Maine Association for Healthcare Quality
November 2012

MaineHealth
Center For Quality and Safety

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Value Based Purchasing "VBP"

- Medicare performance-based reimbursement structure that aligns payment more directly to the quality and efficiency of care provided.
- Moves the Medicare reimbursement process ***from*** a passive fee-for-service payer (pay based on quantity and consumption of services) ***to*** an active purchaser of high quality, efficient, measured care.

Value Based Purchasing

“Instead of payment that asks, *How much did you do?,* the Affordable Care Act clearly moves us toward payment that asks, *How well did you do?,* and more importantly, *How well did the patient do?”*

Don Berwick

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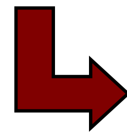
VBP…Why?

- United States healthcare expenditures:

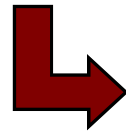
  $1.5 trillion in 2005



>$4 trillion in 2016

- Medicare expenditures alone:

  $425 billion in 2007



>$800 billion by 2017

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VBP…More Why

- Previous fee for service system rewarded providers for high volume, not quality or efficiency.
  - Wide variation in outcomes and costs to Medicare beneficiaries …and others.
- Greater # and more vocal generation of Medicare subscribers and their children.
- Recognition of inadvertent punishment of providers for doing the right thing.
- Far greater knowledge of the effects of poor quality

