

# United States Senate

WASHINGTON, DC 20510

February 14, 2019

The Honorable Alex Azar  
Secretary  
Department of Health and Human Services  
200 Independence Avenue, S.W.  
Washington, D.C. 20201

Dear Secretary Azar,

We write today to encourage you to continue advancing paying for health care based on value, rather than volume of services, and to request information about the Department of Health and Human Service's efforts to use mandatory payment models to test innovative ways of delivering and paying for health care. While mandatory models need to be used thoughtfully and with input from doctors, patients, and caregivers we believe mandatory models can generate evidence to help determine how to pay for and provide health care in a way that improves the quality of health care and reduces spending.

U.S. taxpayers spent an estimated \$3.5 trillion on healthcare in 2017—an amount that is expected to reach \$5.7 trillion by 2026.<sup>1</sup> As health care costs continue to rise, the federal government should continue efforts to deliver high-quality care to Medicare and Medicaid beneficiaries while lowering spending.

The Center for Medicare and Medicaid Innovation (CMMI) plays a critical role in identifying and assessing different ways to pay for health care to reduce health care spending. CMMI has initiated a number of alternative payment models, including demonstrations testing bundled payments. Unlike traditional fee-for-service models in which insurers pay for each health care service provided, bundled payment models provide doctors and hospitals with a single, “bundled” payment to cover all the services provided in an episode of care, such as a surgery.<sup>2</sup> Experts have testified before the United States Committee on Health, Education, Labor, and Pensions (HELP) that bundled payment models provide doctors and hospitals with strong incentives to keep health care costs down and provide high-quality health care.<sup>3</sup>

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<sup>1</sup> Centers for Medicare & Medicaid Services, “National Health Expenditure Projections 2017-2026: Forecast Summary,” 2016, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/ForecastSummary.pdf>.

<sup>2</sup> David Blumenthal, M.D., and David Squires, “The Promise and Pitfalls of Bundled Payments,” The Commonwealth Fund, September 7, 2016, <https://www.commonwealthfund.org/blog/2016/promise-and-pitfalls-bundled-payments>.

<sup>3</sup> U.S. Senate Committee on Health, Education, Labor & Pensions, *Reducing Health Care Costs: Eliminating Excess Health Care Spending and Improving Quality and Value for Patients* (Full Committee Hearing), July 17, 2018, <https://www.help.senate.gov/hearings/reducing-health-care-costs-eliminating-excess-health-care-spending-and-improving-quality-and-value-for-patients>.

CMMI has the authority to mandate the participation of health care providers in demonstration projects, and mandatory participation may be necessary to have the appropriate data to know how and if the demonstration projects work. Researchers writing in the *New England Journal of Medicine* state, “voluntary programs don’t always provide insight into whether a payment approach ought to be rolled out on a nationwide basis,” because “organizations that volunteer to participate in alternative payment models are likely to be systemically different from those that don’t sign up.” “Making participation in a payment program mandatory,” meanwhile, “allows [CMMI] to correct for these selection effects.”<sup>4</sup>

High-quality data is critical to CMCI’s ability to build the evidence of successful strategies to lower health care costs and improve the quality of care. According to an article in the *New England Journal of Medicine*, mandatory models must be designed carefully to preserve a control group, avoid problematic market dynamics, and minimize other sources of bias that could skew evaluation results.<sup>5</sup> While analyses of some bundled payment demonstrations and proposals, such as joint replacements<sup>6</sup>, provide evidence of cost savings, other studies suggest potential limitations of the bundled payments in certain scenarios.<sup>7</sup> Mandatory models, by enhancing the quality of data available to CMCI, can help ensure that bundled payment initiatives are only implemented widely if they are effective.

In the creation of mandatory models, appropriate steps should be taken to achieve improved quality, continue innovation, and minimize provider and beneficiary burden. In addition, demonstration design should include an examination of whether local resources are sufficient to stand up and test new payment models. Furthermore, given that most early adopters of new care models have been large, urban-based systems, thought should be given to how any new payment model would impact different types of care providers, including those facilities in rural areas or low volume facilities. Finally, it’s important to consider any necessary safeguards to prevent negative beneficiary consequences.

Given the importance of gathering high-quality data at CMCI, we have been encouraged by your comments on the use of mandatory models, where appropriate. We would appreciate additional information regarding the circumstances in which you believe it is appropriate for CMCI to mandate participation in alternative payment or delivery models, as well as circumstances where you believe mandatory participation may be unwarranted. In addition, we are interested in learning how CMCI incorporates the needs of and protections for beneficiaries into its development of mandatory demonstrations. We would also be interested in understanding the strategies you believe CMCI should employ to ensure that its efforts to promote innovative payment models and care delivery systems complement efforts at HHS to reduce health care

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<sup>4</sup> Scott Levy, BA, Nicholas Bagley, JD, and Rahul Rajkumar, MD, JD, “Reform at Risk—Mandating Participation in Alternative Payment Plans,” *New England Journal of Medicine* (37:18), May 3, 2018.

<sup>5</sup> Scott Levy, BA, Nicholas Bagley, JD, and Rahul Rajkumar, MD, JD, “Reform at Risk—Mandating Participation in Alternative Payment Plans,” *New England Journal of Medicine* (37:18), May 3, 2018.

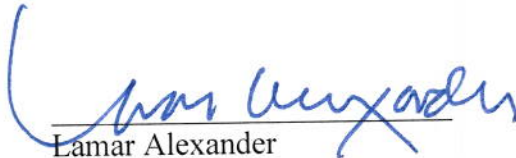
<sup>6</sup> Harvard T.H. Chan School of Public Health, “Medicare’s bundled payment experiment for joint replacements shows moderate savings,” January 3, 2019, <https://www.hsph.harvard.edu/news/press-releases/medicares-bundled-payment-experiment-for-joint-replacements-shows-moderate-savings/>.

<sup>7</sup> Karen E. Joynt Maddox, M.D., M.P.H., E. John Orav, Ph.D., Jie Zheng, Ph.D., and Arnold M. Epstein, M.D., “Evaluation of Medicare’s Bundled Payments Initiative for Medical Conditions,” *New England Journal of Medicine* (379:260), July 19, 2018.


costs. To help facilitate this conversation, we hope to set up a staff-level briefing in the coming weeks.

We would appreciate a response no later than March 14, 2019. Please do not hesitate to reach out to Julia Frederick of Senator Warren's staff at 202-224-4543 or Beth Nelson of Senator Alexander's staff at 202-224-0623 with any questions or concerns. We look forward to working with you to improve health outcomes and reduce health care costs for American taxpayers.

Sincerely,



Lamar Alexander  
U.S. Senator



Elizabeth Warren  
U.S. Senator