

**SEC. 3023. NATIONAL PILOT PROGRAM ON PAYMENT BUNDLING.**

Title XVIII of the Social Security Act, as amended by section 3021, is amended by inserting after section 1866C the following new section: **[As revised by section 10308(b)(1)]**

**“NATIONAL PILOT PROGRAM ON PAYMENT BUNDLING**

**“SEC. 1866D [42 U.S.C. 1395cc–4]. (a) IMPLEMENTATION.—**

**“(1) IN GENERAL.—**The Secretary shall establish a pilot program for integrated care during an episode of care provided to an applicable beneficiary around a hospitalization in order to improve the coordination, quality, and efficiency of health care services under this title.

**“(2) DEFINITIONS.—**In this section:

**“(A) APPLICABLE BENEFICIARY.—**The term ‘applicable beneficiary’ means an individual who—

**“(i)** is entitled to, or enrolled for, benefits under part A and enrolled for benefits under part B of such title, but not enrolled under part C or a PACE program under section 1894; and

**“(ii)** is admitted to a hospital for an applicable condition.

**“(B) APPLICABLE CONDITION.—**The term ‘applicable condition’ means 1 or more of 10 conditions selected by the

Secretary. In selecting conditions under the preceding sentence, the Secretary shall take into consideration the following factors: **[As revised by section 10308(a)(1)]**

“(i) Whether the conditions selected include a mix of chronic and acute conditions.

“(ii) Whether the conditions selected include a mix of surgical and medical conditions.

“(iii) Whether a condition is one for which there is evidence of an opportunity for providers of services and suppliers to improve the quality of care furnished while reducing total expenditures under this title.

“(iv) Whether a condition has significant variation in—

“(I) the number of readmissions; and

“(II) the amount of expenditures for post-acute care spending under this title.

“(v) Whether a condition is high-volume and has high post-acute care expenditures under this title.

“(vi) Which conditions the Secretary determines are most amenable to bundling across the spectrum of care given practice patterns under this title.

“(C) APPLICABLE SERVICES.—The term ‘applicable services’ means the following:

“(i) Acute care inpatient services.

“(ii) Physicians’ services delivered in and outside of an acute care hospital setting.

“(iii) Outpatient hospital services, including emergency department services.

“(iv) Post-acute care services, including home health services, skilled nursing services, inpatient rehabilitation services, and inpatient hospital services furnished by a long-term care hospital.

“(v) Other services the Secretary determines appropriate.

“(D) EPISODE OF CARE.—

“(i) IN GENERAL.—Subject to clause (ii), the term ‘episode of care’ means, with respect to an applicable condition and an applicable beneficiary, the period that includes—

“(I) the 3 days prior to the admission of the applicable beneficiary to a hospital for the applicable condition;

“(II) the length of stay of the applicable beneficiary in such hospital; and

“(III) the 30 days following the discharge of the applicable beneficiary from such hospital.

“(ii) ESTABLISHMENT OF PERIOD BY THE SECRETARY.—The Secretary, as appropriate, may establish a period (other than the period described in clause (i)) for an episode of care under the pilot program.

“(E) PHYSICIANS’ SERVICES.—The term ‘physicians’ services’ has the meaning given such term in section 1861(q).

“(F) PILOT PROGRAM.—The term ‘pilot program’ means the pilot program under this section.

“(G) PROVIDER OF SERVICES.—The term ‘provider of services’ has the meaning given such term in section 1861(u).

“(H) READMISSION.—The term ‘readmission’ has the meaning given such term in section 1886(q)(5)(E).

“(I) SUPPLIER.—The term ‘supplier’ has the meaning given such term in section 1861(d).

“(3) DEADLINE FOR IMPLEMENTATION.—The Secretary shall establish the pilot program not later than January 1, 2013.

“(b) DEVELOPMENTAL PHASE.—

“(1) DETERMINATION OF PATIENT ASSESSMENT INSTRUMENT.—The Secretary shall determine which patient assessment instrument (such as the Continuity Assessment Record and Evaluation (CARE) tool) shall be used under the pilot program to evaluate the applicable condition of an applicable beneficiary for purposes of determining the most clinically appropriate site for the provision of post-acute care to the applicable beneficiary.

