academic medical center with a comprehensive cancer center certified by the National Cancer Institute. The BBA also requires that the projects' payment methodology be budget neutral. Finally, HCFA must submit a Report to Congress every two years following implementation. The HHS Secretary, through regulations, can make components of the demonstration that are found to be cost-effective a permanent part of the Medicare program and expand the number of demonstration projects.

Report On Best Practices In Coordinated Care

The BBA also required HCFA to arrange for a study of best practices in coordinated care prior to implementing the demonstration and to base the project design on the findings. This study was performed by Mathematica Policy Research, of Princeton, New Jersey, which concluded that there is no single potentially effective way of coordinating care. The scope, mix, and intensity of care coordination interventions among cost-effective programs varied, as did the duration of the interventions, targeted disease(s), organizational structures, system and staff capabilities, outcomes, and other features.

According to the Best Practices Report, coordinated care programs can be categorized into two types: disease management programs, which serve patients with problems that center on a single disease or condition, and case management programs, which serve patients with a mix of problems and concurrent conditions. The report also identified key design features that increase the likelihood of a successful demonstration, including eligibility requirements, organizational capabilities for providing coordinated care services and for participating in the research and evaluation aspects of the demonstration, experimental design, technical operational design features, and the payment methodology to be tested.

The report may be found at Mathematica's website: www.mathematica-mpr.com/3rdLevel/bestprac.htm

Selection Process

Based on these findings, HCFA published a solicitation for proposals in the *Federal Register* on July 28, 2000. A total of 58 proposals were received. Each proposal was reviewed by one of six technical review panels. HCFA has now selected 15 proposals designed to allow the agency to test a wide range of programs aimed at chronically ill beneficiaries. The selected projects include a mix of case and disease management models, operating in urban and rural settings around the country and

targeting a variety of chronic illnesses. A list of projects is attached.

Implementation

The selected coordinated care projects will be implemented on a rolling basis. HCFA will be working with each site to address the terms and conditions in their awards, clarify the specifics of the payment arrangement and make the necessary systems modifications to claims processing systems.

Evaluation And Follow-up

HCFA will conduct a formal evaluation of the demonstration every two years after implementation and report to Congress on its findings. The evaluation will assess health outcomes and beneficiary satisfaction, the cost-effectiveness of the projects for the Medicare program, provider satisfaction, and other quality and outcomes measures.

The initial projects will be funded for four years. If HCFA=s formal evaluations find that the projects are cost-effective and that quality of care and satisfaction are improved, the effective projects or the effective aspects of these projects may be continued, and the number of projects may be expanded. In addition, the components of the effective projects that are beneficial to the Medicare program may be made a permanent part of the Medicare program.

A list of the selected projects is attached.

Medicare Coordinated Care Demonstration
Selected Proposals

Project Site	Rural/ Urban	Beneficiary Location	Targeted Diseases
Avera McKennan Hospital Sioux Falls, SD	Rural	SD, IA, MN	Congestive heart failure and related cardiac diseases
Carle Foundation Hospital Urbana, IL	Rural	Eastern IL	Various chronic conditions
CenVaNet Richmond, VA	Urban	Richmond	Various chronic conditions
CorSolutions, Medical, Inc. Buffalo Grove, IL	Urban	TX, IN	High-risk congestive heart failure
Erickson Retirement Communities Baltimore, MD	Urban	Baltimore County, MD	Various chronic conditions
Georgetown U. Medical Center Washington, DC	Urban	DC, MD suburbs	Congestive heart failure
Hospice of the Valley Phoenix, AZ	Urban	Maricopa County, AZ	Various chronic conditions [Note: Demo not limited to end-of-life care]]
Jewish Home and Hospital New York, NY	Urban	New York City	Various chronic conditions
Mercy Medical Center Mason City, IA	Rural	Northern IA	Various chronic conditions
Medical Care Developments Augusta, ME	Rural	ME	Congestive heart failure or post-acute myocardial infarction
PennCARE Allentown, PA	Both	Eastern PA	Various chronic conditions
Quality Oncology, Inc. McLean, VA	Urban	Broward County, FL	Cancer
QMED, Inc. Laurence Harbor, NJ	Urban	Northern CA	Coronary artery disease
University of Maryland Baltimore, MD	Urban	Baltimore, MD	Congestive heart failure
Washington University St. Louis, MO/ StatusOne Health	Urban	St. Louis, MO	Various chronic conditions

Hopkinton, MA			