SEC. 646. MEDICARE HEALTH CARE QUALITY DEMONSTRATION PROGRAMS.

Title XVIII (42 U.S.C. 1395 et seq.) is amended by inserting after section 1866B the following new section:

"Sec. 1866C. Health Care Quality Demonstration Program <<NOTE: 42 USC 1395cc-3.>>

(a) Definitions.—In this section:

"(1) Beneficiary.—The term 'beneficiary' means an individual who is entitled to benefits under part A and enrolled under part B, including any individual who is enrolled in a Medicare Advantage plan under part C.

"(2) Health care group.—

"(A) In general.—The term 'health care group' means—

"(i) a group of physicians that is organized at least in part for the purpose of providing physician's services under this title;

"(ii) an integrated health care delivery system that delivers care through coordinated hospitals, clinics, home health agencies, ambulatory surgery centers, skilled nursing facilities, rehabilitation facilities and clinics, and employed, independent, or contracted physicians; or

"(iii) an organization representing regional coalitions of groups or systems described in clause (i) or (ii).

"(B) Inclusion.—As the Secretary determines appropriate, a health care group may include a hospital or any other individual or entity furnishing items or services for which payment may be made under this title that is affiliated with the health care group under an arrangement structured so that such hospital, individual, or entity participates in a demonstration project under this section.

"(3) Physician.—Except as otherwise provided for by the Secretary, the term 'physician' means any individual who furnishes services that may be paid for as physicians' services under this title.

"(b) Demonstration Projects.—The Secretary shall establish a 5-year demonstration program under which the Secretary shall approve demonstration projects that examine health delivery factors [[Page 117 STAT. 2325]] that encourage the delivery of improved quality in patient care, including—

"(1) the provision of incentives to improve the safety of care provided to beneficiaries;

"(2) the appropriate use of best practice guidelines by providers and services by beneficiaries;

"(3) reduced scientific uncertainty in the delivery of care through the examination of variations in the utilization and allocation of services, and outcomes measurement and research;

"(4) encourage shared decision making between providers and patients;

"(5) the provision of incentives for improving the quality and safety of care and achieving the efficient allocation of resources;

"(6) the appropriate use of culturally and ethnically sensitive health care delivery; and

"(7) the financial effects on the health care marketplace of altering the incentives for care delivery and changing the allocation of resources.

"(c) Administration by Contract.—

"(1) In general.—Except as otherwise provided in this section, the Secretary may administer the demonstration program established under this section in a manner that is similar to the manner in which the demonstration program established under section 1866A is administered in accordance with section 1866B.

"(2) Alternative payment systems.—A health care group that receives assistance under this section may, with respect to the demonstration project to be carried out with such assistance, include proposals for the use of alternative payment systems for items and services provided to beneficiaries by the group that are designed to—

"(A) encourage the delivery of high quality care while accomplishing the objectives described in subsection (b); and

"(B) streamline documentation and reporting requirements otherwise required under this title.

"(3) Benefits.—A health care group that receives assistance under this section may, with respect to the demonstration project to be carried out with such assistance, include modifications to the package of benefits available under the original medicare fee-for-service program under parts A and B or the package of benefits available through a Medicare Advantage plan under part C. The criteria employed under the demonstration program under this section to evaluate outcomes and determine best practice guidelines and incentives shall not be used as a basis for the denial of medicare benefits under the demonstration program to patients against their wishes (or if the patient is incompetent, against the wishes of the patient's surrogate) on the

basis of the patient's age or expected length of life or of the patient's present or predicted disability, degree of medical dependency, or quality of life.

"(d) Eligibility Criteria.—To be eligible to receive assistance under this section, an entity shall—

"(1) be a health care group;

"(2) meet quality standards established by the Secretary, including— [[Page 117 STAT. 2326]]

"(A) the implementation of continuous quality improvement mechanisms that are aimed at integrating community-based support services, primary care, and referral care;

"(B) the implementation of activities to increase the delivery of effective care to beneficiaries;

"(C) encouraging patient participation in preference-based decisions;

"(D) the implementation of activities to encourage the coordination and integration of medical service delivery; and

"(E) the implementation of activities to measure and document the financial impact on the health care marketplace of altering the incentives of health care delivery and changing the allocation of resources; and

"(3) meet such other requirements as the Secretary may establish.

"(e) Waiver Authority.—The Secretary may waive such requirements of titles XI and XVIII as may be necessary to carry out the purposes of the demonstration program established under this section.

