

November 20, 2009

The Honorable Harry Reid
U.S. Senate Majority Leader
S-221 Capitol Building
Washington, DC 20510-7020

The Honorable Max Baucus
Chairman, Senate Committee on Finance
511 Hart Senate Office Building
Washington, DC 20510-2602

The Honorable Chris Dodd
Committee on Health, Education, Labor and Pensions Committee
448 Russell Senate Office Building
Washington, DC 20510-0702

The Honorable Tom Harkin
Chairman, Senate Committee on Health Education Labor and Pensions
731 Hart Senate Office Building
Washington, DC 20510-1502

Re: Support for Delivery Reform

Dear Majority Leader Reid, Chairman Baucus, Senator Dodd, Chairman Harkin:

As representatives of consumer, labor, and employer organizations, economists and health policy experts who have spent years dedicated to increasing health care coverage, improving quality, and “bending the cost curve,” we applaud the Senate for creating a deliberate and meaningful proposal that will expand access to insurance, ensure better quality care and value for our health care dollars, and make unprecedented strides in addressing the growth in health care costs.

We embrace the fact that coverage expansion and cost-growth containment must be done simultaneously. Controlling costs without expanding coverage would put an intolerable burden on hospitals and safety net providers and, ultimately, our communities and millions of families. It is unwise and politically unsustainable. Conversely, coverage expansion without cost-growth containment would be fiscally irresponsible and economically unsustainable. The best strategy for America is to pursue both goals at the same time.

The Senate’s Patient Protection and Affordable Care Act would take us a long way toward both goals. We firmly believe that the status quo is no longer an option. The cost

of doing nothing is too high – for consumers, for providers of health care, and for the long-term fiscal health of the nation.

The bill's innovative provisions in the way health services are delivered and paid for in the Medicare program are vital to preserving and protecting Medicare for the long term. They are also highly significant to the cost containment efforts in the private sector. We believe that what you have put in the legislation can and must create the foundation for aligning efforts between the public and private sectors as we test and expand new models of payment focused on improving value for all patients and payers. Our goal must be to improve quality and reduce cost growth for all Americans in both the public and private sectors.

There are no silver bullets or easy answers. Realistically, coverage expansion will increase costs in the short-term. But over the long-term, the health care delivery, quality, and payment reforms contained in this bill offer an essential framework for lowering the trajectory of health care costs. These include:

Changing Existing Payment Structures

- *Linking Medicare payment updates to productivity expectations.* Adopting annual productivity adjustments to Medicare payment updates for acute care hospitals, skilled nursing facilities and other institutional providers based on a 10-year moving average of economy-wide productivity gains.
- *Reducing overpayments to Medicare Advantage plans.* Reforming the way Medicare Advantage (MA) plans are paid to foster competition and bring them into line with costs in traditional Medicare.
- *Improving payment accuracy.* Updating processes for determining payments for a number of providers, including physicians paid under the resource-based relative value scale, to correct payment distortions to assure that Medicare beneficiaries receive the right kind and mix of services.
- *Building value-based payment models.* Investing in the development of quality measures to assess care delivery and evolve the Medicare pay-for-reporting initiatives into pay-for-quality programs that link payment to higher quality outcomes. These changes in payment will help ensure that we improve quality at the same time we reduce growth in health care costs.

Introducing New Models for Delivering Care

- *Building Effective Platforms for Measurement and Quality Improvement.* Establishing priorities and investing in measurement to increase accountability, create the right payment incentives and drive improvement in quality.

- *Accountable Care Organizations.* Developing accountable care organization models to create new incentives for Medicare providers by allowing them to share in the savings they achieve by coordinating patient care to produce better quality and lower costs.
- *Medical Home.* Expanding the Medicare medical home demonstration project to test and evaluate primary care practices that do a better job coordinating care and managing high need beneficiaries.
- *Bundled Payment.* Implementing payment models that bundle payment for a patient's entire episode of care across acute and post-acute care settings.
- *Preventable Hospital Readmissions.* Implementing a preventable hospital readmission program to identify, measure and reduce payments where hospitals fail to reduce unnecessary, avoidable and costly hospital readmissions.

Creating Mechanisms for On-Going Innovations

- *CMS Innovation Center.* Creating an Innovation Center within the Centers for Medicare and Medicaid Services to identify, test, evaluate, and expand new payment models and methodologies that promote patient-centered care, improve quality, and slow the rate of Medicare cost growth. The ability to rapidly test and then take models with demonstrated efficacy to scale is a critically important new capacity.
- *Independent Review and Counsel to Congress.* Creating an independent body empowered to make recommendations in the public interest that help extend the solvency of Medicare, get better value for Medicare dollars, and improve quality and affordability for Medicare beneficiaries.
- *Comparative Effectiveness Research:* Expanding the collection and dissemination of unbiased data to help both patients and providers make better decisions about treatment options.

Conclusion

These provisions are transformative and lay the groundwork for holding the health care system — public and private — accountable for both cost growth and quality. The policies recognize the need to balance our current knowledge about what works to reduce growth in health care costs with the clear goal of where we ultimately need to be. Balancing the need for change and making sure we do change right is the key to sustainable reform. This balance is clearly reflected in the health reform structure that Congress is creating.

Ultimately, how these policies are implemented will determine their success. In the area of delivery system reforms that can promote higher quality and more affordable care

there are modest changes that could further improve these policies and assure that when implemented they have the effect we seek. We stand ready to work with you now and in the future to improve on these important provisions.

Sincerely,

Organizations:

AFL-CIO

Better Health Care Together

Community Catalyst

Consumers Union

National Business Coalition on Health

National Health Law Program

National Partnership for Women & Families

Pacific Business Group on Health

SEIU

Individuals:

Robert Berenson, Urban Institute

David Cutler, Harvard University

Arnold Milstein, UCSF Institute for Health Policy Studies

Len Nichols, New America Foundation