

CongressDaily **AM**

NationalJournal.com

The Twice Daily Source For News and Analysis on Congress

HEALTH

Baucus, Grassley
Wade Into Quality
Of Service Debate*Thursday, Nov. 20, 2008*
by Anna Edney

Senate Finance Committee leaders stirred up public debate Wednesday on linking Medicare inpatient hospital payments to quality of service.

Senate Finance Chairman **Max Baucus** and ranking member **Charles Grassley** revealed a discussion draft that would financially reward and punish hospitals based on their performance, a program dubbed value-based purchasing.

The idea is likely to be folded into larger healthcare legislation, such as universal healthcare or a Medicare physician payment fix. Baucus included a value-based purchasing proposal in a healthcare overhaul white paper he released last week.

The discussion draft would base increases or decreases in Medicare inpatient hospital payments on quality standards established by stakeholder groups such as the standard-setting organization National Quality Forum. Quality standards would include process measures like whether heart attack victims receive aspirin.

"Medicare's payment system is set up to reward volume rather than quality," Grassley said. "The value-based purchasing initiative we've been pursuing would reverse those incentives in order to improve quality and reduce costs."

Chip Kahn, president of the Federation of American Hospitals, cautioned lawmakers on one point he hopes to work out as the draft is molded.

Kahn will push for any legislation to require additional or decreased payments on a condition-by-condition basis, rather than linking inpatient hospital payments on a composite score.

"If the purpose of this is improvement, then you should have the payment connected to the areas that have improvements," Kahn said.

Medicare hospital payments are broken up into diagnosis-related groups, in which hospitals are paid a flat rate per case. Kahn said the discussion draft would reward or punish all the groups unfairly.

Under the discussion draft, value-based purchasing would get under way in 2012, starting with inpatient hospital visits for heart attacks, heart failure, pneumonia and surgical care.

The program would be phased in through 2016 with payment levels increasing from 1 percent to 2 percent. The senators also plan to keep the program budget-neutral, using any savings from reduced payments to increase payments to other hospitals.

ADVERTISEMENT

