

**Premier Hospital Quality Incentive Demonstration**  
Rewarding Superior Quality Care  
**FACT SHEET**  
**June 2008**

**ISSUE**

---

CMS is pursuing a vision to improve the quality of health care by expanding the information available about quality of care and through direct incentives to reward the delivery of superior quality care. The Premier Hospital Quality Incentive Demonstration recognizes and provides financial rewards to hospitals that demonstrate high quality performance in a number of areas of acute care. The demonstration is a CMS partnership with Premier, Inc., a nationwide organization of not-for-profit hospitals, and rewards participating top performing hospitals by increasing their payment for Medicare patients. Participating hospitals' performance under the demonstration is posted at [www.cms.hhs.gov/HospitalQualityInits](http://www.cms.hhs.gov/HospitalQualityInits) for health care professionals.

**BACKGROUND**

---

Premier, Inc. was selected for the demonstration because, through its database of hospitals in the Premier Perspective system, it has the ability to track and report quality data for 30 quality measures for each of its hospitals. This capability to immediately provide such a broad set of quality data makes the Premier database operationally unique and enables a rapid test of the concept of incentives for high performance in several areas of quality.

**KEY GOAL**

---

Through the Premier Hospital Quality Incentive Demonstration, CMS aims to see a significant improvement in the quality of inpatient care by awarding incentive payments to hospitals for high quality in several clinical areas, and by reporting extensive quality data on the CMS web site.

**QUALITY OF CARE MEASURES**

---

Under the demonstration, top performing hospitals receive bonuses based on their performance on evidence-based quality measures for inpatients with: heart attack, heart failure, pneumonia, coronary artery bypass graft, and hip and knee replacements. The quality measures in the demonstration have an extensive record of validation through research, and are based on work by the Quality Improvement Organizations (QIOs), the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), the Agency for Healthcare Research and Quality, the National Quality Forum (NQF), the Premier system and other CMS collaborators.

## **HOSPITAL SCORING**

Hospitals are scored on the quality measures related to each condition measured in the demonstration. Composite quality scores are calculated annually for each demonstration hospital by “rolling-up” individual measures into an overall quality score for each clinical condition. CMS determines the distribution of hospital quality scores into deciles to identify top performers for each condition.

## **FINANCIAL AWARDS**

CMS identifies hospitals in the demonstration with the highest clinical quality performance for each of the five clinical areas. Hospitals in the top 20% of quality for those clinical areas are given a financial payment as a reward for the quality of their care. Hospitals in the top decile of hospitals for a given diagnosis are provided a 2% bonus of their Medicare payments for the measured condition, while hospitals in the second decile are paid a 1% bonus. The cost of the incentive bonuses to Medicare for year one was about \$8.85 million, \$8.69 million for year two, and \$7.00 million for year 3. For the third year, quality incentive payments ranged from \$385,342.00 to \$2,147.00 to 112 top-performing hospitals. CMS has awarded more than \$24.5 million over the first three years of the project.

## **IMPROVEMENT OVER BASELINE**

In year three, hospitals that do not achieve performance improvements above demonstration baseline will have financial penalties. The demonstration baselines are clinical thresholds set at the year one cut-off scores for the lower 9th and 10th decile hospitals. Hospitals will receive 1% lower DRG payment for clinical conditions that score below the 9th decile baseline level and 2% less if they score below the 10th decile baseline level.

## **PUBLIC REPORTING**

Hospitals participating in Premier Hospital Quality Incentive Demonstration reported previously collected quality data currently available in the Premier Perspective database to provide a historical reference on these quality indicators. The data was published at [www.cms.hhs.gov/HospitalQualityInits](http://www.cms.hhs.gov/HospitalQualityInits). The first, second and third year results are reported on the CMS website, recognizing those hospitals with the highest quality and noting those hospitals that received bonus awards.

## **HOSPITAL PARTICIPATION**

Participation in the demonstration is voluntary. Currently, about 250 hospitals are participating in the demonstration. CMS is using the Premier demonstration as a pilot test of this concept. CMS is currently working on proposals to expand the pay-for-performance concept to additional hospitals, and to other types of providers.

## **DEMONSTRATION UPDATE**

### **Results from Inception to end of Year 3.**

The average composite quality scores, an aggregate of all quality measures within each clinical area, improved significantly between the inception of the program and the end of Year 3 in all five clinical focus areas:

- From 87.5 percent to 96.1 percent for patients with AMI (heart attack)
- From 84.8 percent to 97.4 percent for patients with coronary artery bypass graft.
- From 64.5 percent to 88.7 percent for patients with heart failure.
- From 69.3 percent to 90.5 percent for patients with pneumonia.
- From 84.6 percent to 96.9 percent for patients with hip and knee replacement.

The average improvement of the CQS between the project's second and third year was 4.4 percentage points for total gains of 15.8 percentage points over the project's first three years.

In addition, the range of variance among participating hospitals also is smaller, as those hospitals in the lower quality range continue to improve their quality scores and close the gap between themselves and the demonstration top performers. CMS will continue to monitor the demonstration to determine if the improvement trends continue.

### **EXTENSION - PHASE II**

CMS approved the extension of the HQID from fiscal year 2007 through fiscal year 2009. Only hospitals that completed year 3 of the current demonstration are eligible to participate. The extension includes a change in the demonstration payment policies. CMS will pay hospitals that improve the most as well as hospitals that achieve quality above a benchmark level.

For complete information about the HQID project and to view a list of those hospital ranking in the top 50 percent in each focus areas, visit [www.cms.hhs.gov/HospitalQualityInits](http://www.cms.hhs.gov/HospitalQualityInits)

*Updated: June 2008*