

Medicare's Healthcare Quality Incentive Strategies

Sheila H. Roman, MD, MPH

Trent Haywood, MD, JD

CMS

September 27, 2005

Overview of Today's Presentation

- **CMS focus on public reporting and pay for performance demonstrations**
- **MB Update in MMA**
- **Hospital Quality Incentive Demonstration with Premier, Inc.**

Calls for Medicare to Provide Payment for Quality

- IOM report 2002
- Health Affairs article, former HCFA administrators, 2003
- MedPAC report 2004
- Private sector efforts
 - Bridges to Excellence
 - Leapfrog Group

Medicare Demonstrations

- A demo is a way for CMS to send a new message, to test new payment methods
- Medicare demonstrations linking payment to quality
 - Premier hospital quality incentive demo
 - Care management performance demo
 - Physician group practice demo

Hospital Quality Alliance (HQA): Improving Care Through Information

End-game:

- excellent quality care

To get there:

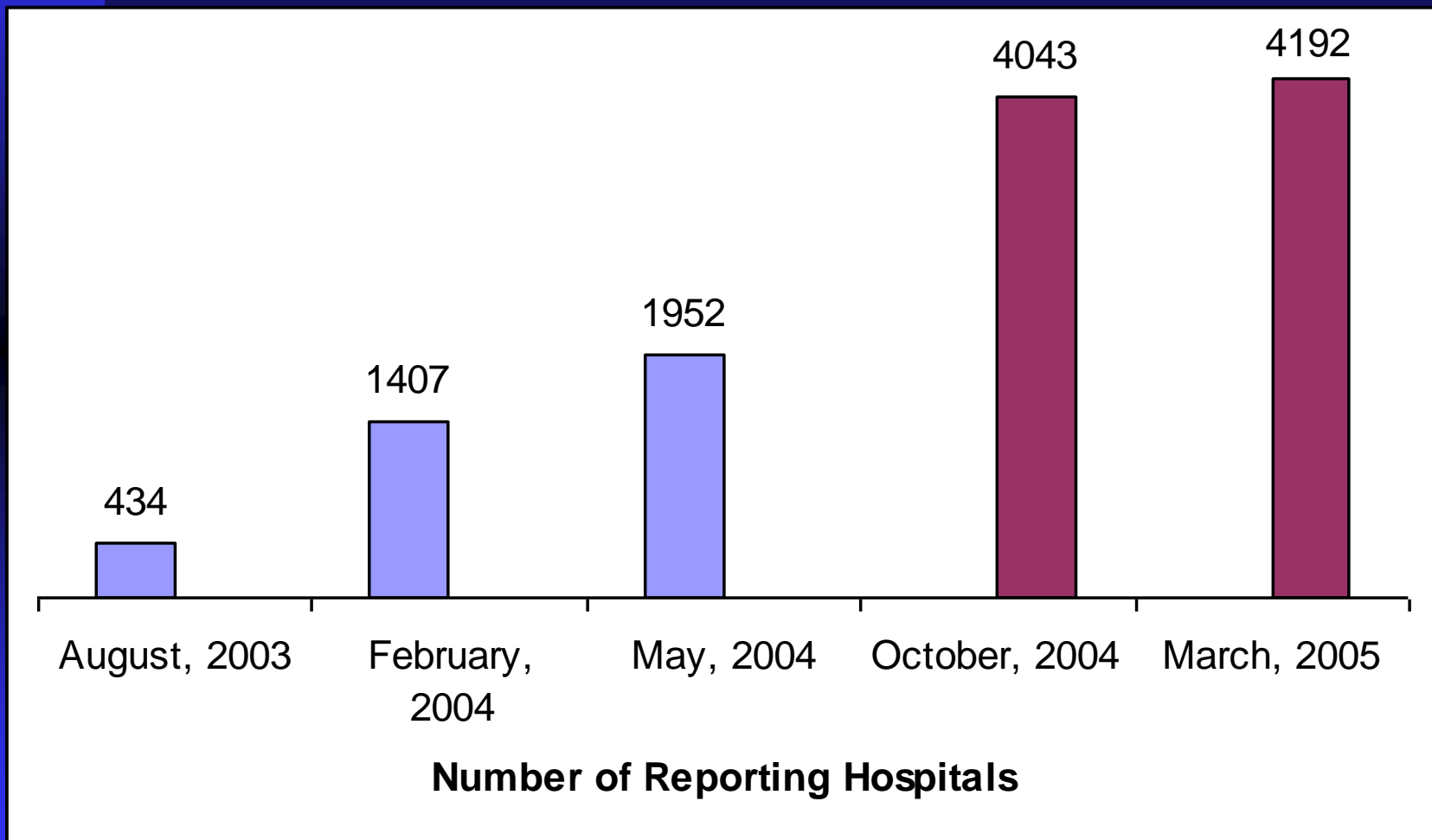
- one robust, nationally standardized and prioritized set of measures reported by every hospital in the country, accepted by all purchasers, overseers and accreditors;
- Collaborations, standardization, oversight, incentives



