

Summary

The Center for Medicare and Medicaid Innovation: Activity on Many Fronts

Timely Analysis of Immediate Health Policy Issues

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This paper provides a status report on the Center for Medicare and Medicaid Innovation. It first defines the goals Congress envisioned for the Innovation Center and the new tools it was given, emphasizing how the enhanced authority compares with CMS' traditional demonstration programs. Next, we outline the Innovation Center's organization and staffing, and how it sets priorities and decides on funding.

The CMS Innovation Center

One of the few health policy issues that receives bipartisan support is the need to dramatically alter the way providers are paid, shifting from “paying for volume” to “paying for value” to alter the trajectory of health care spending while improving the quality of health care. The Patient Protection and Affordable Care Act of 2010 (ACA) equipped the Centers for Medicare & Medicaid Services (CMS) with a range of cost-cutting and quality-enhancing tools, the most significant of which might be its new Center for Medicare and Medicaid Innovation (Innovation Center).

Congress established the Innovation Center in the ACA primarily to test new payment and delivery models. The law charges the Innovation Center with identifying, developing, assessing, supporting, and spreading new models that might reduce expenditures under Medicare, Medicaid, or the Children's Health Insurance Program (CHIP) while

improving or maintaining care quality. The law suggests, but does not require, that the Innovation Center explore 18 priorities, including multi-payer initiatives.

The ACA appropriated \$10 billion for the Innovation Center every 10 years, into perpetuity. Although \$10 billion per decade represents a major spending commitment, it is still only about 0.1 percent of Medicare and Medicaid spending—far less than most organizations commit to research and development.

There seems to be broad agreement in the policy community on the objectives the Innovation Center was established to achieve. A 2011 Commonwealth Fund/*Modern Healthcare* survey of health care opinion leaders found that 83 percent of respondents thought the Innovation Center was an important initiative—support that is about 20 percentage points higher than for the Patient-Centered Outcomes Research Institute and the Independent Payment Advisory Board.

Nevertheless, a contrary view is skeptical about the role of government, as centralized in the Innovation Center, in promoting and adopting true innovation. Advocates of market-based solutions to cost and quality problems argue that innovation springs from competitive forces—from the ground up—and cannot be determined and spread from a government agency, however worthy its intentions.

In an effort to identify such ground-up solutions, the Innovation Center recently announced an Innovation Challenge to award between \$1 million and \$30 million in grants (totaling \$1 billion) to applicants who propose to implement compelling new ideas to deliver better care to people enrolled in Medicare, Medicaid, and CHIP. In total, the Innovation Center has rolled out over a dozen separate initiatives in a little more than half a year, many directly mandated by the ACA.

Conversations with Innovation Center leadership make clear that they are proceeding with “a sense of urgency” to address the Triple Aim to (1) improve the individual experience of care, (2) improve the health of populations, and (3) reduce per capita costs of care for populations. In fact, the scope and speed of this activity has led some to now express concern that the Innovation Center may be doing too much too soon, without an articulated vision or clear road map of the direction it wants the health delivery system to take.

How Do Innovation Center Demos Differ from Prior CMS Demos?

The Innovation Center's authority to conduct demonstrations marks an important departure from CMS' traditional demonstration authority. The ACA gives the Innovation Center a reliable stream of funding—appropriated rather than simply authorized by Congress—and the



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Department of Health and Human Services Secretary new authority over the demonstration approval process, the scope of models to be tested, and the decision to scale up successful models to the national level. Unlike other demonstrations, CMS does not need to obtain approval from the White House's Office of Management and Budget of the models initiated under the Innovation Center's authority.

To ensure spending discipline, the Secretary is required to terminate or alter a demonstration if it is found to not (1) improve quality while maintaining or decreasing cost levels, or (2) reduce costs while maintaining or improving quality. The CMS chief actuary must also certify the Secretary's spending level findings. However, the law is silent on the length of time needed to make this determination—giving the Secretary flexibility on ending a demonstration.

The ACA also gives the Secretary the authority to scale up nationally successful demonstrations without first obtaining congressional approval. To broaden a model, the Secretary must determine that adopting the model nationwide in Medicare, Medicaid or CHIP would not result in any beneficiaries' benefits being denied or limited, in addition to passing the quality and spending requirements, mentioned above, for continuing a demonstration.

The Secretary has also granted the Innovation Center the authority to conduct rapid cycle evaluation on top of its formal demonstration evaluation—enabling the Innovation Center to produce usable findings for policymakers, providers, and other stakeholders based on lessons learned mid-way through the demonstration.

How Is the Innovation Center Staffed and Organized?

Former CMS Administrator Donald Berwick, MD, named Richard Gilfillan, MD, acting director of the Innovation Center in September 2010. With Dr. Berwick's departure, Dr. Gilfillan now reports directly to CMS' acting administrator, Marilyn Tavenner. A search is still in progress for a permanent director for the Innovation Center.

The Innovation Center is arranged into three research and model-development groups: the **Patient Care Models Group** seeks to identify models that improve care in individual episodes; the **Seamless Care Models Group** looks for models that cover populations across time and settings; and the **Community Improvement Models Group** seeks models that improve community or population health.