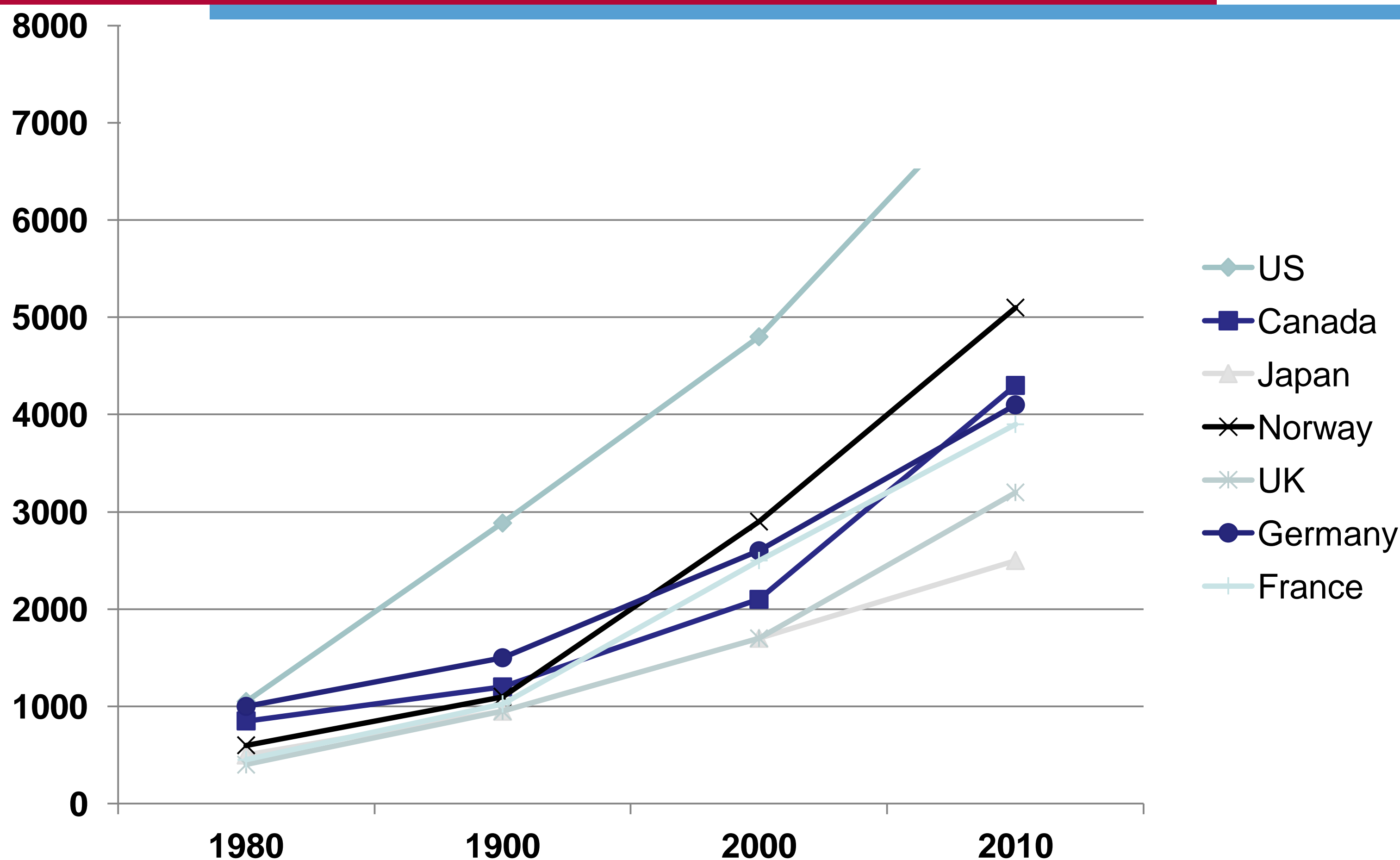
Exhibit ES-1. Overall Ranking

Country Rankings	
(dark)	1.00–2.33
(medium)	2.34–4.66
(light)	4.67–7.00

	AUS	CAN	GER	NETH	NZ	UK	US
OVERALL RANKING (2010)	3	6	4	1	5	2	7
Quality Care	4	7	5	2	1	3	6
Effective Care	2	7	6	3	5	1	4
Safe Care	6	5	3	1	4	2	7
Coordinated Care	4	5	7	2	1	3	6
Patient-Centered Care	2	5	3	6	1	7	4
Access	6.5	5	3	1	4	2	6.5
Cost-Related Problem	6	3.5	3.5	2	5	1	7
Timeliness of Care	6	7	2	1	3	4	5
Efficiency	2	6	5	3	4	1	7
Equity	4	5	3	1	6	2	7
Long, Healthy, Productive Lives	1	2	3	4	5	6	7
Health Expenditures/Capita, 2007	$3,357	$3,895	$3,588	$3,837*	$2,454	$2,992	$7,290

Note: * Estimate. Expenditures shown in $US PPP (purchasing power parity).
Source: Calculated by The Commonwealth Fund based on 2007 International Health Policy Survey; 2008 International Health Policy Survey of Sicker Adults; 2009 International Health Policy Survey of Primary Care Physicians; Commonwealth Fund Commission on a High Performance Health System National Scorecard; and Organization for Economic Cooperation and Development, OECD Health Data, 2009 (Paris: OECD, Nov. 2009).

Spending on healthcare in the United States is ***HIGHER*** and is increasing ***FASTER*** than any other developed nation



Source: May 2012. The Commonwealth Fund. Explaining High Health Care Spending in the United States: An International Comparison of Supply, Utilization, Prices and Quality

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Diabetes Lower Extremity Amputation Rates per 100,000 Population Age 15 and Older, 2007

Country	Rate
US*	36
DEN	21
SWIZ*	16
FR	13
NZ	12
Median***	12
SWE	12
CAN	11
NETH**	11
NOR	11
UK	9

* 2006.
** 2005.
*** Among countries shown.
Source: OECD Health Care Quality Indicators Data 2009.

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VBP Quick History & Impacts

- **Pre 1980's Medicare payment system based on provider claims for "customary, reasonable, and necessary costs."**
- **1980's Medicare introduces prospective payment system (PPS) based on Diagnosis Related Groups (DRG's) but maintained fee for service for ambulatory care.**
- **Early 1990's Recognition of wide variation in quality and costs of services to Medicare beneficiaries. System rewarded providers for volume vs. quality system encourages high resource consumption vs. efficiency.**
- **2000-2004 CMS aims for transforming Medicare from passive payer to active purchaser of high quality care. Other payers follow.**
- **2003 Congress authorizes Quality Reporting and Payment programs:**
  - Medicare Prescription Drug, improvement, and Modernization Act (MMA)
  - Consumers provided with quality care information to make informed decisions about their own healthcare
  - "Encouraged" hospitals & clinicians to improve quality of inpatient care to all patients.