Differential Marketbasket payment update, sec. 501

- “each subsection (d) hospital shall submit to the Secretary quality data (for a set of 10 indicators established by the Secretary as of November 1, 2003) that relate to the quality of care furnished by the hospital in inpatient settings in a form and manner, and at a time, specified by the Secretary.”
- If such hospital does not submit data...”the applicable (payment) percentage increase ... shall be reduced by 0.4 percentage points”

Hospital Public Reporting



HQA: Current Status

- “Starter set” of 10 measures (bolstered by MMA market basket payment update incentive to PPS hospitals)
 - Over 4,000 hospitals reported in November, 2004
- More clinical measures (10 to 17 to 20 through September 2005)

CMS/Premier Hospital Quality Incentive Demonstration Project

- The first national project to measure hospital performance and offer additional Medicare payment for top quality care
 - “Pay for quality”
- Can economic incentives effectively improve quality of care?

HQID Hospital Participation

- Voluntary
- Eligibility: Hospitals in Premier Perspective system as of March 31, 2003
- 278 hospitals participating
- Demonstration Project: Pilot test of concept
- May be expanded in the future

CMS/Premier HQI – Over 270 National participating hospitals



HQID: Expanded Set of Measures

- Use of 34 measures
- Expands 10 measure “Starter Measure Set” in HQA
- Drawn largely from NQF endorsed hospital performance measure sets
- Uses both process and outcome measures
- Includes 2 AHRQ PSIs

HQI demonstration project

- A three-year effort linking payment with quality measures (launched October, 2003)
- Top performers identified in five clinical areas
 - Acute Myocardial Infarction
 - Congestive Heart Failure
 - Coronary Artery Bypass Graft
 - Hip and Knee Replacement
 - Community Acquired Pneumonia

Indicators within AMI, CABG, HF, and CAP represent all patients (all payers). Hip and knee replacement indicators apply only to Medicare patients.

HQID Hospital Scoring

- Hospitals scored on quality measures related to each condition
- Individual measures “rolled-up” into overall composite score for each condition
 - Composed of two components:
 - Composite Process Rate
 - Risk-Adjusted Outcomes Index
- Categorized into deciles by condition to determine top performers

