



THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

March 20, 2010

Quality Care Coalition
U.S. House of Representatives
Washington, DC 20515

Dear Member:

Thank you for your steadfast commitment to improving health care quality in the United States. I greatly appreciate all the work you have invested in health care reform during the debate over the past year. I understand that the current geographic variation in Medicare reimbursement rates is inequitable, and I will right these inequities to the extent allowable by law. Like you, I am deeply committed to developing and implementing policies that advance health care quality and value, reduce unnecessary utilization, address unjustified geographic variation in reimbursement rates, and bend the cost-growth curve. I commit to you that the Department will take a number of steps to address these matters during and after the passage of the Health Care and Education Reconciliation Act of 2010 and any subsequent health care legislation.

As you are aware, the historic health reform legislation the House is poised to vote on includes a number of provisions that address these issues. These provisions include requiring Medicare to implement: a quality and value adjustment for physician payments; value-based purchasing for hospitals, skilled nursing facilities, ambulatory surgery centers, and other providers; accountable care organizations that allow providers in a geographic area to share in savings from providing care that improves quality and lowers cost; and policies that address geographic payment differentials. The legislation also creates an Independent Payment Advisory Board (IPAB) that will make significant recommendations to improve the nation's health system that can be implemented on a fast track basis.

I understand your desire for the development of further policies, and I am committed to continuing to work with you on these issues. The legislation that passed the House of Representatives in November 2009 included a number of provisions that do not appear to meet the test for a budget reconciliation package and, thus, are not included. However, I will commit to you that the Department will take a number of steps to address these matters.

First, I intend to commission the Institute of Medicine (IOM) to conduct two critical studies on unjustified geographic variation in spending and promoting high-value health care, taking into account recent reports of the IOM. Section 1157 of the House-passed legislation provided for a study on the data and factors related to Medicare geographic payment adjustments. The Administration strongly supports this provision, so I intend to commission a study to evaluate hospital and physician geographic payment adjustments, the validity of the adjustment factors, measures and methodologies used in those factors, and sources of data used for such adjustments. I shall appropriately implement the study findings to make allowable changes to

the Medicare physician payment and hospital wage index rates by December 31, 2012. Additionally, I will factor in the findings of the study in making adjustments to the physician payment systems required under section 3102 of Patient Protection Affordable Care Act as well as making ongoing improvements to the data used to construct the hospital wage index and the other physician geographic adjustment factors by December 31, 2012.

Section 1159 of the House-passed version of HR 3962 provided for a study on variation in the volume and intensity of services and health care spending. The Administration strongly supports this provision. Therefore, I intend to commission a second IOM study that will examine geographic variation in the volume and intensity of health care services. This study shall take into account an array of factors that may contribute to such geographic variation. In addition, it shall consider the availability of health services, health status, access to health care and insurance, and race, ethnicity, gender, age, income and educational status as well as other items reflected in Section 1159. This second study will recommend ways to incorporate quality and value metrics into the Medicare reimbursement system. I will also urge the IPAB to consider, as appropriate, both studies' recommendations in making additional payment adjustments for providers to incentivize value and quality and improve outcomes in both urban and rural areas by 2014. The provisions of the relevant sections of the initial House-passed health reform legislation shall inform these studies.

Second, based on the results of these two studies, I will direct the new Center for Medicare and Medicaid Innovation to test innovative models, taking into consideration the recommendations of the IOM. These models shall seek to incentivize high-value care across the provider spectrum. As you know, demonstrations tested that increase quality and reduce costs may be expanded nationally under the Center for Innovation.

Third, the President will work to appoint members to the IPAB who have demonstrated expertise in the areas of geographic, value, and quality disparities as they deliberate over reforms to Medicare payment systems.

Finally, given the importance of the issues you have raised regarding improving the quality and value of health care delivered in this country, I plan to convene a National Summit on Geographic Variation, Cost, Access, and Value in Health Care later this year. I want to work with you to bring together policymakers and experts from Washington and around the country to think through the best ways to move forward in adjusting our payment systems so they better account for geographic variation, while maintaining access and quality of care in all areas.

Thank you for all of your tireless work on these critical issues. You truly have been champions of promoting value and advancing health care quality.

Sincerely,



Kathleen Sebelius