Mandated report on the skilled nursing facility value-based purchasing program and proposed replacement

Carol Carter, Ledia Tabor, Sam Bickel-Barlow
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MedPAC’s mandate to evaluate the SNF value-based purchasing program (VBP)

- Mandate in the Protecting Access to Medicare Act of 2014
- Evaluate the program
  - Review progress
  - Assess impacts of beneficiaries’ socio-economic status on provider performance
  - Consider any unintended consequences
- Make recommendations as appropriate
- Report due June 30, 2021
## Timetable for meeting report deadline

<table>
<thead>
<tr>
<th>September 2020</th>
<th>October 2020</th>
<th>January 2021</th>
<th>March &amp; April 2021</th>
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<tbody>
<tr>
<td>• Reviewed current design and results of the first two years</td>
<td>• Outlined an alternative design</td>
<td>• Consider policy options</td>
<td>• Review draft and final report</td>
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<td>• Identified shortcomings of the design</td>
<td>• Estimated potential impacts</td>
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<td>• Report expected to include recommendations</td>
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<td>• Compared impacts of current and alternative designs</td>
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First three years’ results of the SNF VBP

Share of SNFs:

Payments were lowered for the majority of SNFs
- 73% – 77%

Many SNFs did not earn back any portion of the amount withheld (2%)
- 21% – 39%

Few SNFs received the maximum increase
- 2% – 3%

- Maximum net payment (after 2% withhold) was relatively small (1.6% – 3.1%)

Results are preliminary and subject to change
Patterns of performance in the SNF VBP

- Higher payment adjustments for providers that
  - Were larger
  - Had lower average risk scores
  - Treated fewer fully dual-eligible beneficiaries
- Size of payment adjustments varied across years
SNF value incentive program (VIP): Score a small set of performance measures

<table>
<thead>
<tr>
<th>Current flaw</th>
<th>VIP</th>
<th>Illustrative model</th>
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| • Performance gauged with a single measure (readmissions) | • Performance gauged with a small set of performance measures  
• Measure set could evolve over time  
• Need measures of patient experience | • Hospitalizations, successful discharge, and Medicare spending per beneficiary |
## SNF VIP: Incorporate strategies to ensure reliable measure results

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| • Minimum stay count to be included in the program does not ensure reliable results for low-volume providers | • Higher reliability standard  
• Performance period could span multiple years to include as many providers as possible | • Used reliability standard of 0.7  
• 60 stays for each measure  
• Performance period spans 3 years |
SNF VIP: Establish a system for distributing rewards that minimizes “cliff” effects

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<tr>
<td>• Performance scoring does not encourage all providers to improve</td>
<td>• Design distributes rewards with minimal “cliff” effects</td>
<td>• Performance is assessed against a national distribution</td>
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<td>• All providers are encouraged to improve</td>
<td>• Scales that convert performance to points are continuous—every achievement is recognized</td>
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SNF VIP: Account for differences in patients’ social risk factors

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<td>• Does not account for social risk factors of the beneficiaries treated by a SNF</td>
<td>• Social risk factors are considered when tying performance points to incentive payments</td>
<td>• Uses peer groups to distribute payment incentives</td>
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<td>• Performance scores are not adjusted, while payments are adjusted</td>
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Tradeoffs inherent in the scoring and peer grouping design features

▪ Scoring that prevents the poorest performers from earning any reward
  ▪ Sets expectations for furnishing a minimum level of quality
  ▪ Likely to penalize those SNFs treating patients at more social risk

▪ Peer grouping counters the disadvantages that some SNFs face in achieving good performance

▪ Illustrative model:
  ▪ Did not include a minimum performance standard
  ▪ Worst-performing SNFs (bottom 14th percentile) were penalized
### Current flaw

- Amounts withheld are not fully paid out as incentive payments

### VIP

- Distributes all withheld funds back to providers as rewards based on their performance

### Illustrative model

- Withheld 5%
- All 5% distributed back to providers
- Program is not used to achieve program savings

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SNF VIP: Distribute the entire provider-funded pool of dollars as rewards and penalties
Recent legislative changes address some SNF VBP flaws

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<th>Flaw</th>
<th>Enacted change*</th>
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<td>Single performance measure</td>
<td>Allows up to 10 measures. Calls for validation of data.</td>
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<tr>
<td>Minimum count is too low</td>
<td>Program can not apply to providers that do not meet a minimum count for each measure</td>
</tr>
<tr>
<td>Scoring includes “cliffs”</td>
<td>Not addressed</td>
</tr>
<tr>
<td>No consideration of the social risk factors of a provider’s patients</td>
<td>Not addressed</td>
</tr>
<tr>
<td>Program retains a portion of the withhold as savings</td>
<td>Not addressed</td>
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* Changes to the SNF VBP enacted under the Consolidated Appropriations Act, 2021
Compared with SNF VBP, the illustrative SNF VIP would make payment adjustments more equitable for SNFs with higher shares of fully dual-eligible beneficiaries.
Compared with VBP, the illustrative SNF VIP would make payment adjustments more equitable across SNFs treating different mixes of medically complex patients.

Average risk score

- Low
- Medium
- High

Data are preliminary and subject to change.
SNF VIP should be paired with other tools to encourage improvement

▪ Public reporting of provider performance, including SNF VIP measure results
▪ Target technical assistance to low-performing providers
▪ Enhance Requirements of Participation and Special Focus Facility Program to include performance on VIP
The current SNF VBP is flawed
A replacement SNF VIP design addresses those flaws
  - Creates stronger incentives to improve quality
  - Results in more equitable payments across SNFs with different mixes of patients
Recent legislation corrects some, but not all, flaws of the current SNF VBP