Applying the Commission's principles for measuring quality: Hospital quality incentives

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Overview

- Issues with current programs
- MedPAC's hospital value incentive program (HVIP) design
- HVIP modeling analysis
- Discussion

Issues with current hospital quality payment programs

- Contain too many, overlapping programs
- Rely on condition-specific readmission and mortality measures as opposed to all-condition measures which are more appropriate and accurate
- Include process measures that are not tied to outcomes, and provider-reported measures that may be inconsistently reported
- Score hospitals using “tournament models” (hospitals are scored relative to one another) and not clear, absolute, and prospectively set performance targets

MedPAC's HVIP design

Merge programs:

Hospital Readmissions Reduction Program (HRRP)

Hospital Value-based Purchasing (VBP) Program

Eliminate programs:

Inpatient Quality Reporting Program (IQRP)

Hospital-Acquired Condition Reduction Program (HACRP)

Hospital Value Incentive Program (HVIP)

- Include four outcome, patient experience and value measures
  - Readmissions
  - Mortality
  - Spending (MSPB)
  - Overall patient experience
- Set clear, absolute and prospective performance targets
- Account for social risk factors by directly adjusting payment through "peer grouping"
- Budget neutral to current programs
- Continue public reporting

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Benefits of moving to all-condition measures

- Improved accuracy
  - 92 percent of inpatient prospective payment system (IPPS) hospitals have over 1,000 discharges over 3 years
  - Stronger incentives for small hospitals to improve
- Balance incentives across measures
  - Readmissions: Reduced penalty per excess readmission, incentives applied to more conditions
  - Mortality: Incentives applied to more conditions
  - Could be weighted equally

HVIP scoring: Converting measure performance to HVIP points

- Each of the four measures is worth 10 points (40 total possible points)
- Each measure has a continuous performance-to-points scale (from 0 to 10 points)
  - Set points at the 2nd percentile of performance (0 points) to 98th percentile of performance (10 points)
  - Hospitals know in advance targets on the scale

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Illustrative continuous performance-to-HVIP points scale

	Risk-adjusted readmissions rates	Risk-adjusted mortality rates	Relative Medicare spending per beneficiary	Patient's overall rating of hospital
	(lower is better)	(lower is better)	(lower than 1 is better)	(higher is better)
0 points	20% or above	15% or above	1.16 or above	53% or below
2 points	18%	13%	1.09	60%
4 points	16%	11%	1.02	67%
6 points	14%	9%	0.95	73%
8 points	12%	7%	0.88	80%
10 points	10% or below	5% or below	0.82 or below	87% or above

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Only a subset of points from 0 to 10 are shown.
Highlighted values show a hypothetical hospital's HVIP points.

HVIP scoring: Converting HVIP points to payment adjustments using peer grouping

- In quality payment programs, Medicare should take into account differences in provider populations through peer grouping
  - Each provider is being compared to other providers with a similar beneficiary mix
- Modeled HVIP scoring using 10 peer groups based on share of fully dual-eligible beneficiaries
- Each peer group has 2% of total base IPPS payments withhold; redistributed based on HVIP points

Illustrative conversion of HVIP points to payment adjustments within a peer group

	Hospital 1 (500 discharges)	Hospital 2 (5,000 discharges)
HVIP points	40	30
Total base IPPS payments	$5,000,000	$60,000,000
2% withhold of IPPS payments	$100,000	$1,200,000
Total HVIP bonus pool for peer group	$1,300,000	
Percentage adjustment to payments per points	0.065% adjustment per point	
Hospital HVIP-based adjustment	2.60% ($130,000)	1.95% ($1,170,000)
Net HVIP adjustment	$30,000	– $30,000

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Illustrative HVIP payment adjustments by hospital peer groups

Peer group	Range of net HVIP payment adjustments
1 (lowest-share of fully dual- eligibles)	-1.1% to + 1.1%
3	-1.2 to + 1.0
6	-1.1 to + 1.0
10 (highest-share of fully dual-eligibles)	-1.3 to + 1.6

Only a subset of peer groups are shown.
Each peer group has a 2 percent withhold of total base IPPS payments.

