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Hospital Value-Based Purchasing Program: Review and Analysis



Executive Summary

In 2004, the Centers for Medicare and Medicaid Services (CMS) began collecting quality and patient experience data from acute care hospitals on a voluntary basis under the Hospital Inpatient Quality Reporting (IQR) Program. The vast majority of hospitals choose to participate in the IQR program in order to be eligible for the full annual percentage increase in Medicare reimbursements each year. By law, Medicare must reduce the annual percentage increase for hospitals that do not participate in the reporting program. Now, with Value-Based Purchasing on the horizon, hospitals may even grow their Medicare reimbursement with improvement in their quality and patient satisfaction scores.

The Patient Protection and Affordable Care Act (ACA) of 2010 required CMS to establish a hospital Value-Based Purchasing (VBP) program. VBP is one of several mandatory delivery system reforms established in the federal health care reform act.

The Medicare VBP program is self-funded by hospital "contributions," with hospitals competing against each other for a redistribution of those dollars on the basis of quality, as determined by CMS. Initially, the measures will evaluate hospital performance on specific processes of care and patient experience of care. In coming years, other measures, such as outcomes of care will be added.

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VBP = Hospital Dollars Won or Lost

The Value-Based Purchasing program is a mandatory "pay or play" delivery system reform for hospitals. On a national level, VBP is budget-neutral, meaning dollars paid out must equal dollars paid in. But how that budget-neutral pie is divided will be determined entirely by the value hospitals are able to demonstrate. Thus, hospitals compete against each other on the basis of performance in specific measures. **Hospitals that target quality improvement resources on specific measures can improve both quality and payment.**

Another important feature of the program is that it is self-funded by hospitals. Hospitals contribute a portion of inpatient Medicare dollars and can only recoup those dollars based on their performance. The percentage of payments withheld will increase over the next four years (2013: 1%; 2014: 1.25%; 2015: 1.5%, 2016: 1.75%; 2017: 2%). **In this program, the best performers win, others break even or lose.**

VBP will be continuously updated as part of CMS' annual rule-making process. Hospitals will be notified of each year's rule prior to the data collection period used for scoring.

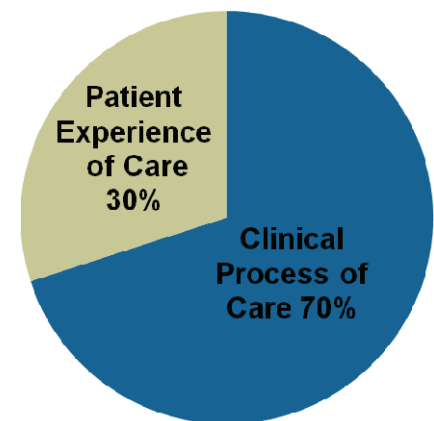


Essentials of Value-Based Purchasing

The ACA of 2010 required CMS to establish a hospital VBP program under which incentive payments are made to hospitals that meet certain performance standards.

Using measures reported under the Hospital Inpatient Quality Reporting (IQR) Program, the VBP program will redistribute inpatient fee-for-service (FFS) payments between hospitals based on quality performance beginning Oct. 1, 2012, which is the start of FFY 2013.

For FFY 2013, CMS will establish one overall VBP quality score for each participating hospital using data that has been collected under the Medicare hospital Inpatient Quality Reporting (IQR) program in two quality domains: clinical process of care, and patients' experience of care.



Process of Care Indicators (70%)

- Heart Attack Patients Given Fibrinolytic Medication Within 30 Minutes Of Arrival
- Heart Attack Patients Given PCI Within 90 Minutes Of Arrival
- Heart Failure Patients Given Discharge Instructions
- Pneumonia Patients Whose Initial Emergency Room Blood Culture Was Performed Prior To The Administration Of The First Hospital Dose Of Antibiotics
- Pneumonia Patients Given the Most Appropriate Initial Antibiotic(s)
- Surgery Patients Given Preventative Antibiotic(s) Within One Hour Before Surgery
- Surgery Patients Given the Appropriate Preventative Antibiotic(s) for Surgery
- Surgery Patients Whose Preventative Antibiotic(s) Were Stopped Within 24 Hours After Surgery
- Heart Surgery Patients Whose Blood Sugar Was Kept Under Good Control
- Surgery Patients Whose Doctors Ordered Treatments to Prevent Blood Clots for Certain Types of Surgeries
- Surgery Patients Given Treatment to Prevent Blood Clots within 24 Hours Before or After Selected Surgeries
- Surgery Patients Who Were Kept on Their Beta Blockers Before and After Surgery

Patient Experience of Care (30%)

- Nurses always communicated well
- Doctors always communicated well
- Patients always received help quickly from hospital staff
- Patients' pain was always well controlled
- Staff always explained about medicines before giving them to patients
- Patients' rooms and bathrooms were always kept clean and quiet
- Patients were definitely given information about what to do during their recovery at home
- Patients who gave their hospital a rating of 9 or higher on a scale of 0 to 10

Data Sources

By law, measures selected for the VBP program must have been reported on the Hospital Compare website for at least one year prior to the performance period. In order to get the program going in the time constraint required by the ACA, CMS is using nine months of data as the baseline and performance periods for FFY 2013. **The baseline period for the FFY 2013 VBP program is July 1, 2009 – March 31, 2010; the performance period is July 1, 2011 – March 31, 2012.**

Components of the FFY 2013 VBP Program

Scoring

Hospitals must have sufficient data for calculating achievement points in order for an individual measure's score to be included in the overall domain score. When there are achievement and improvement points for a measure, the higher of those two is taken as the final points for that measure.

