THE HEALTHCARE QUALITY COALITION

May 30, 2013

The Honorable Max Baucus, Chairman, Senate Committee on Finance
The Honorable Orrin Hatch, Ranking Member, Senate Committee on Finance
United States Senate
Committee on Finance
Washington, DC 20510-6200

Re: Comments on Sustainable Growth Rate Reform

Dear Chairman Baucus, Ranking Member Hatch, and Members of the Senate Committee on Finance:

On behalf of the Healthcare Quality Coalition (HQC) we write to provide comments and ideas to the Senate Committee on Finance for reforming the broken Sustainable Growth Rate (SGR) formula. The HQC strongly encourages implementation of a payment system that rewards *value*. The HQC is comprised of hospitals, physicians, health systems and associations committed to value-based healthcare. Our provider systems have more than 19,000 licensed hospital beds, employ more than 21,000 physicians and have more than 225,000 employees across the country.

The HQC supports efforts to create a sustainable Medicare system through cost and quality improvements. We believe value-based policy can both incentivize increased quality and reduce overall costs for the Medicare program. The HQC encourages adoption of policies that drive a more efficient healthcare system and is pleased to provide comments on your efforts in reforming the flawed SGR model.

Comments on SGR reform

The HQC appreciates the attention to reforming a flawed Medicare payment system. Replacing the SGR presents an opportunity for lawmakers to further advance a payment system that moves away from volume-based care toward value-based care. We believe replacing the SGR formula by driving value-based Medicare payment policies will sustain the Medicare program and provide consistency for providers while minimizing reliance on across-the-board, indiscriminate hospital and provider payment reductions.

Measuring value in the health care system involves looking at *quality* over *cost*. We will achieve real value in our health delivery system when we appropriately reward providers that deliver high-quality care in a cost effective manner. In looking at possible payment reforms for both current and future payment systems, we therefore urge the Committee to recognize both quality and cost as equally necessary components of a value-based system.

The HQC supports the following principles for SGR reform that advance high-quality, low-cost care in Medicare physician payments:

- **Use the basis of the *Physician Value-Based Payment Modifier*, an existing Medicare initiative for driving SGR reform.**

  Existing law requires the Centers for Medicare & Medicaid Services (CMS) to implement a value-based payment modifier (VBPM) that adjusts Medicare Part B reimbursement based on performance in cost and quality measures. The VBPM builds on the existing physician fee schedule, but transitions the payment model to pay-for-performance. However, as currently structured, the physician VBPM has limited applicability and is weak in terms of the incentive. To be an effective tool that drives value in our health care delivery system, the VBPM needs to be modified and strengthened.

  - Program weaknesses – First, under the current construct, VBPM applies only to certain physician groups (of 100 or more practitioners), and will apply to all physicians serving Medicare patients by 2017. Second, the initiative applies only a small adjustment that is insufficient to drive providers toward value-based care. Groups of 100 or more eligible practitioners *may elect* to put their practices at financial risk by participating in the "quality tiering" option. Under this selection, practices may receive bonus payments or payment reductions (capped at -1.0%) depending upon the group's performance on quality and cost metrics. While we understand the importance of gradual implementation, in 2015 if a provider group of 100 or more simply reports just one measure, they are considered compliant and receive a VBPM of (0.0%), or neutral adjustment.

  - Ways to strengthen program – Although the physician VBPM requires modification and strengthening, the initiative does provide a positive first step as a foundation to reform the archaic fee-for-service, volume-driven reimbursement system. A phased-in, improved VBPM – one which includes a **more substantial value-based payment adjustment of [+/- 10%]** – could be the basis for the Senate Finance Committee's approach to reforming the SGR. We believe a stronger physician VBPM could reduce overall costs, thus driving the savings needed to sufficiently finance a portion of the cost of a permanent replacement of the SGR. At a minimum, we would encourage the Finance Committee to harmonize any SGR reform with the existing VBPM program that builds on the current Medicare physician fee schedule.

- **Ensure inclusion of both cost and quality measures are *equally weighted* as a reflection of value-based healthcare.**

  Measuring healthcare value requires looking at both cost and quality measures. Any value-based SGR reform policy should include cost and quality metrics, weighted equally. As proposed, the physician VBPM includes measures of quality and cost. We understand the need to work with providers and policymakers to develop and refine additional efficiency/cost measures, but believe this work can and should be done in conjunction with the identification of outcome-based quality measures.

- **Incentivize performance attainment and quality improvement.**

  We encourage policymakers to explore how performance for attainment and improvement can be interacted. New payment policies should be implemented that drive improvement efforts in poor performers but also rewards high performers. This general approach is used in the Hospital Value-Based Purchasing Program, a similar initiative for integrating value-based payment policies in Medicare Part A.

- **Focus performance measures on *patient outcomes.***

  Measuring healthcare quality is generally classified into three categories: structure, process, and outcomes. Much of current measurement focuses on processes; that is, whether or not a provider performs a certain task or function. Because the goal of any quality initiative should be to improve patient health, we encourage further emphasis on outcome-based measures for healthcare providers to the extent possible.

- **Timely feedback of performance to providers.**

  As noted in the May 14 Senate Committee on Finance hearing on SGR reform, the lag between data submission, collating, and payment adjusting is of concern. For example, the physician VBPM utilizes data with a two-year lag in developing payment adjustments. Improving the physician VBPM with timely feedback on performance is crucial and CMS should be provided with resources to achieve better performance data turnaround for providers in pay-for-performance initiatives.

- **Avoid creating new quality and cost reporting burdens on physicians.**

  CMS has developed several quality reporting programs intended to promote quality of care across different settings. For physicians, these initiatives include the VBPM program, which builds on the existing physician quality reporting system (PQRS). Additionally, other examples including the Electronic Health Record incentive program, Physician Group Practice program and the Shared Savings and Pioneer Accountable Care Organization models also have quality reporting components. Some of these programs are tailored specifically to a particular provider organization.

  It is important for the Finance Committee to strive for alignment of these programs to reduce the administrative burdens on physicians. Further, to the extent possible, any new proposal should avoid creating new reporting requirements on physicians, such as creating numerous reporting registries that may become too burdensome. Additionally, we would urge the Committee to appropriately align measures to the extent feasible between physician and hospital value-based payment initiatives to improve the congruency of payment policies and follow the spectrum of Medicare services.

We believe any permanent or long-term replacement for the SGR formula must move away from payment-for-volume and toward payment-for-value, and avoid employing across-the-board, indiscriminate Medicare payment cuts. Such a new system should include measurements of

efficiency (cost) and quality that drive payment change toward high-value care. We believe a sufficiently strengthened VBPM could drive the savings needed to sufficiently finance a portion of the cost of a permanent replacement of the SGR. By accelerating value in the Medicare payment system, incentives will drive change and will improve the patterns of practice to reward high-quality, low-cost care. Bolstering the VBPM, an existing initiative to a higher incentive level will provide the necessary policy tools to reward higher quality, lower-cost care.

We look forward to working with you to ensure that value is appropriately incentivized in an SGR reform proposal.

Sincerely,

The Healthcare Quality Coalition