

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-26-12  
Baltimore, Maryland 21244-1850



## Center for Medicaid and State Operations

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SMDL #08-009

November 14, 2008

Dear State Medicaid Director:

We are writing to inform you about the “*Medicare Nursing Home Value-Based Purchasing (NHVBP) Demonstration*.” The demonstration is a “pay-for-performance” initiative designed to assess the quality of care in nursing homes, based on selected measures of quality, and then make additional payments to those nursing homes with higher quality performance. We are asking States that are interested in hosting the demonstration to submit a letter inviting the Centers for Medicare & Medicaid Services (CMS) to conduct the Medicare NHVBP Demonstration in their State. We request your response by January 9, 2009. The remainder of this letter provides further details, as well as contact and resource information.

As the largest combined purchaser of nursing home services (about \$64 billion per year), States and CMS have the ability to exert substantial leverage to insist on high levels of quality. “Purchasing power” is an important tool that might be more effectively employed to promote quality in the future. The NHVBP Demonstration is intended to augment and reinforce other quality efforts by encouraging the achievement of results through financial investments made by nursing homes. These achievements in quality will be met by payment methods that can discern the difference between excellent, good, mediocre, and poor quality.

We are asking States that wish to host the demonstration to invite CMS to solicit nursing homes within their State to participate in the demonstration. CMS plans to select up to five host States, plus alternates, for the demonstration. CMS is seeking States that welcome and endorse the Medicare demonstration. We will select from among States that have good survey and certification processes according to their State Performance and Standard Review. Also, we will only select States that we expect will have at least 100 nursing homes that wish to participate. We anticipate that 50 nursing homes will be assigned to the experimental group in each State, with another 50 homes in the control group. The control group is necessary to enable us to measure the impact of the demonstration on quality and Medicare costs and to allow us to evaluate the demonstration.

Preliminary information about the NHVBP Demonstration can be found at:

<http://www.cms.hhs.gov/DemoProjectsEvalRpts/MD/itemdetail.asp?filterType=dual,%20keyword&filterValue=nursing&filterByDID=0&sortByDID=3&sortOrder=descending&itemID=CMS1198946&intNumPerPage=10>. A brief summary of the overall design of the demonstration is enclosed. In addition, we will host a conference call in the near future so that States may ask questions. Details about the conference call will be made available on the above Web site.

States that are interested in hosting the demonstration should submit a letter of invitation to Mr. Ron Lambert, the CMS project officer (PO) for the demonstration, no later than January 9, 2009. The States that CMS selects for this project, including alternates, will be announced in late February. We will then undertake a solicitation of volunteer nursing homes within the States selected for the Medicare demonstration asking the nursing homes to volunteer to participate.

We welcome comments or questions about the proposed demonstration. You may send these to: [Nursinghomeqbp@cms.hhs.gov](mailto:Nursinghomeqbp@cms.hhs.gov), or you may contact your PO at 410-786-6624 or by e-mail at [Ronald.Lambert@cms.hhs.gov](mailto:Ronald.Lambert@cms.hhs.gov).

Thank you for your interest in this initiative.

Sincerely,

/s/

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Herb B. Kuhn  
Deputy Administrator, CMS  
Acting Director, Center for Medicaid and State Operations

/s/

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Timothy P. Love, Director  
Office of Research, Development,  
and Information

Enclosure

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cc:

CMS Regional Administrators

CMS Associate Regional Administrators  
Division of Medicaid and Children's Health

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NASMD Executive Director  
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