Comparison of HVIP to current hospital quality programs

- Most hospitals that receive rewards (penalties) under the current programs would continue to receive rewards (penalties)
- Comparing quartiles of performance in the current program to HVIP – about 75% of hospitals were in the same or within one quartile of performance

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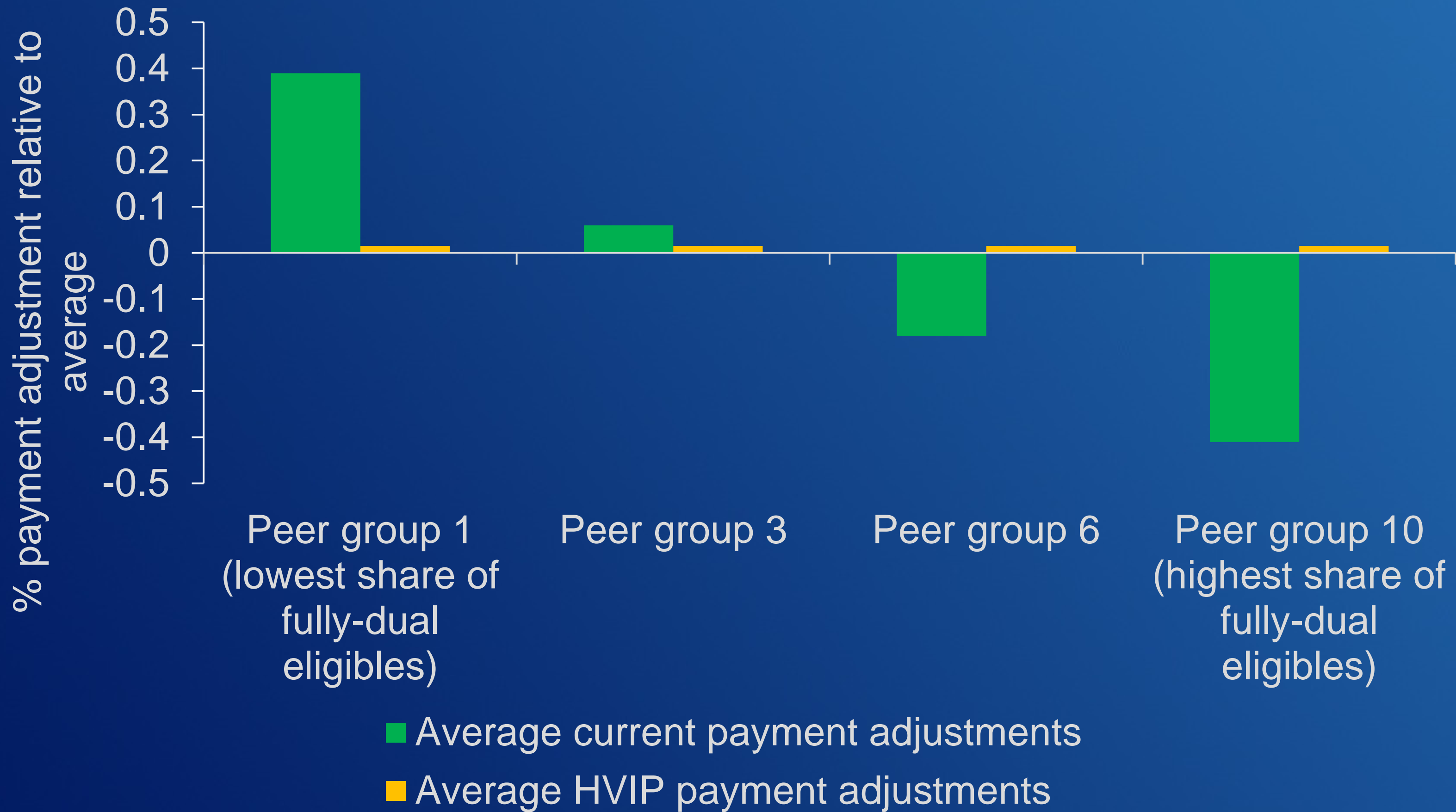
Illustrative payment adjustments relative to average by hospital peer groups



Note: We included a budget neutrality adjustment to make the current programs and HVIP comparable.

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Summary

- HVIP is simpler than the current four, overlapping programs, and promotes the coordination of care
- In line with the Commission's principles, the HVIP we modeled incorporates
  - Small set of outcome, patient experience and value measures
  - Clear, absolute, and prospectively set targets using a continuous performance-to-points scale
  - Converts those points to payment adjustments relative to peer groups
- HVIP appears to reduce the differences in payment adjustments between groups of providers serving populations with different social risk factors

Discussion

- Clarifying questions
- Feedback on
  - Design
  - Other analysis?
  - Future recommendations?

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