HHS News
U.S. Department of Health and Human Services
www.hhs.gov/news

FOR IMMEDIATE RELEASE
Thursday, Feb. 27, 2003

Contact: CMS Public Affairs Office
(202) 690-6145

HHS TO LAUNCH MEDICARE DEMONSTRATIONS TO IMPROVE HEALTH CARE THROUGH CAPITATED DISEASE MANAGEMENT DEMONSTRATIONS

HHS Secretary Tommy G. Thompson announced today that HHS is seeking proposals to improve the quality of care provided to certain Medicare beneficiaries.

The demonstration projects will create new programs to better manage the health care of beneficiaries that may have certain chronic conditions. The projects will receive payments that will allow health care organizations to offer tailored health plans exclusively to beneficiaries with conditions such as stroke, congestive heart disease and diabetes.

"We are moving aggressively on many fronts to make the Medicare program more responsive to the needs of its beneficiaries, especially those who live with chronic illnesses," Secretary Thompson said. "We can improve the quality of health care for these beneficiaries by providing an environment where doctors and hospitals can coordinate their patients' care."

HHS' Centers for Medicare & Medicaid Services (CMS), which will oversee the demonstrations, expects that organizations will provide disease management programs that promote patient-centered, multi-disciplinary approaches to care; encourage the use of sophisticated information technology to support the provision of evidence-based care; and focus on the improvement of care processes and patient outcomes.

"This is part of an overall strategy to remove the barriers to more appropriate care for people who are covered by Medicare," said CMS Administrator Tom Scully. "It will bring new participants into this type of payment model and provide them with the resources necessary to coordinate the care of chronically ill beneficiaries."

Organizations participating in this initiative will receive a capitated payment rate for all Medicare-covered Part A and Part B services. Capitated payments are predetermined rates paid each month for each beneficiary enrolled in a health care program. This predetermined rate is based on the projected costs of the enrollee for the payment year, fully adjusted for their health status. Beneficiaries currently enrolled in the Medicare fee-for-service program, including those who are eligible for both Medicare and Medicaid, may elect to participate in one of the demonstration plans.

-More-

The demonstration will run for three years. Applicants have 90 days from the notice publication date to submit proposals. The notice will be published in the Feb. 28 *Federal Register*.

Chronic diseases are being targeted by the demonstrations because of the profound burden they impose on patients – particularly racial and ethnic minorities, who are disproportionately affected. Historically, a small proportion of Medicare beneficiaries has accounted for a major proportion of Medicare fee-for-service expenditures – with about one out of eight beneficiaries accounting for roughly three quarters of expenditures. Many high-cost beneficiaries are chronically ill with certain common diagnoses, and most of the Medicare expenditures for their care are for repeated hospitalizations.

The new capitated disease management initiative is the latest in an ongoing series of disease management demonstrations:

- Last fall, CMS launched a disease management demonstration to determine the impact on costs and health outcomes of offering disease management services and prescription drug coverage to Medicare fee-for-service beneficiaries with advanced-stage congestive heart failure, diabetes, or coronary heart disease.

- In April 2002, a coordinated care demonstration began to test whether coordinated care can improve medical treatment plans, reduce avoidable hospital admissions and promote other desirable outcomes among Medicare beneficiaries with chronic diseases.

- A case management demonstration began in the fall of 2001, to test whether intensive case management services for congestive heart failure and diabetes mellitus are cost-effective means of improving clinical outcomes, quality of life, and satisfaction with services for high-risk Medicare fee-for-service beneficiaries.

- CMS will soon send guidance to states on how Medicaid programs can incorporate disease management services into their benefit plans through the use of waivers or state plan amendments. The new guidance will help states tailor benefits to the needs of enrollees with chronic, or long-term illnesses.

CMS plans to launch other disease management demonstrations in the near future, including one focused on beneficiaries with end-stage renal disease and a Medicare fee-for-service population-based demonstration targeting specific diseases such as congestive heart failure, diabetes, and chronic obstructive pulmonary disease in selected areas with underserved and disadvantaged populations.

###