"(f) Budget Neutrality.—With respect to the 5-year period of the demonstration program under subsection (b), the aggregate expenditures under this title for such period shall not exceed the aggregate expenditures that would have been expended under this title if the program established under this section had not been implemented.

"(g) Notice Requirements.—In the case of an individual that receives health care items or services under a demonstration program carried out under this section, the Secretary shall ensure that such individual is notified of any waivers of coverage or payment rules that are applicable to such individual under this title as a result of the participation of the individual in such program.

"(h) Participation and Support by Federal Agencies.—In carrying out the demonstration program under this section, the Secretary may direct—

"(1) the Director of the National Institutes of Health to expand the efforts of the Institutes to evaluate current medical technologies and improve the foundation for evidence-based practice;

"(2) the Administrator of the Agency for Healthcare Research and Quality to, where possible and appropriate, use the program under this section as a laboratory for the study of quality improvement strategies and to evaluate, monitor, and disseminate information relevant to such program; and

"(3) the Administrator of the Centers for Medicare & Medicaid Services and the Administrator of the Center for Medicare Choices to support linkages of relevant medicare data to registry information from participating health care groups for the beneficiary populations served by the participating groups, for analysis supporting the purposes of the demonstration program, consistent with the applicable provisions of the Health Insurance Portability and Accountability Act of 1996.".

MEDICARE HEALTH CARE QUALITY DEMONSTRATION PROGRAMS (SECTION 646 OF THE CONFERENCE AGREEMENT AND SECTION 441 OF THE SENATE BILL).

Present Law

No provision.

House Bill

No provision.

Senate Bill

The Secretary would be required to establish a 5-year demonstration program that examines the health delivery factors which encourage the delivery of improved patient care quality including:

(1) incentives to improve the safety of care provided to beneficiaries;

(2) appropriate use of best practice guidelines;

(3) reduction of scientific uncertainty through examination of service variation and outcomes measurement;

(4) encouragement of shared decision making between providers and patients;

(5) the provision of incentives to improve safety, quality, and efficiency;

(6) appropriate use of culturally and ethnically sensitive care; and

(7) related financial effects associated with these changes.

The participants would include appropriate health care groups including physician groups, integrated health care delivery systems, or regional coalitions. These health care groups may implement alternative payment systems that encourage the delivery of high quality care and streamline documentation and reporting requirements. They may also offer benefit packages distinct from those that are currently available under Medicare Parts A and B and under the Part C Medicare Advantage plan. To qualify for this demonstration, health care groups must meet Secretary-established quality standards; implement quality improvement mechanisms that integrate community-based support, primary care, and referral care; encourage patient participation in decisions; among other requirements.

The Secretary may waive Medicare and Peer Review and Administrative Simplification (Title XI) requirements as necessary and may direct agencies within Health and Human Services (HHS) to evaluate, analyze, support, and assist in the

demonstration project. The demonstration program would be subject to budget neutrality requirements. The Secretary would not be permitted to implement the program before October 1, 2004.

Conference Agreement

The conference agreement requires the Secretary to establish a 5-year demonstration program that examines the health delivery factors which encourage the delivery of improved patient care quality including:

(1) incentives to improve the safety of care provided to beneficiaries;

(2) appropriate use of best practice guidelines;

(3) reduction of scientific uncertainty through examination of service variation and outcomes measurement;

(4) encouragement of shared decision making between providers and patients;

(5) the provision of incentives to improve safety, quality, and efficiency;

(6) appropriate use of culturally and ethnically sensitive care; and

(7) related financial effects associated with these changes.

Health care groups that may participate are physician groups, integrated health care delivery systems, and regional coalitions. These health care groups may implement alternative payment systems that encourage the delivery of high quality care and streamline documentation and reporting requirements. They may also offer benefit packages distinct from those that are currently available under Medicare Parts A and B and under the Part C Medicare Advantage plan.

To qualify for this demonstration, health care groups must meet Secretary-established quality standards; implement quality improvement mechanisms that integrate community-based support, primary care, and referral care; encourage patient participation in decisions; among other requirements. The Secretary may waive Medicare and Peer Review and Administrative Simplification (Title XI) requirements as necessary and may direct agencies within Health and Human Services (HHS) to evaluate, analyze, support, and assist in the demonstration project. The demonstration program is subject to budget-neutrality requirements.