“(2) DEVELOPMENT OF QUALITY MEASURES FOR AN EPISODE OF CARE AND FOR POST-ACUTE CARE.—

“(A) IN GENERAL.—The Secretary, in consultation with the Agency for Healthcare Research and Quality and the entity with a contract under section 1890(a) of the Social Security Act, shall develop quality measures for use in the pilot program—

“(i) for episodes of care; and

“(ii) for post-acute care.

“(B) SITE-NEUTRAL POST-ACUTE CARE QUALITY MEASURES.—Any quality measures developed under subparagraph (A)(ii) shall be site-neutral.

“(C) COORDINATION WITH QUALITY MEASURE DEVELOPMENT AND ENDORSEMENT PROCEDURES.—The Secretary shall ensure that the development of quality measures under subparagraph (A) is done in a manner that is consistent with the measures developed and endorsed under section 1890 and 1890A that are applicable to all post-acute care settings.

“(c) DETAILS.—

“(1) DURATION.—

“(A) IN GENERAL.—Subject to subparagraph (B), the pilot program shall be conducted for a period of 5 years.

“(B) EXPANSION.—*[Replaced by section 10308(a)(2)]*  
The Secretary may, at any point after January 1, 2016, expand the duration and scope of the pilot program, to the extent determined appropriate by the Secretary, if—

“(i) the Secretary determines that such expansion is expected to—

“(I) reduce spending under title XVIII of the Social Security Act without reducing the quality of care; or

“(II) improve the quality of care and reduce spending;

“(ii) the Chief Actuary of the Centers for Medicare & Medicaid Services certifies that such expansion would reduce program spending under such title XVIII; and

“(iii) the Secretary determines that such expansion would not deny or limit the coverage or provision of benefits under this title for individuals.

“(2) PARTICIPATING PROVIDERS OF SERVICES AND SUPPLIERS.—

“(A) IN GENERAL.—An entity comprised of providers of services and suppliers, including a hospital, a physician group, a skilled nursing facility, and a home health agency, who are otherwise participating under this title, may submit an application to the Secretary to provide applicable services to applicable individuals under this section.

“(B) REQUIREMENTS.—The Secretary shall develop requirements for entities to participate in the pilot program under this section. Such requirements shall ensure that applicable beneficiaries have an adequate choice of providers of services and suppliers under the pilot program.

“(3) PAYMENT METHODOLOGY.—

“(A) IN GENERAL.—

“(i) ESTABLISHMENT OF PAYMENT METHODS.—The Secretary shall develop payment methods for the pilot program for entities participating in the pilot program. Such payment methods may include bundled payments and bids from entities for episodes of care. The Secretary shall make payments to the entity for services covered under this section.

“(ii) NO ADDITIONAL PROGRAM EXPENDITURES.—Payments under this section for applicable items and services under this title (including payment for services described in subparagraph (B)) for applicable beneficiaries for a year shall be established in a manner that does not result in spending more for such entity for such beneficiaries than would otherwise be expended for such entity for such beneficiaries for such year if the pilot program were not implemented, as estimated by the Secretary.

“(B) INCLUSION OF CERTAIN SERVICES.—A payment methodology tested under the pilot program shall include payment for the furnishing of applicable services and other appropriate services, such as care coordination, medication reconciliation, discharge planning, transitional care services, and other patient-centered activities as determined appropriate by the Secretary.

“(C) BUNDLED PAYMENTS.—

“(i) IN GENERAL.—A bundled payment under the pilot program shall—

“(I) be comprehensive, covering the costs of applicable services and other appropriate services furnished to an individual during an episode of care (as determined by the Secretary); and

“(II) be made to the entity which is participating in the pilot program.

“(ii) REQUIREMENT FOR PROVISION OF APPLICABLE SERVICES AND OTHER APPROPRIATE SERVICES.—Applicable services and other appropriate services for which payment is made under this subparagraph shall be furnished or directed by the entity which is participating in the pilot program.

“(D) PAYMENT FOR POST-ACUTE CARE SERVICES AFTER THE EPISODE OF CARE.—The Secretary shall establish procedures, in the case where an applicable beneficiary requires continued post-acute care services after the last day of the episode of care, under which payment for such services shall be made.

