# Home Health Pay-for-Performance Demonstration

## Demonstration Design

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Abt Associates Inc.

# Overview

- Overview of the Home Health Pay-for-Performance Demonstration:
  - A 2-year demonstration that gives participating agencies incentives to provide high quality care and improve the level of care they provide.
  - The demonstration will begin enrollment in October 2007; the operational phase will be 24 months (January 2008 through December 2009).
- Like other pay-for-performance programs, the demonstration will offer incentives to providers who meet certain quality and efficiency objectives.
  - Demonstration will offer financial incentives – rewards for providing the highest quality care and for the greatest improvements in the level of care
  - Demonstration will test whether a performance-based system can improve the quality of care of Medicare beneficiaries while not increasing Medicare expenditures.
- This revised demonstration design incorporates response to public comments and review by CMS and HHS.

# Design Principles

- The demonstration will use existing data collection and OASIS quality measures to measure and score performance
- The demonstration will be budget neutral, which means that funds to reward the best performers will be generated from within current spending levels.
- Incentive payments will be made based on level of performance and improvement over time.
- No agency will face payment reductions as a result of participating in the demonstration.
- Participation in the demonstration will be voluntary.
- To support a rigorous evaluation of the impacts of the demonstration, a formal experimental design will be implemented. Random assignment will be used to create an experimental (treatment) group and a control group.

# Demonstration Locations

The demonstration will be implemented in selected states in the 4 regions of the US (Northeast, Midwest, South, West). States were selected based on:

- number of Medicare home health providers and patients
- lower Medicare Advantage enrollment (because MA enrollees will not be included in performance or savings calculations); and
- current average scores on the home health performance measures

The specific states are:

- Northeast: Connecticut, Massachusetts
- Midwest: Illinois
- South: Alabama, Georgia, Tennessee
- West: California

*(multiple states were chosen in region where no single state could provide sufficient beneficiaries.)*

All Medicare-certified home health agencies in those states will be invited to participate in the demonstration.

# Key Design Questions

- Which performance measures should be used?
- What scoring rules should be used for the performance measures?
- What weights should be used for each measure?
- How will the size of the incentive pool be determined?
- How should performance be linked to the incentive payment?

# Process for Selecting Performance Measures

- Selection of performance measures and their link to performance payments has major implications on the incentives that the demonstration furnishes
- Performance will be measured using a subset of the home health quality measures that are included in the OBQI outcome reports.
  - A subset of measures will be used so quality improvement efforts are not diluted.
  - Measures can be derived from existing data collection (OASIS assessments.)
  - Agencies are already familiar with these measures
- Criteria for selecting measures
  - Validity and reliability
  - Extent to which the measure is under the agency's control
  - Perceived room for improvement
  - Statistical performance
  - Importance
- We reviewed all of the OBQI measures against these selection criteria.

# Performance Measures

- Incidence of Acute Care Hospitalization
- Incidence of Any Emergent Care
- Improvement in Bathing
- Improvement in Ambulation / Locomotion
- Improvement in Transferring
- Improvement in Management of Oral Medications
- Improvement in Status of Surgical Wounds

# Scoring Rules

- Performance will be scored and winners will be chosen separately for each measure
- For each measure, agencies in the top 20% in terms of performance level qualify for an incentive payment
- For each measure, the 20% of eligible agencies with the biggest improvement qualify for an incentive payment.
  - To qualify for an incentive payment for improvement:
    - Agencies cannot already qualify for a payment based on high performance.
    - An agency's performance must be at or above a minimum threshold (30$^{th}$ percentile), ensuring that payments for improvement are not made to agencies whose overall performance is still low.
    - Agency change in performance level must be a positive one.
- Performance will be scored based on outcomes for Medicare fee-for-service patients only
  - Medicaid and Medicare Advantage (managed care) episodes will be excluded
- Performance thresholds will be determined separately for each state.