Redistribution of Withheld Funds

The ACA requires the VBP program to be budget-neutral, meaning that all monies contributed to the VBP program by hospitals must be paid out during the same period. However, the program is not budget neutral by state, so higher quality outcomes in one state can draw funds from lower-performing states. The VBP program will be funded with 1.0% of hospitals' Medicare IPPS operating dollars in FFY 2013, 1.25% in 2014, 1.5% in 2015, 1.75% in 2016, and 2.0% in 2017 and thereafter.

		<u>US</u>	<u>Ohio</u>
1% Carve-out	Withhold 2013	(\$852,296,520)	(\$34,094,231)
	Performance Based Return 2013	\$ 852,296,520	\$34,641,308
1.25% Carve-out	Withhold 2014	(\$1,036,352,773)	(\$41,456,993)
	Performance Based Return 2014	\$ 1,036,352,773	\$42,122,213
1.5% Carve-out	Withhold 2015	(\$1,243,623,327)	(\$49,748,392)
	Performance Based Return 2015	\$ 1,243,623,327	\$50,546,655
1.75% Carve-out	Withhold 2016	(\$1,450,893,882)	(\$58,039,790)
	Performance Based Return 2016	\$ 1,450,893,882	\$58,971,098
2% Carve-out	Withhold 2017	(\$1,658,164,436)	(\$66,331,189)
	Performance Based Return 2017	\$ 1,658,164,436	\$67,395,540

***Assumes Ohio performance payment percentage of 101.60% constant from 2013-2017.**

CMS will use a linear payment exchange function to redistribute inpatient payments based on quality performance under the VBP program. The linear exchange function is the formula for a line that will start at 0% payment for a VBP Total Performance Score of 0 and will end at some percentage (x%) for a VBP Total Performance Score of 100. The x% is the slope of the line and will be determined based on the national distribution of VBP scores, such that the sum of all hospitals' VBP payments will exactly equal the amount of dollars contributed to the program.

National Performance Standards

The national Benchmarks and Achievement Thresholds are calculated by CMS and published in the May 6, 2011 Federal Register. These are the finalized performance standards that will be used for the FFY 2013 VBP program.

Insufficient Data and/or Small Case Sizes

Hospitals with fewer than 10 reported cases for any given process measure are considered to have insufficient data for that measure. If there is insufficient data in the performance period, that measure will not be scored for that hospital. If a hospital has insufficient data in the baseline period, but useable data for the performance period, it will receive achievement points only (no improvement points).

Excluded Hospitals

As required by the ACA, the following hospitals are excluded from the program:

- Critical Access Hospitals;
- Hospitals cited by the Secretary for deficiencies that pose immediate jeopardy to the health or safety of patients;
- Hospitals subject to the 2.0 percentage point market-basket penalty under the Hospital IQR program;
- Hospitals with useable data for less than 4 of the 12 clinical process of care measures; and
- Hospitals that do not report a minimum of 100 HCAHPS surveys during the performance period.

Looking Ahead: Value-Based Purchasing in FFY 2014

When CMS released the calendar year 2012 final payment rule, <http://www.gpo.gov/fdsys/pkg/FR-2011-11-30/pdf/2011-28612.pdf>, for the Medicare Outpatient Prospective Payment System, it also adopted policies for the FFY 2014 (second year) Medicare hospital inpatient VBP program. Due to the various and significant changes adopted by CMS in the final rule, including the changes related to the hospital VBP Program, CMS will accept comments on the final rule through January 3, 2012.

The FFY 2014 VBP Program will assess hospital quality performance using quality measures from three domains:

- clinical process of care: domain weighting 45%
- patient experience of care: domain weighting 30%
- patient outcomes: domain weighting 25%

Other features of the FFY 2014 program:

- Retain the 12 process of care measures and the one patient experience of care measure (consisting of eight Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) survey dimensions) adopted for the FFY 2013 VBP Program
- Add a new process of care measure, SCIP-Inf-9: Postoperative Urinary Catheter Removal on Postoperative Day 1 or 2.
- The minimum number of cases and measures for the outcomes domain is ten.
- Baseline and Performance periods for Process of Care and Patient Experience of Care Domains:
 - Baseline Period: April 1, 2010 through December 31, 2010 (9-months)
 - Performance Period: April 1, 2012 through December 31, 2012 (9-months)
- Baseline and Performance periods for Outcomes Domain – Mortality Measures:
 - Baseline Period: July 1, 2009 through June 30, 2010 (12-months)
 - Performance Period: July 1, 2011 through June 30, 2012 (12-months)
- Previously adopted and newly adopted national benchmarks and thresholds for measures that will be part of the FFY 2014 VBP Program are cited in the final rule.

Analysis

The Ohio Hospital Association's Fiscal Policy department and Quality Institute staff regularly provide members with analyses of the financial impact of VBP as well as tools to improve payment to Ohio hospitals for their performance on quality measures.

OHA developed hospital-specific reports which provide a first look at the potential impact of the 2013 program, based on the rules established by CMS and currently available data. Updated quarterly using data from the CMS Hospital Compare Web site, these reports are available to OHA members at no extra cost by contacting Berna Bell, bernab@ohanet.org.



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