



## NEWS RELEASE

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Contact: Kerry McKean Kelly  
609-275-4069  
[kmckean@njha.com](mailto:kmckean@njha.com)

# **NJHA Receives Federal Approval to Expand Promising Effort to Reduce Healthcare Costs**

PRINCETON – The New Jersey Hospital Association has won federal approval to expand an innovative program designed to improve healthcare efficiency and reduce costs by promoting better coordination and collaboration among New Jersey hospitals and physicians.

The Centers for Medicare and Medicaid Services announced yesterday that it has approved NJHA’s application to expand its “gainsharing” pilot project to 30 hospitals and health systems representing 33 hospital sites statewide (*see list below*). NJHA’s pilot, launched in 2009, was limited to just 12 hospitals. The new approval will allow its promising reforms to be tested on a much broader scale statewide.

“Healthcare is changing – no question – and New Jersey hospitals are committed to being leaders in that change,” said NJHA President and CEO Betsy Ryan. “The Center for Medicare and Medicaid Innovation has seen the promise of NJHA’s past work in this area, and we are thrilled at the opportunity to take our initiative to the next level.”

NJHA’s project is part of CMS’ “bundled payment” initiative contained in the Affordable Care Act. According to CMS, the Bundled Payments for Care Improvement initiative includes four models of bundling payments, varying by the types of healthcare providers involved and the services included in the bundle. Depending on the model type, CMS will bundle payments for services beneficiaries receive during an episode of care, encouraging hospitals, physicians, post-acute facilities and other providers as applicable to work together to improve health outcomes

and lower costs. Organizations of providers participating in the initiative will agree to provide CMS a discount from expected payments for the episode of care, and then the provider partners will work together to reduce readmissions, duplicative care and complications to lower costs through improvement.

Yesterday's announcement includes the selection of 32 awardees in Model 1, who will begin testing bundled payments for acute care hospital stays as early as April 2013. In the coming weeks, CMS will also announce a second opportunity for providers to participate in Model 1, with an anticipated start date of early 2014.

"The objective of this initiative is to improve the quality of healthcare delivery for Medicare beneficiaries, while reducing program expenditures, by aligning the financial incentives of all providers," said CMS Acting Administrator Marilyn Tavenner.

Traditional Medicare protocols pay hospitals and physicians in different ways. Hospitals receive a set rate for each patient case, regardless of how long a patient is hospitalized, while physicians are paid "a la carte" for each test, procedure or patient day in the hospital. Under NJHA's gainsharing pilot, those payments were aligned to ensure that hospitals and physicians would work together. Hospitals and physicians that successfully reduced costs while meeting strict federal quality standards were allowed to share the savings.

"The gainsharing philosophy makes hospitals and physicians partners in identifying more efficient ways to deliver quality healthcare," said Sean Hopkins, NJHA's senior vice president of health economics. "For example, hospitals and physicians might set a new timetable for physician rounds. By simply moving patient rounds to the morning and ensuring that physicians discharge patients early in the day, hospital expenses are reduced and patients are allowed to continue recovering in the comfort of their homes. It may seem like a minor change, but multiply it across New Jersey – and perhaps ultimately across the nation – and it could have a huge impact."

NJHA's application to expand its pilot project was supported by New Jersey's entire congressional delegation, with U.S. Sen. Robert Menendez and Congressmen Bill Pascrell Jr. (D-8) and Frank Pallone (D-6) taking the lead on a delegation letter to CMS in support of the program.

"I applaud the New Jersey Hospital Association and 33 of its member hospitals on being selected to participate in the Bundled Payments for Care Improvement Initiative," said Pascrell, New Jersey's only member on the House Ways and Means Health Subcommittee. "Bundled payments are just one of the many new tools and resources that the Affordable Care Act provides to work towards better coordinated care, and this selection shows that New Jersey is on the forefront of healthcare innovation,"

Added NJHA's Ryan, "Clearly, there is more work to be done to reform our healthcare system, improve patient safety and reduce healthcare costs. NJHA's project shows that innovative thinking and willing partners do exist in this quest for a better healthcare delivery system."

Hospitals participating in NJHA's initiative are:

Bayshore Community Hospital  
Capital Health Medical Center-Hopewell  
Capital Health Regional Medical Center  
CentraState Medical Center  
Cooper Hospital/University Medical Center  
Deborah Heart and Lung Center  
HackensackUMC Mountainside Hospital  
Hunterdon Medical Center  
Jersey Shore University Medical Center  
JFK Medical Center  
LibertyHealth-Jersey City Medical Center  
Morristown Medical Center  
Ocean Medical Center  
Overlook Medical Center  
Raritan Bay Medical Center  
Raritan Bay Medical Center-Old Bridge  
Riverview Medical Center  
Robert Wood Johnson University Hospital  
Robert Wood Johnson University Hospital-Hamilton  
Robert Wood Johnson University Hospital-Rahway  
Saint Clare's Hospital (Denville)  
Saint Clare's Hospital (Dover)  
Saint Michael's Medical Center  
Saint Peter's University Hospital  
South Jersey Healthcare-Elmer Hospital  
South Jersey Healthcare-Regional Medical Center  
Southern Ocean Medical Center  
St. Joseph's Regional Medical Center  
St. Joseph's Wayne Hospital  
St. Mary's Hospital Passaic  
The Valley Hospital  
Underwood-Memorial Hospital  
University Medical Center of Princeton at Plainsboro