

# “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.*