# Example: Determining Which Agencies in a State Qualify for a Performance Payment

| Agency | Number of Visits | Acute Care Hosp. Rate | | | Incentive Payment | |
|---|---|---|---|---|---|---|
| | | Baseline | Year 1 | Change | Level | Improvement |
| | | | | | | |
| 1 | 6,000 | 18 | 16 | -11% | Yes | No |
| 2 | 12,000 | 15 | 18 | 20% | Yes | No |
| 3 | 24,000 | 21 | 18 | -14% | Yes | No |
| 4 | 13,000 | 19 | 19 | 0% | Yes | No |
| 5 | 10,000 | 20 | 20 | 0% | No | No |
| 6 | 8,000 | 25 | 21 | -16% | No | No |
| 7 | 12,000 | 29 | 22 | -24% | No | Yes |
| 8 | 18,000 | 24 | 23 | -4% | No | No |
| 9 | 11,500 | 30 | 24 | -20% | No | No |
| 10 | 18,000 | 28 | 25 | -11% | No | No |
| 11 | 6,000 | 31 | 27 | -13% | No | No |
| 12 | 18,000 | 43 | 29 | -33% | No | Yes |
| 13 | 11,000 | 27 | 30 | 11% | No | No |
| 14 | 9,000 | 37 | 31 | -16% | No | No |
| 15 | 15,000 | 34 | 32 | -6% | No | No |
| 16 | 25,000 | 32 | 35 | 9% | No | No |
| 17 | 12,000 | 40 | 36 | -10% | No | No |
| 18 | 8,000 | 41 | 42 | 2% | No | No |
| 19 | 11,000 | 50 | 42 | -16% | No | No |
| 20 | 4,500 | 46 | 43 | -7% | No | No |

**Performance Level:**
The four agencies with the lowest hospitalization rate in year 1 qualify **(best 20%).**

**Improvement:**
There are ten agencies potentially eligible for an incentive payment for improvement. The two with the largest improvement **(best 20%)** receive an incentive payment based on improvement.

Note: Agencies in the lowest 30 percent in terms of year 1 performance are not eligible for an incentive payment for improvement.

# Determining the Size of the Incentive Payment Pool

- Demonstration must be budget neutral.
- Incentive payments will be funded with savings generated from reductions in total Medicare costs for patients served by treatment group agencies.
  - Medicare savings are calculated as the difference between actual and expected Medicare costs per day, with “expected costs” based on the control group rate of change.
  - Improving quality of care should reduce hospitalizations and reduce overall Medicare expenditures.
  - This methodology assures that no agencies will face payment reductions as a result of participating in the demonstration while maintaining budget neutrality.
- The method for determining the size of the incentive payment pool is similar to that used in the CMS Physician Group Practice Demonstration and proposed for the Nursing Home Value Based Purchasing Demonstration.

# Determining the Size of the Incentive Payment Pool

- Basic method for calculating Medicare savings
  - Compare rate of change in Medicare costs for demonstration beneficiaries to the rate of change for a comparison group.
  - Include as many types of Medicare services as possible (hospital, home health, SNF, rehab, ER, physician, and DMEPOS services). Exclude Medicare Part D.
  - Include Medicare service costs during the home care episode and a period of 30 days following the end of Medicare home health services (last home health visit.)
  - Exclude managed care enrollees.
  - Given different acuity and risk of hospitalization for different groups of patients, use risk-adjustment methods.
  - Calculation will be performed separately for each region level.
- If the demonstration does not result in any Medicare savings in a region in a given year, then no incentive payments will be made to any agency in that region for that year.
- Lag in claims data availability and processing time means that size of performance pool for year 1 is not known until late in year 2.