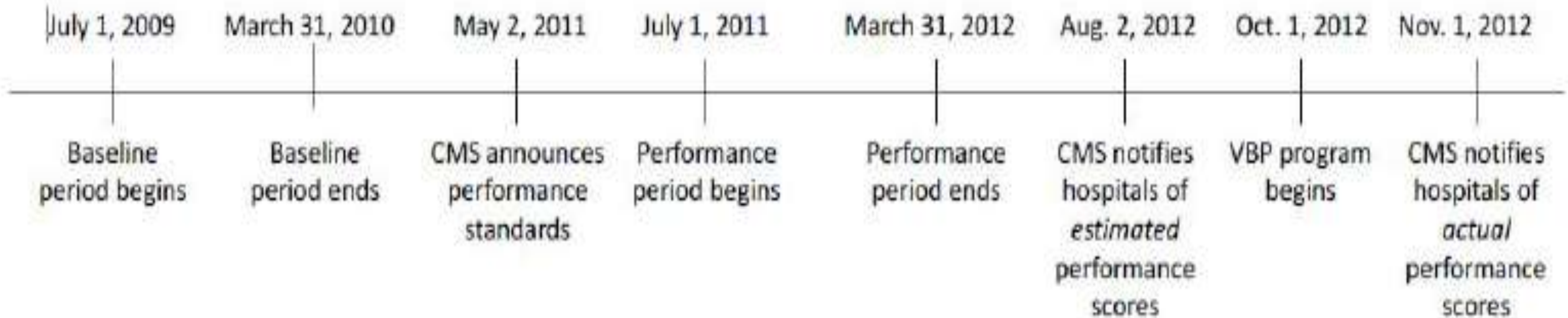
- **2004 CMS Introduces the voluntary "Hospital Quality Initiative"**
  - Requested hospitals to report on 10 quality measures (HF, AMI, Pneumonia)
- **2005 Transparency begins as data is publicly reported on CMS website. More measures are added to reporting.**
- **2005 Deficit Reduction Act (DRA) requires:**
  - A quality adjustment for DRG payment for preventable events
  - The development of a plan for a hospital value-based program to begin in 2009
- **2006 Move to "Reporting Hospital Quality Data for Annual Payment Update (RHQDAPU)…the "raise".**
  - Hospitals quality for the full Medicare raise <u>only</u> if they report quality data.
- **2007 CMS ups the ante and requires more reporting for payment.**
  - 10 existing measures
  - 11 new quality measures (21) and data requirements for surgical care improvement.
  - Non-participating hospitals are not eligible for the annual raise <u>and</u> receive a 2% reduction for FY2007.

- CMS Announces non-payment for “never-events” for FY 2008.
  - No DRG upcoding for “avoidable” complications not present on admission (POA).
  - Retained objects during surgery
  - Blood incompatibility
  - Air Embolism
  - Mediastinitis
  - Urinary tract Infections from catheters
  - Pressure ulcers
  - Blood stream/vascular infections from central line catheters.

2008 Plan is active for FY 2009, begins October 2008.

- Specified % of hospital payment is now tied to reporting <u>and</u> performance.
- Mortality and Patient Satisfaction measure are added.
- Payment is based on benchmarks and improvement from own previous scores.