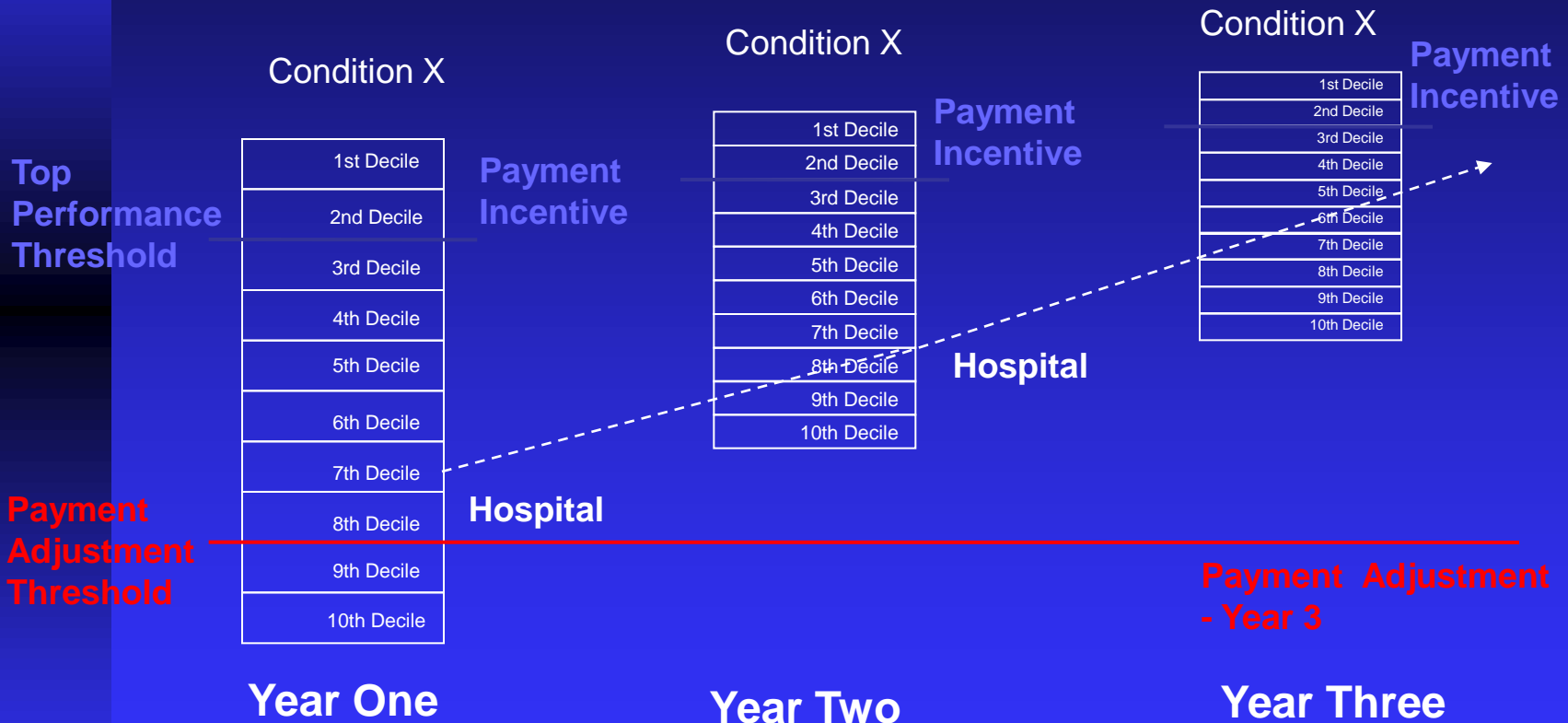
The Hospital Quality Incentive Demonstration

- Bonuses for top 2 deciles for each condition
 - Top decile given 2% bonus of their Medicare DRG payments for that condition
 - Second decile given a 1% bonus
- Possible penalty in third year if below baseline threshold

HQID: Year 3 Quality Score Must Exceed Baseline

- Demonstration baseline
 - Clinical thresholds set at year one threshold scores
 - Lower 9th and 10th deciles
- If performance in year 3 does not exceed baseline, hospital will receive payment penalty
 - 1% lower DRG payment for conditions below 9th decile baseline level
 - 2% lower DRG payment for conditions below 10th decile baseline level