The Innovation Center has also formed a **Learning and Diffusion Group** to provide technical assistance, introduce ideas, and spread successful ones; a **Stakeholder Engagement Group** that generates awareness about the Innovation Center and communicates its activities to the public and to stakeholders; a **Program and Policy Group** that focuses on vetting ideas the organization receives; and a **Rapid Cycle Evaluation Group**.

The Innovation Center's leadership has also created a **Portfolio Management Committee**—comprised of the Innovation Center's directors, Dr. Gilfillan, and other senior staff from across the organization. Innovation Center staff members present potential opportunities to this committee, which in turn identifies the most promising ideas for further development.

Finally, the Innovation Center also has a **Medicare Demonstrations Program Group**, which focuses on demonstrations that predate the Innovation Center or that are congressionally mandated. This group was created when the Innovation Center absorbed the evaluation and demonstration groups of CMS' existing Office of Research, Development, and Information. This internal reorganization centralizes management of almost all Medicare and Medicaid demonstrations in the Innovation Center. (For the names of Innovation Center staff leading each of these groups, see the long version of this issue brief.)

What Kinds of Models Is the Innovation Center Testing?

The Innovation Center's leadership sees its role as twofold: (1) complementing existing efforts in the private sector, among states, in Congress, and at CMS itself to innovate; and (2) delving into new ideas. So far, most of the Innovation Center's efforts to date have focused on the former—implementing congressionally mandated demonstrations or ideas that Congress or policy experts have already conceived (e.g., bundled payments or accountable care organizations). But more recently, the Innovation Center has begun to seek new ideas from innovators across the country and to promote bottom-up innovation—primarily through its Innovation Challenge, mentioned earlier, which will award grants to applicants who can rapidly implement compelling new ideas to deliver better health, improved care, and lower costs to people enrolled in Medicare, Medicaid, and CHIP.

How Does the Innovation Center Prioritize Projects?

Using the ACA's list of suggested models of care as a guide, the Innovation Center's leadership has developed a list of priorities—called the Portfolio Criteria—that the organization is using to build its demonstration portfolio. The Innovation Center does not expect that prospective models will be able to satisfy all elements of the Portfolio Criteria, but rather seeks to develop a model portfolio that mirrors those priority areas. A full list of the Portfolio Criteria is available on the [Innovation Center's website](#).

The Innovation Center has not yet promulgated a strategic plan that lays out a vision for the kind of health care delivery system toward which it is working, the health care delivery reforms that would get us there, and a road map for proceeding, as called for by some. Absent a concrete strategic plan, the Innovation Center has developed a detailed list of priorities in which selected models must fit, a process for identifying and selecting proposals to test, and a competitive process by which interested parties can apply to participate in an initiative. The Innovation Center has not yet articulated how these priorities or specific initiatives fit into a larger plan for revolutionizing the delivery system. Some observers find this to be a serious omission.

How Can External Innovators Interact with the Innovation Center?

The Innovation Center is continually soliciting ideas related to ways to build the organization itself and new payment and delivery models for it to test. Members of the public can submit ideas on both topics through a [web](#)

[portal](#) located on its website or through letters to the Innovation Center. The Innovation Center is set up to accept innovative payment and delivery reform ideas, feedback, and suggestions from the public, but not detailed proposals. In most cases, the Center does not work one-on-one to fund innovators who present interesting proposals, but rather decides whether the idea can be converted into a model that would then be put into a request for proposals (RFPs) announced publicly and funded on a competitive basis.

What Initiatives Has the Innovation Center Announced So Far?

Since its inception, the Innovation Center has announced over a dozen new initiatives, including those that address primary care redesign (which include medical home initiatives like the Comprehensive Primary Care initiative), bundled payments, ACOs, dual-eligible beneficiaries, and the health care system's capacity for spreading innovative ideas. (See Table 1 in the full-length version of this brief for a complete list of Innovation Center initiatives.)

Given all of this activity, some now express concern that the Innovation Center may be doing too much too soon, providing overwhelming numbers of program options without an articulated vision or clear road map of the direction it wants the health delivery system to take. According to this viewpoint, the rapid succession of RFPs with tight time deadlines seems geared more to large, well-financed organizations than to the majority of providers who may need longer to generate innovative approaches.

This ambitious schedule highlights a unique predicament for the Innovation Center's prospective applicants. In

most cases, to participate in a demonstration, they have to relinquish the option of participating in potentially more desirable future demonstrations; an entity's participation in multiple demonstrations could potentially confound its evaluation. The Innovation Center's policy is to address this issue on a case-by-case basis and allow overlapping participation where possible. In some instances, though, the Innovation Center has not allowed cross-participation.

Conclusion

In its first year of operation, the Innovation Center has a long list of accomplishments: attracting experienced personnel; developing processes for prioritizing and developing projects and for soliciting applicants for those projects; bolstering CMS thinking on several policy fronts, including ACOs; and committing to incorporating rapid cycle evaluation as a more flexible approach to determining success and promoting change. Concerned about the urgency to achieve delivery system change to achieve the Triple Aim, the Innovation Center is firing on all cylinders.

Yet, some policy and health delivery observers express concern that the Innovation Center's speed and approach are leaving behind potential innovators that have not been ready to respond to the quick pace of RFPs. They seek a more deliberative process that permits establishment of a consensus vision—and plan—for achieving a reformed health care delivery system. Exactly how such a consensus would be achieved remains unclear, given divergent views of how “paying for value” can best be achieved.

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About the Author and Acknowledgements

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