



Advising the Congress on Medicare issues

Hospital Value-Based Purchasing: Summary of CMS Report to Congress

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Overview

- Review MedPAC pay-for-performance (P4P) principles
- Key features of CMS Hospital VBP Report to Congress

MedPAC P4P Principles

- Medicare P4P programs should:
 - Reward providers based on both improving care and exceeding benchmarks
 - Be funded by setting aside a small proportion of payments initially, growing over time
 - Distribute all payments set aside to providers achieving quality criteria
 - Have a process for continual evolution of measures

Key Features of Hospital VBP Report

- Withhold fixed percentage (2% to 5%) of each base DRG payment to create pool of funds at hospital level
- Assess each hospital's performance:
 - All hospitals must submit data on all applicable measures
 - Each hospital scored on each measure* within 3 domains
 - Performance targets for measures known to providers in advance
 - Points awarded for higher of attainment or improvement
 - Domain scores summed (may be weighted equally or not) to produce total performance score for each hospital

Key Features of Hospital VBP Report (continued)

- Hospital's total performance score multiplied by "exchange function" = Percent of hospital-level incentive pool returned to hospital
- Key point: For some hospitals, total incentive payment likely will be less than total pool of funds set aside
- Unallocated funds could be distributed in whole or part as additional quality incentive payments
- CMS considers phase-in from basing payment on reporting only (Year 1) to performance only (Year 3)

Key Features of Hospital VBP Report (continued)

- Initial measure set: Based on current hospital quality data reporting program
 - 3 measure domains: Clinical process-of-care, outcomes, patient experience
- Data infrastructure, validation: Build on current hospital quality data reporting program
- Public reporting of performance results: Build on current *Hospital Compare* website
- Monitor VBP program impacts: Quality of care, total program costs, health disparities, other factors

Key Features of Hospital VBP Report (conclusion)

- Measures under development for 2010-2011:
 - Efficiency
 - Outcomes
 - Emergency care
 - Care coordination
 - Patient safety
 - Structural
- Efficiency measures: Development challenges, link to outcomes measures
- CMS resources for ongoing implementation of hospital VBP program?