

Nursing Home Value-Based Purchasing Demonstration

Background:

The Nursing Home Value-Based Purchasing (NHVBP) Demonstration is part of the CMS initiative to improve the quality and efficiency of care furnished to Medicare beneficiaries. Under this demonstration, CMS will offer financial incentives to nursing homes that meet certain conditions for providing high quality care. The demonstration will be open to free-standing and hospital-based facilities and will include beneficiaries who are on a Part A stay as well as those with Part B coverage only. CMS intends to conduct the demonstration in up to five states.

Basic Approach:

Each year of the demonstration, CMS will assess each participating nursing home's quality performance based on four domains: staffing, appropriate hospitalizations, MDS outcomes, and survey deficiencies. CMS will award points to each nursing home based on how they perform on the measures within each of the domains. These points will be summed to produce an overall quality score. For each State, nursing homes with scores in the top 20 percent and homes that are in the top 20 percent in terms of improvement in their scores will be eligible for a share of that State's savings pool.

Financing:

The demonstration will be budget neutral to Medicare. We anticipate that certain types of potentially avoidable hospitalizations may be reduced as a result of improvements in quality of care. The reduction in hospitalizations and subsequent skilled nursing facility stays is expected to result in savings to Medicare. These savings would be used to fund the savings pool from which payment awards would be made.

A separate savings pool will be estimated for each state in the demonstration. Nursing homes that volunteer to participate in the demonstration will be stratified and randomly assigned to experimental and control groups. After each year, CMS will compare total risk-adjusted Medicare expenditures between the experimental and control groups in each state. The actual savings pool for each state will be determined based on the difference in the growth of risk-adjusted Medicare expenditures between the two groups.

Status:

CMS plans to conduct a two-stage solicitation process. First, we will select up to 5 States to host the demonstration. Then we will solicit nursing homes within those States. Once the demonstration participants are selected, we will request waiver clearance through the Department and OMB to implement the demonstration. Currently we are in the process of obtaining clearance from the Department and OMB to begin soliciting the States. We anticipate that the demonstration will begin in 2008.