



NOV 20 2000

Dear Hospital Chief Executive Officer:

We currently are soliciting interested hospitals in Illinois, Michigan, and Ohio to participate in the Medicare Participating Centers of Excellence demonstration. As you may be aware, the Health Care Financing Administration (HCFA) embarked upon a similar solicitation in 1996, which was suspended 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.

Enclosed you will find an overview of the demonstration and a statement of the minimum participation requirements for all applicants. Please keep in mind that only those hospitals that are confident they can meet the volume and participation requirements should consider applying. In early January, full applications will be mailed to those who have expressed interest, and the selection review process will begin in early 2001. If you would like to receive an application package, please submit a letter of intent by December 15, 2000 to the demonstration's project officer below. Your letter of intent should indicate to whom the application package should be sent including name, title, and proper address.

Jody Blatt, Project Officer
Medicare Participating Centers of Excellence Demonstration
Division of Demonstration Programs
Health Care Financing Administration
7500 Security Boulevard, C5-14-28
Baltimore, Maryland 21244

Additional information about the demonstration can 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 Ms. Blatt directly at (410) 786-6921.

We appreciate your continued support and interest in this demonstration and look forward to the opportunity to work with you.

Sincerely,

Mark E. Miller, PhD.
Deputy Director
Center for Health Plans and Providers

Enclosure

MEDICARE ORTHOPEDIC AND CARDIOVASCULAR PARTICIPATING CENTERS OF EXCELLENCE DEMONSTRATION

Demonstration Overview and Requirements

Overview

This demonstration will give bundled Part A & Part B payments to premier cardiovascular and orthopedic facilities for selected procedures. In paying a DRG specific global payment which is inclusive of all associated physician charges, we hope to align hospitals' and physicians' incentives to work together to provide coordinated, cost-effective care, thus achieving savings to the Medicare program and giving hospitals and physicians the flexibility to allocate resources as they determine most appropriate. By selecting clinical programs which meet explicit criteria reflective of the provision of high quality care and monitoring them on an ongoing basis, the quality of services provided to beneficiaries will be enhanced.

The selected cardiovascular and orthopedic procedures include coronary artery bypass surgery, cardiac valve procedures, angioplasty, and knee and hip replacements. These procedures were selected because they are relatively frequent and expensive for the Medicare program, and there is significant data indicating that programs doing higher volumes of procedures are more cost-effective and have better patient outcomes. Selection will be based upon a hospital's ability to meet defined criteria related to its ability to provide high quality care.

In order to develop and implement the infrastructure necessary to administer the program effectively, the number of sites selected will initially be limited. In future years, HCFA hopes to expand the number and geographic range of centers.

Under this demonstration there will be no attempt to discourage any surgeons from performing surgery in local community hospitals or any other Medicare certified facilities. Hospitals and physicians not participating in the demonstration may continue to provide services under the traditional Medicare Program; beneficiaries will continue to be free to choose the physicians and hospitals from which they wish to receive services.

Minimum Demonstration Requirements

Applicants must prove that they meet minimum procedure volume requirements, provide evidence of high quality outcomes, and have infrastructure in place to support continuous quality improvement efforts. In addition, successful applicants must be able to demonstrate the ability of the hospital and its associated staff to deliver high quality care in a cost-effective manner at a savings to the Medicare program. Below is a summary of the minimum requirements which all applicants must be able to meet. Only hospitals which are confident that they currently meet all of these requirements should apply.

1. *Geographic Location* - Participation is limited to Medicare certified acute care hospitals in Illinois, Ohio and Michigan.
2. *Claims processing* - Participating hospitals and their affiliated physicians must submit all demonstration claims to the following fiscal intermediaries or carriers operating on standard claims processing systems (FSS or MCS).

<i>State</i>	<i>Fiscal Intermediary</i>	<i>Carrier</i>
Illinois	AdminaStar	Wisconsin Physician Services
Michigan	Wisconsin Blue Cross	Wisconsin Physician Services
Ohio	AdminaStar	Nationwide

3. *Covered Services*- Applications may be submitted for either the cardiovascular option or the orthopedic option or both. Separate applications are available for the cardiovascular and orthopedic options. A completed application must be submitted for each option for which a hospital is applying.

Applicants selected for the cardiovascular demonstration will receive a global payment covering inpatient hospital and related physician services for cardiac valve procedures, coronary artery bypass graft surgery, angioplasty and cardiac catheterization. Participating Centers of Excellence must be willing and able to perform cardiovascular surgery on an emergency basis with a demonstrated low mortality rate. The following table shows a complete list of DRGs and, where appropriate, ICD 9-CM principal procedure codes covering these services.