Value-Based Purchasing – Timeline



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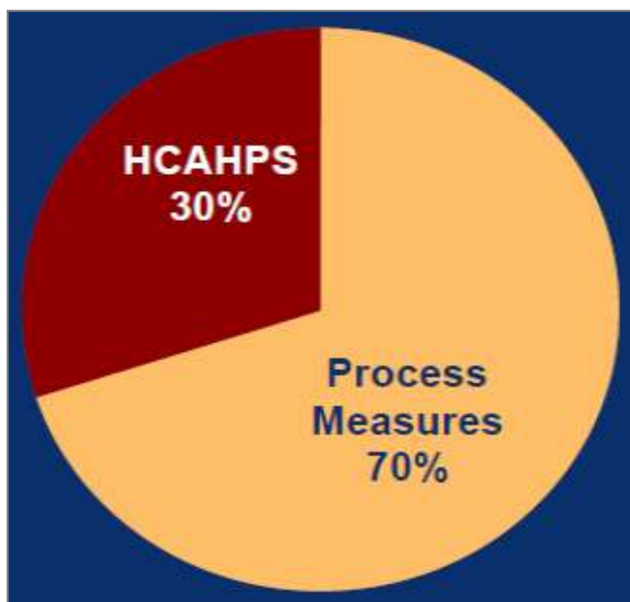
VBP…How Does It Work

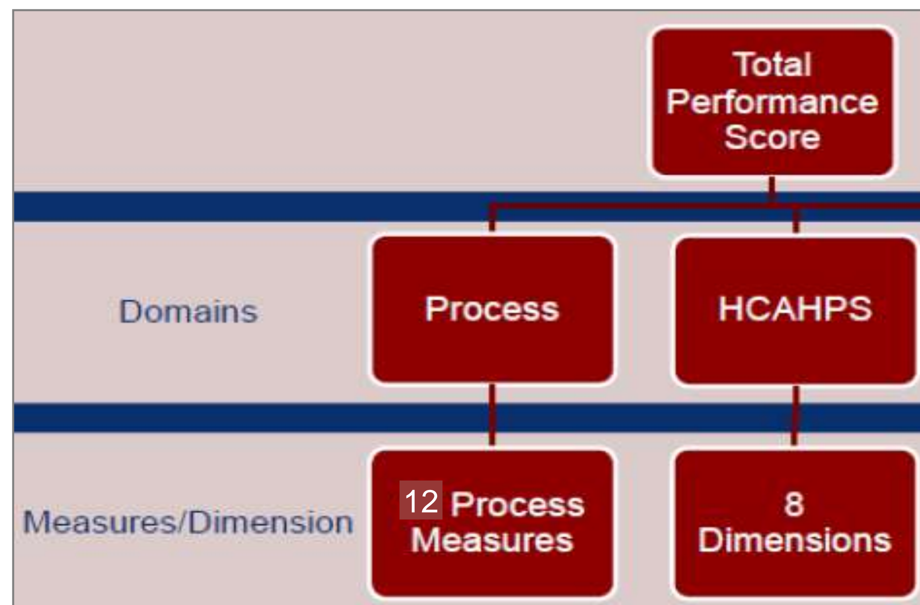
Base DRG rates are reduced. Hospitals would be able to “buy back” that incentive. Payment based on the actual score of quality measures <u>attained</u> during the 12 month measurement period AND <u>improved</u> over the preceding 12 month period.

The incentive is created by making a percentage of the base operating payment for all discharges contingent on performance.

Summary of Value-Based Purchasing Incentive Program

- The fiscal year 2013 VBP incentives will be based on a hospital's VBP Total Performance Score, which includes 12 clinical Process of Care measures (70% of the score) and the Patient Experience of Care measure using the HCAHPS dimensions (30% of the score).





VBP Factoids

- CMS recently released its final rule implementing the Hospital Inpatient Value-Based Purchasing Program (VBP).
- Medicare will make incentive payments to hospitals meeting performance standards during a specified performance period (movement toward pay for performance).
- Incentive payments will begin in FY 2013 and will apply to discharges on or after October 1, 2012.
- Funding for VBP incentives will come from a 1% withholding of DRG payments starting in FY 2013 (increasing by ¼ increments annually up to 2% in FY2017). The highest performing hospitals will receive an incentive payment greater than the amount withheld, while the lowest performing hospitals will receive less than the amount withheld.

