



Centers for Medicaid and State Operations

April 25, 2007

SMD # 07-005

Dear State Medicaid Director:

I am writing to highlight and stress the importance of your State's opportunity for participation in the national **Value-Driven Health Care (VHC)** efforts and a new national **Medicaid Quality Improvement Program (MQIP)** goal. As described below, these efforts complement one another through a significant overlap in activities.

Value-Driven Health Care

As you probably are aware, the four "cornerstones" of VHC include:

- **Interoperable Health Information Technology** – supporting the development and use of health information technology that meets health data and interoperability standards recognized by the U.S. Department of Health and Human Services' Secretary when implementing, acquiring, upgrading or contracting for health information technology systems and products. Interoperability promises to enable the exchange of clinical data and to create greater efficiency in health care delivery by reducing redundancy and enabling the collection and sharing of data to measure and improve the quality of care.
- **Transparency of Quality Information** – promoting the use of national consensus-based standardized quality measures for public reporting purposes; supporting the development of new standardized measures; and participating in regional public-private collaborative Value Exchanges, Better Quality Information for Medicare Beneficiaries (BQI) pilots, or other recognized collaboratives to establish and support uniform measuring or reporting of quality information to promote provider performance improvement. At the present time, the measures most fully developed are adopted by the AQA [formerly known as the Ambulatory Quality Alliance], a multi-stakeholder group focused on physician quality measures, Hospital Quality Alliance (HQA), other recognized Alliances and those endorsed by the National Quality Forum (NQF).
- **Transparency of Price Information** - promoting use of price measures for public reporting purposes where appropriate and working with regional collaboratives where possible; supporting the development of standardized measures and methods for price measurement, including episodic pricing methodologies; and, presenting such data in tandem with quality data to the maximum extent possible.
- **Incentives for High-Value Health Care** – adopting one or more of four strategies: (a) encouraging beneficiaries to use providers with the highest quality and the lowest cost;

(b) offering providers incentives and rewards for delivering high-value care; (c) providing beneficiaries with incentives for prevention and wellness and for self-management of chronic illness; or (d) offering consumer-directed health plan products.

Additional information regarding Value-Driven Health Care and Value Exchanges can be found at <http://www.hhs.gov/transparency> .

Many States are well on the way to supporting these cornerstones as they are consistent with the direction of the Medicaid Information Technology Architecture (MITA) efforts and the Medicaid and State Children’s Health Insurance Program (SCHIP) Quality Strategy¹ initially released by the Centers for Medicare & Medicaid Services (CMS) in 2005. Enclosed you will find a list of States that are considered supportive of the VHC Initiative by virtue of their MITA and Quality Strategy activities.²

The enclosed list of States was developed using data collected from a number of sources on State quality and transparency activities. States included in the enclosed list are using at least one of the AQA measures in addition to participating in at least one other activity related to VHC such as value-based purchasing, public reporting of data, or participation in regional collaboratives. **Please note that support for this effort does not indicate that you have all four of the cornerstones in place. Rather, your support is indicative of your agreement, in principle, with the four cornerstones, and that your State has taken actions toward reporting national quality measures, working with collaboratives, or participating in other activities listed in the Medicaid and SCHIP Quality Strategy.**³

Also included are two charts that detail the various State activities related to the CMS Medicaid and SCHIP Quality Strategy. I am sure there are activities in some States of which we are not yet aware; therefore, please review the enclosures and inform us of any additions or deletions as soon as possible.

Additionally, please let us know if you would like your State added to or removed from the list by contacting your regional office representative or Jean Moody-Williams, Director of Quality, Evaluation and Health Outcomes by May 1, 2007. Please e-mail your questions, additions, or deletions to the enclosed list of States at jean.moodywilliams@cms.hhs.gov , or call her directly at 410-786-8110. We will add your State even if you have not begun to collect the indicated

¹ The Quality Strategy encouraged States to move toward measuring quality using nationally recognized standards of care, implementing value-based purchasing programs, using health IT effectively, and collaborating with others to improve care. We have reviewed data on a number of States that are engaged in some, or all of these activities, and we consider these States to be supportive of the VHC Initiative.

² Please refer to Enclosure A entitled “Preliminary List of States Supporting Value-Driven Health Care by Virtue of their Medicaid Information Technology Architecture (MITA) and the Medicaid and SCHIP Quality Strategy Activities.”

³ Technical assistance will be provided over the course of the upcoming months to help States move closer to reaching the cornerstones with the ultimate goal of full participation in VHC.

performance measures or implemented the referenced quality activities but plan to do so in the future.

We are eager to have your support for improvement of our healthcare system through the four cornerstones.

Medicaid Quality Improvement Program (MQIP)

Furthermore, a Federal Government Performance Results Act goal was established this year that involves partnering with States to improve quality through the MQIP. The four cornerstones of VHC can help move us towards reaching this goal. The goal is comprised of two elements: (1) a short term goal to demonstrate quality improvement in a targeted number of States, and (2) a longer term goal of developing a National Medicaid Quality Framework.

To accomplish the short term goal, CMS will work with the States on several activities including but not limited to:

- Developing State business plans for utilizing MITA to support transparency, quality improvement and health information exchange;
- Promoting collaboration in regional quality improvement networks;
- Advancing activities related to clinical performance measurement and evidenced-based quality improvement activities by working with State Medicaid Medical Directors;
- Obtaining data from States related to promising practices in areas related to quality improvement and VHC;
- Reviewing all State Quality Strategies and External Quality Review Reports required by 42 CFR 438, Subpart D, and providing technical assistance and feedback to States for consideration during the next period of revision;
- Reviewing and providing feedback on State program evaluation plans and reports as required in the “Terms and Conditions for Demonstrations” that are provided at the time of demonstration approval;
- Tracking and analyzing performance measurement reporting in Medicaid through publicly reported data bases, State reports, and other available data sources;
- Evaluating Transformation Grant activities that support VHC; and
- Tracking and analyzing quality improvement strategies for Home and Community-Based Services electronically as a result of the new Web-based application.

To address the longer term MQIP goal, CMS will begin the process of developing a “National Medicaid Quality Framework” designed to highlight overarching principles of quality in

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Medicaid. This will be a collaborative process in which States and other interested stakeholders will be invited to assist in the drafting of the framework.

We look forward to working with you over the course of the next several months on all of these activities.

Sincerely,
/s/
Dennis G. Smith
Director

Attachments

cc:

CMS Regional Administrators

CMS Associate Regional Administrators for Medicaid and State Operations

State SCHIP Directors

Martha Roherty
Director, Health Policy Unit, American Public Human Services Association

Joy Wilson
Director, Health Committee, National Conference of State Legislatures

Matt Salo
Director of Health Legislation, National Governors Association

Jacalyn Bryan Carden
Director of Policy and Programs, Association of State and Territorial Health Officials

Christie Raniszewski Herrera, Director, Health and Human Services Task Force
American Legislative Exchange Council

Debra Miller
Director for Health Policy, Council of State Governments

Andrew Croshaw
Senior Executive Advisor, Secretarial Initiatives, Office of the Secretary