DRG #	Description	ICD 9-CM Procedure Codes
104	Cardiac Valve & Other Major Cardiothoracic proc w/ cardiac cath	All codes
105	Cardiac valve & Other major cardiothoracic procs w/o cardiac cath	All codes
106	Coronary Bypass w/PTCA	All codes
107	Coronary Bypass w/cardiac cath	All codes
109	Coronary Bypass w/cardiac cath	All codes
112	Percutaneous CV proc	All codes
116	Pacemaker Implants or PTCA w/Coronary Artery Stent Implant	Only codes for PTCA w/Stent <ul style="list-style-type: none"> • Principle diag from MDC 5, <u>AND</u> • Operating room proc: 3596,3601,3602,3605, 3609,3734, <u>AND</u> • Non-operating room proc: 3606
124	Circ. Disorders except AMI w/cath & complex diag	All codes
125	Circ Disorders except AMI, w/cath but w/o complex diag.	All codes

Applicants selected for the orthopedic demonstration will receive a global payment covering inpatient hospital and related physician services for cases in DRG 209 and DRG 471 with ICD-9 procedure codes relating to total or partial hip replacement, hip revision, total knee replacement, and knee revision (See table below). Applicants will be expected to be able to provide all of the covered services and may not elect to provide only selected DRGs under the demonstration.

DRG #	Description	ICD 9-CM Procedure Codes
209	Major joint & limb reattachment procedures of lower extremity	Only codes for hips & knees <ul style="list-style-type: none"> • Hips: 8151,8152,8153 • Knees: 8154, 8155
471	Bilateral or multiple major joint procedures of lower extremity	Only codes for hips & knees <ul style="list-style-type: none"> • Hips: 8151,8152,8153 • Knees: 8154, 8155

4. *Minimum Procedure Volume*- Applicant hospitals and their associated physicians must meet the following minimum annual procedure volume criteria:

	Joint Replacement Procedures	Cardiovascular Procedures
Hospital Volume (annual):	<ul style="list-style-type: none"> • 150 primary and/or revision arthroplasties including hips, knees, shoulders, elbows & ankles • At least 10% of all knee/hip replacements must be revisions 	<ul style="list-style-type: none"> • 400 minimum percutaneous coronary interventional procedures • 500 minimum CABGs and cardiac valve surgeries • 900 minimum cardiac catheterizations • Procedures counted toward volume criteria should meet AHA Level 1, 2A, or 2B • At least 85% of procedures must meet AHA criteria Level 1 or 2A
Surgeon volume (annual):	<ul style="list-style-type: none"> • 50 knees and/or hip procedures (combined) • For surgeons doing knee procedures: minimum 10/year 	<ul style="list-style-type: none"> • 150 minimum percutaneous coronary interventional procedures per individual physician • 125 minimum CABGs and cardiac valve surgeries per individual physician

5. *Payment Systems* - Global reimbursement will be directed to the hospital by the local fiscal intermediary. This rate will include coverage for all outliers as well as disproportionate share, indirect medical education and prospective capital. Pass-throughs (e.g., direct medical education and capital) will continue to be paid as they are under traditional Medicare. Post-discharge services will not be included in the bundled payment. All physicians affiliated with the hospital must agree to look solely to the hospital for reimbursement for services rendered to patients covered under the demonstration. The hospital must have the appropriate systems in place to handle billing as well as internal reimbursement to both “core” and consulting specialists.
6. *Data Collection* - The applicant must maintain and routinely submit to HCFA or its designee, in a standard format to be specified by HCFA or a contractor acting on its behalf, any data necessary for the monitoring and evaluation of the demonstration. This will consist of two types of data: patient level clinical data and patient level micro-cost data. The clinical data will include the following types of information: patient demographics, pre-operative risk factors, disease anatomy (from catheterization), operative data, post-operative complications, inpatient mortality and post-discharge follow-up status. The micro-cost data will consist of line-item costs for all services provided to demonstration patients by department. Specific data fields to be collected will be determined by the evaluator in conjunction with HCFA staff and will be subject to external audit by an independent organization. These data will be used by the demonstration evaluators to develop a risk-adjusted calculation of patient outcomes and costs under the demonstration. Any published results will protect the confidentiality of participating physicians and hospitals as well as patients.

Timeline

Hospitals in the eligible states should submit their requests in writing to HCFA indicating their intent to apply for the demonstration. Requests should be directed to:

Jody Blatt, Project Officer
Medicare Participating Centers of Excellence Demonstration
Mail Stop: C5-14-28
Health Care Financing Administration
7500 Security Boulevard
Baltimore, MD 21244

All requests should be received by Friday, December 15, 2000 in order to ensure that applications can be distributed in a timely manner. Applications will be distributed in late December or early January. Selected sites will be announced mid-2001.

Questions

For additional information about the demonstration or if you have questions, refer to HCFA's demonstration web site at <http://www.hcfa.gov/ord/projdfs.htm>, or call Jody Blatt at (410) 786-6921.