Amount of Money at Risk

Payment Implementation

2013	→	1% of payment
2014	→	1.25%
2015	→	1.5%
2016	→	1.75%
2017	→	2%

Timeframes & Thresholds

Measurement Periods:

Baseline Period:
July 1, 2009 - March 31, 2010

Performance Period:
July 1, 2011 - March 31, 2012

Performance Thresholds:

Floor / Minimum

Achievement Threshold:
U.S. 50th percentile
(in baseline period)

Benchmark Threshold:
U.S. mean of top decile
(top-10%)
(in baseline period)

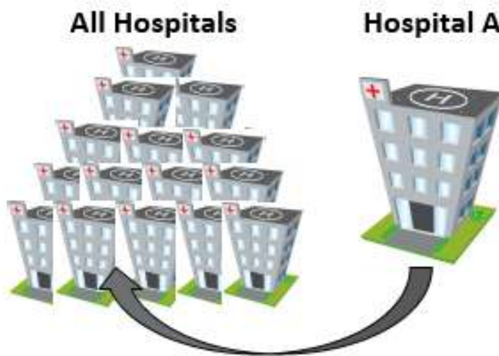
Achievement / Improvement / Consistency

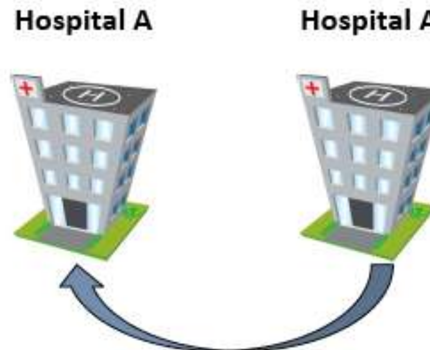
Different Scores:

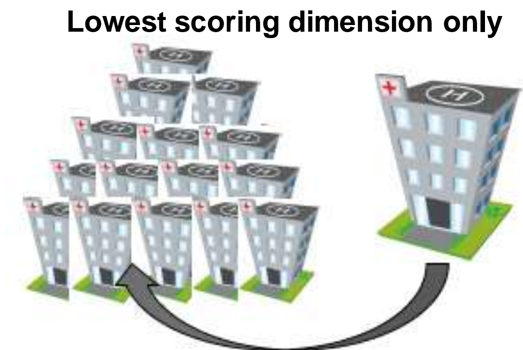
Achievement Score: Hospital's performance during performance period **compared to all hospitals' performance** during baseline period

Improvement Score: Hospital's performance during performance period **compared to its own performance** during baseline period

Consistency Score: Hospital's lowest scoring dimension **compared to all hospitals' performance for that dimension** during baseline period







