



NOV 20 2000

Dear Hospital Chief Executive Officer:

The Health Care Financing Administration (HCFA) is restarting the Medicare Participating Centers of Excellence demonstration that was suspended in 1999 due to resource constraints associated with BBA and Y2K preparation. This initiative is one of HCFA's priorities as we look to modernize Medicare utilizing private sector payment approaches. To simplify logistical, administrative, and systems issues, we are limiting the first phase of the demonstration to hospitals in Illinois, Michigan, and Ohio. We recognize and appreciate the time and effort invested in preparing your original application for this demonstration, and we regret that we will not be able to consider your program at this time.

Our initial experience with this demonstration emphasized to us the time and intensive resources necessary for a successful implementation. As a result, we have decided to limit our initial solicitation in order to ensure that we are able to process claims accurately and in a timely manner, and that we have the necessary infrastructure upon which to build the program. We hope that by focusing our efforts initially, we will have a better program in the long run. In the future, we intend to broaden the demonstration's geographic boundaries.

The decision to initially limit the demonstration to Illinois, Michigan, and Ohio was based on three factors: 1) the majority of the original applications originated from these three states; 2) these states share common fiscal intermediaries and carriers which are already operating on standard systems for claims processing; and 3) the states are served by a single HCFA regional office.

Additional information about the Medicare Participating Centers of Excellence demonstration may be found on HCFA's website at <http://www.hcfa.gov/ord/projdfs.htm>. Questions can be submitted through the website, or you may call Jody Blatt, the demonstration's project officer, at (410) 786-6921.

We appreciate your continued support and interest in this demonstration.

Sincerely,

Mark E. Miller, PhD.
Deputy Director

Center for Health Plans and Providers