“(4) QUALITY MEASURES.—

“(A) IN GENERAL.—The Secretary shall establish quality measures (including quality measures of process, outcome, and structure) related to care provided by entities participating in the pilot program. Quality measures established under the preceding sentence shall include measures of the following:

“(i) Functional status improvement.

“(ii) Reducing rates of avoidable hospital readmissions.

“(iii) Rates of discharge to the community.

“(iv) Rates of admission to an emergency room after a hospitalization.

“(v) Incidence of health care acquired infections.

“(vi) Efficiency measures.

“(vii) Measures of patient-centeredness of care.

“(viii) Measures of patient perception of care.

“(ix) Other measures, including measures of patient outcomes, determined appropriate by the Secretary.

“(B) REPORTING ON QUALITY MEASURES.—

“(i) IN GENERAL.—A entity shall submit data to the Secretary on quality measures established under subparagraph (A) during each year of the pilot program (in a form and manner, subject to clause (iii), specified by the Secretary).

“(ii) SUBMISSION OF DATA THROUGH ELECTRONIC HEALTH RECORD.—To the extent practicable, the Secretary shall specify that data on measures be submitted under clause (i) through the use of an qualified electronic health record (as defined in section 3000(13) of the Public Health Service Act (42 U.S.C. 300jj–11(13)) in a manner specified by the Secretary.

“(d) WAIVER.—The Secretary may waive such provisions of this title and title XI as may be necessary to carry out the pilot program.

“(e) INDEPENDENT EVALUATION AND REPORTS ON PILOT PROGRAM.—

“(1) INDEPENDENT EVALUATION.—The Secretary shall conduct an independent evaluation of the pilot program, including the extent to which the pilot program has—

“(A) improved quality measures established under subsection (c)(4)(A);

“(B) improved health outcomes;

“(C) improved applicable beneficiary access to care; and

“(D) reduced spending under this title.

“(2) REPORTS.—

“(A) INTERIM REPORT.—Not later than 2 years after the implementation of the pilot program, the Secretary shall submit to Congress a report on the initial results of the independent evaluation conducted under paragraph (1).

“(B) FINAL REPORT.—Not later than 3 years after the implementation of the pilot program, the Secretary shall submit to Congress a report on the final results of the independent evaluation conducted under paragraph (1).

“(f) CONSULTATION.—The Secretary shall consult with representatives of small rural hospitals, including critical access hospitals (as defined in section 1861(mm)(1)), regarding their participation in the pilot program. Such consultation shall include consideration of innovative methods of implementing bundled payments in hospitals described in the preceding sentence, taking into consideration any difficulties in doing so as a result of the low volume of services provided by such hospitals.

“(g) APPLICATION OF PILOT PROGRAM TO CONTINUING CARE HOSPITALS.—**[Replaced by section 10308(a)(3)]**

“(1) IN GENERAL.—In conducting the pilot program, the Secretary shall apply the provisions of the program so as to separately pilot test the continuing care hospital model.

“(2) SPECIAL RULES.—In pilot testing the continuing care hospital model under paragraph (1), the following rules shall apply:

“(A) Such model shall be tested without the limitation to the conditions selected under subsection (a)(2)(B).

“(B) Notwithstanding subsection (a)(2)(D), an episode of care shall be defined as the full period that a patient stays in the continuing care hospital plus the first 30 days following discharge from such hospital.

“(3) CONTINUING CARE HOSPITAL DEFINED.—In this subsection, the term ‘continuing care hospital’ means an entity that has demonstrated the ability to meet patient care and patient safety standards and that provides under common management the medical and rehabilitation services provided in inpatient rehabilitation hospitals and units (as defined in section 1886(d)(1)(B)(ii)), long term care hospitals (as defined in section 1886(d)(1)(B)(iv)(I)), and skilled nursing facilities (as defined in section 1819(a)) that are located in a hospital described in section 1886(d).

“(h) ADMINISTRATION.—Chapter 35 of title 44, United States Code, shall not apply to the selection, testing, and evaluation of models or the expansion of such models under this section.”.