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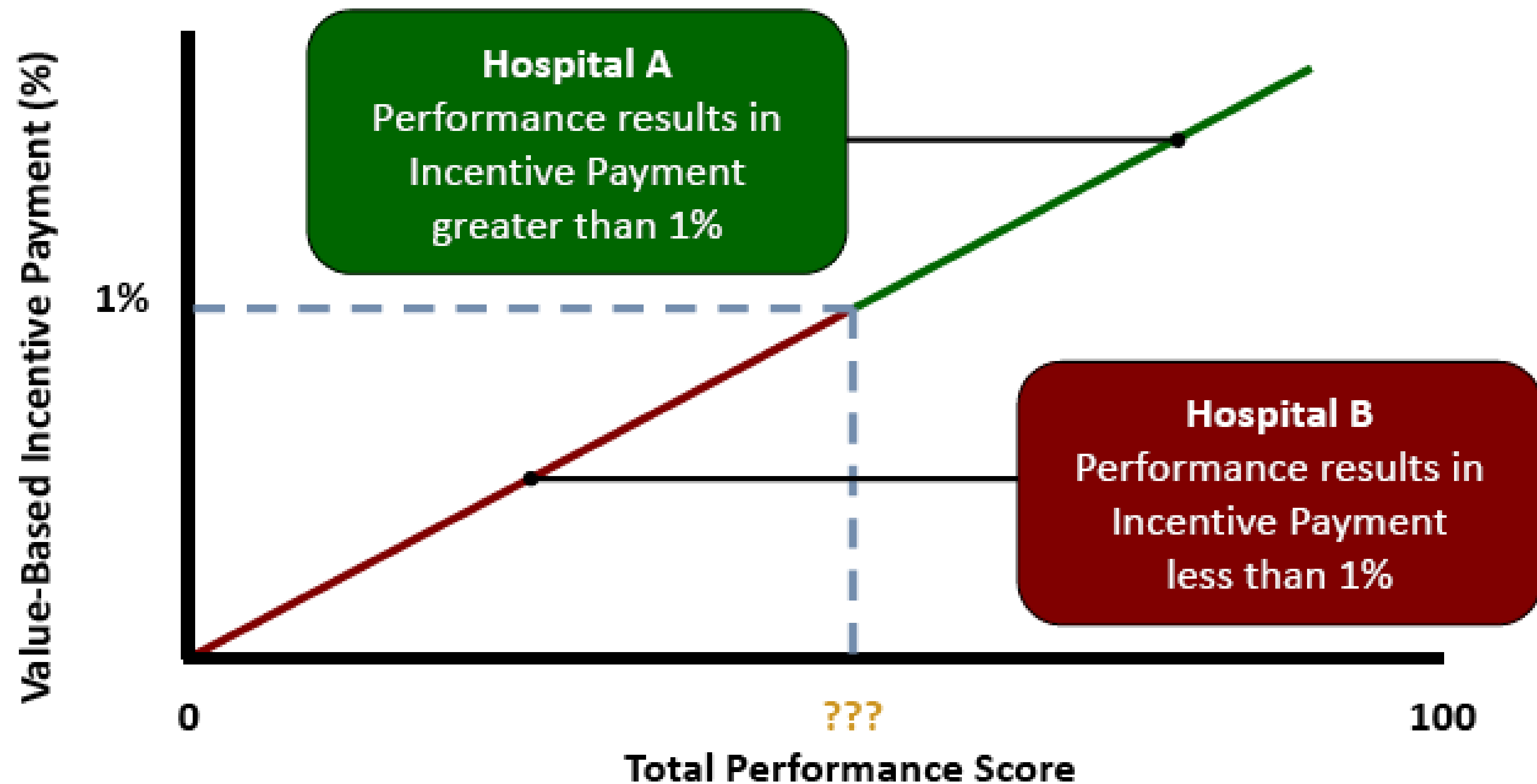
Payment Determination

- **"Break-Even"** point will be determined by the distribution scores for all hospitals, so the entire value-based purchasing program is **budget neutral**
- **Low-performing hospitals** will effectively subsidize **high-performing hospitals**



VBP…What's Next and Who Is Involved

3,100 Acute Care Hospitals Impacted. $850 million withheld. First payments in October 2012.

- ***FY2013*** 20 measures for VBP calculation
  - 12 Clinical Process of Care measures (70%)
  - 8 Patient Experience of Care dimensions (30%)
- ***FY2014*** 24 measures for VBP calculation
  - 13 Clinical Process of Care measures (45%)
  - 8 Patient Experience of Care dimensions (30%)
  - 3 Outcome measures (25%)
- ***FY2015*** 26 measures for VBP calculation
  - 12 Clinical Process of Care measures (20%)
  - 8 Patient Experience of Care dimensions (30%)
  - 5 Outcome measures (30%)
  - 1 Efficiency measure (20%)

More What's Next…

- VBP (or P4P) is the future of <u>all</u> payment systems. Direction is to move to a system that rewards best performers in all facets of health care.

- Future VBP program development includes emphasis on outcome then efficiency measures.

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