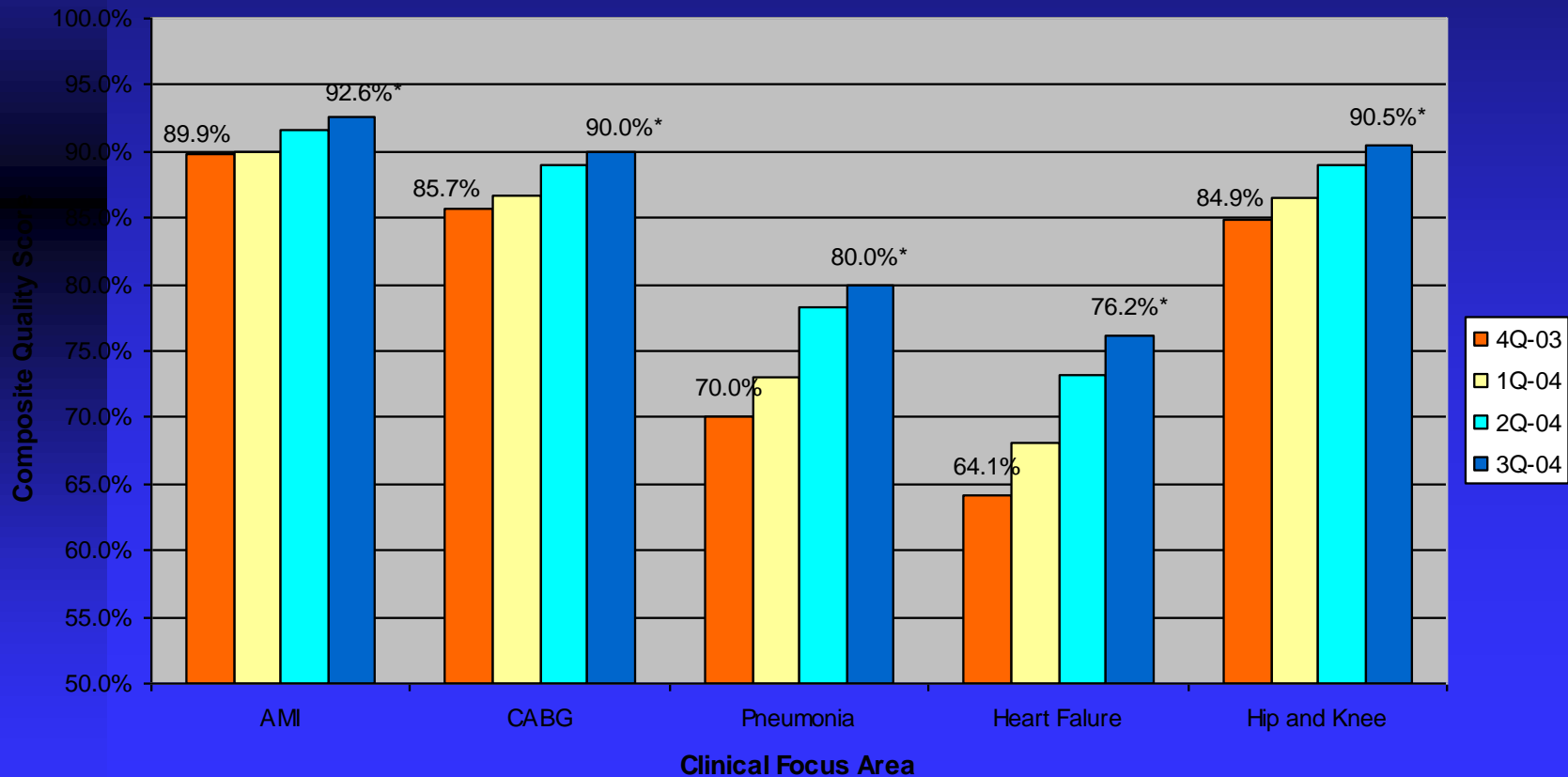
Anticipated payment scenario



CMS/Premier HQI Project

Already showing improvement

Composite Quality Score: Quarterly Median Improvement by Focus Area
Premier / CMS Hospital Quality Initiative Participants
October 1, 2003 - September 30, 2004
Preliminary Results