# Example: Determining the Size of the Incentive Pool

| | Demonstration Group | | Comparison Group | |
|---|---|---|---|---|
| | Baseline | Year 1 | Baseline | Year 1 |
| Number of days used in savings calculation | 404,000 | 420,900 | 420,000 | 425,000 |
| Total Medicare costs | $24,000,000 | $25,504,040 | $25,620,000 | $27,480,500 |
| | | | | |
| Medicare costs per day | $59.41 | $60.59 | $61.00 | $64.66 |
| Percent change in Medicare Costs | | 2.00% | | 6.00% |
| | | | | |
| Expected Medicare costs for demonstration beneficiaries (Baseline costs * comparison group change) | | $62.97 | | |
| Savings per day (Expected costs - actual costs) | | $2.38 | | |
| Total Medicare Savings (Savings per day * number of days) | | $1,000,000 | | |

In this example, the rate of increase in Medicare expenditures is lower for demonstration group beneficiaries than for the comparison group. This results in Medicare savings, which are used to fund incentive payments while maintaining overall budget neutrality.

# Allocating Payments

- Performance payments will be allocated both to top performers and to agencies that had the largest improvement over time.
  - Encourages participation and improvement for agencies with all types of quality at baseline.
    - Reward agencies that had already achieved high quality levels before the demonstration started and maintain their high performance levels.
    - Reward other agencies that may not have high performance levels but that show substantial improvement and exceed a minimum threshold.
  - 75% of percent of performance pool will be allocated to agencies with high levels of performance, 25% to those that showed the largest improvement.
  - For each measure, the reward for agencies with high performance levels will be larger than the reward for agencies with the most improvement.
- Performance payments will be allocated separately for each measure.
- Performance payments will be weighted based on agency Medicare activity (patient days.)

# Example: Allocation of Incentive Pool to Performance Measures

| Measure | wgt. | Dollars | performance 75% | improvement 25% |
|---|---|---|---|---|
| Incidence of Acute Care Hospitalization | 30% | $300,000 | $225,000 | $75,000 |
| Incidence of Any Emergent Care | 20% | $200,000 | $150,000 | $50,000 |
| Improvement in Bathing | 10% | $100,000 | $75,000 | $25,000 |
| Improvement in Ambulation / Locomotion | 10% | $100,000 | $75,000 | $25,000 |
| Improvement in Transferring | 10% | $100,000 | $75,000 | $25,000 |
| Improvement in Management of Oral Medications | 10% | $100,000 | $75,000 | $25,000 |
| Improvement in Status of Surgical Wounds | 10% | $100,000 | $75,000 | $25,000 |
| Total | 100% | $1,000,000 | $750,000 | $250,000 |

Note: Dollars are based on the $1,000,000 size of the incentive pool from the earlier example. Allocation is set so that average incentive payments for high performance levels are larger than average payments for the highest improvement.

# Monitoring Performance

- The design and implementation contractor (Abt Associates Inc.) will collect episode data from CMS and calculate risk-adjusted outcomes separately for Medicare fee-for-service patients (used for scoring performance),
  - Because of special processing, reports will be generated once a year
  - Reports will also show outcomes separately for Medicaid patients and for Medicare Advantage (managed care) patients
- Because of the lags in claims submission and data availability, payments will be calculated later in the following year.

# Timeline of Next Steps

- Recruitment and enrollment will begin in October 2007.
- The operational period will be 2 years:

**January 2008 – December 2009**

- Updates will be posted on the demonstration web site:

**http://www.hhp4p.info**

# Why participate?

- No financial risk or data collection burden
- Potential for financial benefit, good publicity
  - Additional level of outcomes information detail provided
- Provide data to inform future policy decisions
  - Have your agency's experience be part of the information base
- Try out future Medicare policy in a protected environment
  - "Be on the train or under it!"

# CMS Contacts

- CMS contacts for the Home Health Pay-for-Performance Demonstration are:
  - James Coan
  - Sidney Trieger
  - Kathleen Connors De Laguna
- Comments about the Home Health Pay-for-Performance Demonstration can be sent to CMS via email to:

**HHP4P@cms.hhs.gov**