



# Newsletter

## MEDICAL AFFAIRS

### CEO UPDATE

*The Reardon Group of Companies:*  
**Reardon Consulting, Inc.**  
*Healthcare, Financial & Management Consulting*

**Weiss + Reardon & Company, P.C.**  
*Healthcare Accounting and Tax Services*

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*Valuations for Practice Mergers & Acquisitions,  
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## Medicare Pay for Performance Pilot Projects

CMS appears to be moving slowly but adamantly towards Pay for Performance (P4P), and providers need to be ready. There are two major areas of preparation: 1. Development of the infrastructure needed to support collection, coding and transmission of data as the P4P program is implemented (currently the pay-for-reporting phase); 2. Being prepared to change practice patterns in order to improve compliance with quality indicators.

### Current Phase

**Physicians:** For physicians and other qualified providers, the Physician Quality Reporting Initiative is a Medicare program that started on July 1, 2007. It will pay physicians a bonus for reporting on quality measures through the claims system. The bonus will amount to 1.5% of Medicare allowed charges during the reporting period of the last six months of 2007 and will be paid in a lump sum in the middle of 2008.

**Hospitals:** With passage of the Medicare Prescription Drug, Improvement and Modernization Act (MMA) of 2003, Congress pro-

vided a financial incentive for all prospective payment system (PPS) hospitals to voluntarily report quality of care information so that consumers can compare quality of care and make better-informed decisions.

#### **The Reardon Group of Companies** *Strategies for Resolution of physician-driven issues*

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CMS developed the "Reporting Hospital Quality Data for Annual Payment Update" (RHQDAPU) initiative. Under this initiative hospitals submit data for specific quality measures for health conditions common among people with Medicare that typically result in hospitalization.

For FY 2006, CMS required PPS hospitals to submit data on 10 quality measures for three medical conditions (acute myocardial infarction, heart failure and pneumonia). PPS hospitals that did not participate in the RHQDAPU initiative by reporting the required data by the established deadlines received a 0.4 percentage point reduction in their APU from Medicare.

On August 1, 2006, CMS published an update to the RHQDAPU. For the FY2007 APU, CMS requires PPS hospitals to submit data on 21 quality measures for public reporting on four medical conditions: acute myocardial infarction, heart failure, pneumonia, and surgical infection.

For the FY2008 APU, CMS has published another update and now requires PPS hospitals to submit data on 24 quality measures, mortality measures, and HCHAPS data.

Data published for these initiatives is made available to the public on [www.HospitalCompare.hhs.gov](http://www.HospitalCompare.hhs.gov). This program enables the public to access reports on hospital performance for the indicators selected by CMS.

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## THINGS TO WATCH

Obviously, as these programs develop and people become aware of the reports that can become available, pressure will increase on providers to improve quality of service. Currently, hospitals in urban areas are advertizing services that

make them appear unique and at the cutting edge. If P4P works and the federal government continues to fund the initiatives, providers will be forced to address specific quality issues related to services related to the quality indicators.

Given the attention that the insurance industry appears to be giving the concept of P4P, especially on the West Coast, one might assume that we are seeing a preview of future demands on providers.

**The Reardon Group specializes in helping medical practices and hospitals define issues of mutual interest and develop integrated solutions.**

*Contact*

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*Specialists in Physician-Driven Issues*

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