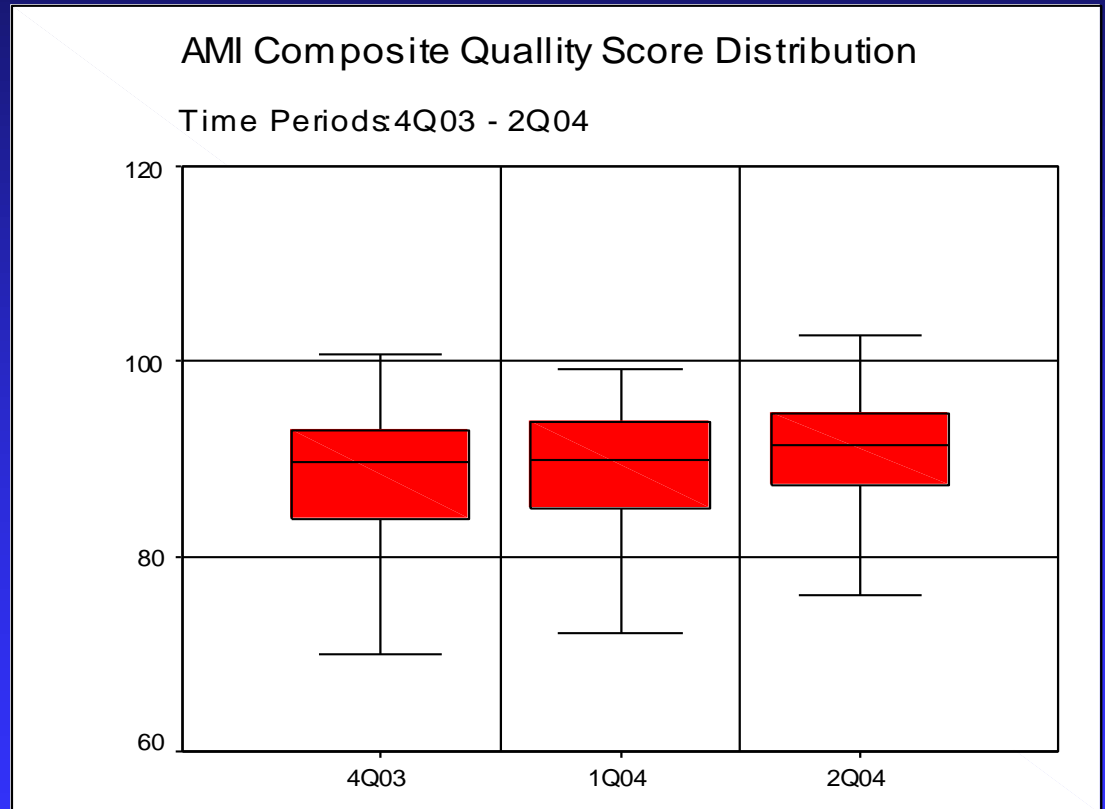
* Improvement in Composite Quality scores between 4Q-03 and 3Q-04 are significant at the $p \leq .001$ level

* Based on a paired sample t-test of the mean scores for the same time periods

CMS/Premier HQI Project

Reduction in Variation

- Positive trend in both upper and lower scores of range
- Reduction in variance (narrowing of range)
 - Median moving upward



Challenges to Incentives for Quality Performance

- Selection of measures/off label use of measures
- Dynamic measurement environment
- Measures maintenance
- Hospital Burden
- Unintended consequences
- Time lags
- Validation/Scoring methodology
- Need for proof of effectiveness

Next Frontiers

- Measurement of other dimensions of quality
- Scoring methodologies
- Benchmarking
- Incentives/Payment for quality
- Health Information Technology
- Improve health care systems

Thank you!

Sheila H. Roman, MD, MPH

410-786-6004

sheila.roman@cms.hhs.gov

