Mandated report on the skilled nursing facility value-based purchasing program: An alternative value incentive program that corrects current shortcomings

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MedPAC's mandate to evaluate the SNF value-based purchasing program (VBP)

- 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

Commission's September 2020 review of the SNF VBP

- After reviewing the flaws of the SNF VBP, the Commission concluded that the SNF VBP needs to be eliminated and replaced with an improved program
- Proposed SNF value incentive program (VIP) design:
  - Aligns with the Commission's principles for quality measurement and previous work to redesign quality payment programs
  - Corrects the flaws of the SNF VBP

SNF VIP: Score a small set of performance measures

Current SNF VBP flaws	***Proposed SNF VIP***
• As required by statute, scores a single readmission measure yet quality is multi-dimensional	• Scores a small set of performance measures tied to clinical outcomes and resource use • Measures are not burdensome to report

SNF VIP: Incorporate strategies to ensure reliable results

Current SNF VBP flaws	***Proposed SNF VIP***
• Minimum stay count may be too low to ensure reliable results for low-volume providers • May not adequately differentiate performance across providers, especially low-volume providers	• Uses a higher reliability standard to determine the minimum stay count to ensure results are reliable • Could use other techniques such as scoring multiple years of performance to include low-volume providers

SNF VIP: Establish a system for distributing rewards with no “cliff” effects

Current SNF VBP flaws	***Proposed SNF VIP***
• Performance scoring does not encourage all providers to improve • As required by statute, awards points for the higher of improvement or achievement, lowers payments for the bottom 40 percent of rankings, and best performances “top out”	• Simpler scoring based on achievement creates incentive for all providers to improve • A continuous performance-to-points scale converts performance into a payment adjustment that avoids any “cliff” or “topping out” effects

SNF VIP: Account for differences in patient social risk factors using a peer grouping mechanism

Current SNF VBP flaws	***Proposed SNF VIP***
• Does not consider the social risk factors of a SNF's patient population	• Stratifies providers into peer groups based on the social risk of their patient population • Within each group, payment adjustments are based on performance relative to peer facilities

SNF VIP: Distribute the entire provider-funded pool of dollars back to providers

Current SNF VBP flaws	***Proposed SNF VIP***
• As required by statute, retains a portion of the incentive pool (based on a 2% withhold) as savings	• Distributes all withheld funds back to providers as rewards and penalties based on their performance

Illustrative SNF VIP model: Small set of performance measures

Hospitalizations during SNF stay	Successful discharge to the community	Medicare spending per beneficiary
• All cause • Includes admissions, readmissions, and observation stays	• Beneficiary was not hospitalized or did not die in the 30 days after discharge from SNF	• Measure of resource use • Encourages efficient care

- Measure set should be revised as other measures become available
- Calculated results using minimum stay count of 60 cases (0.70 reliability) using three years of data

Illustrative SNF VIP model: Use peer groups to account for the social risk of a SNF's mix of patients

- Social risk proxy: share of fully dual-eligible beneficiaries
- Assigned each provider to one of 20 peer groups based on their share of fully-dual eligible beneficiaries
  - Peer group 1 (lowest share) = average of 3% share
  - Peer group 20 (highest share) = average of 91% share
- Calculated a multiplier for each peer group that would distribute rewards and penalties based on performance within the group

Illustrative SNF VIP model: Translating performance into payment adjustments

Score each SNF's performance

- Convert performance on each measure to points (0-10 points)
- Average the points across the 3 measures

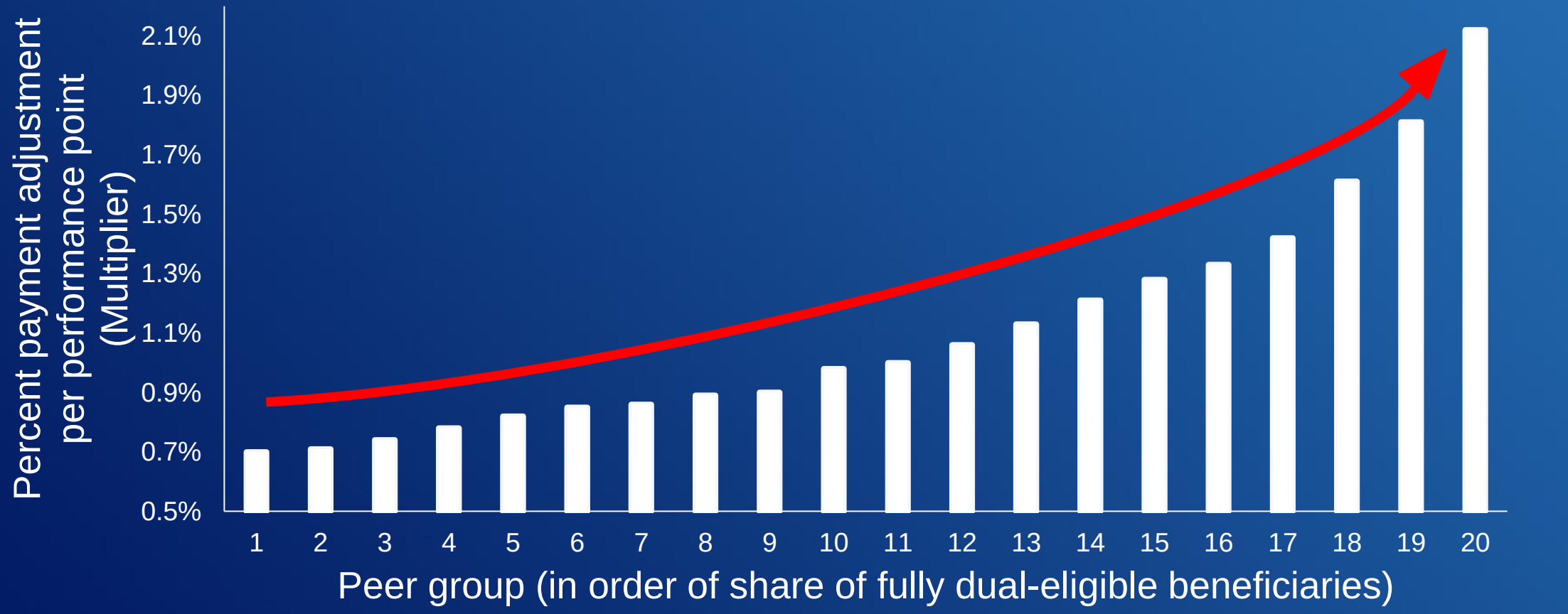
Convert performance into payment adjustment

- Pool performance points and incentive payments for providers in each peer group
- Pools financed with 5% withhold
- Distribute back incentive payments based on performance relative to peer providers

Advantages of this approach

- As a peer group's average share of fully dual-eligible beneficiaries increases, providers in the group have the potential to earn larger rewards for higher quality
- Performance rates remain intact, while payments are adjusted

Illustrative SNF VIP model: Multiplier increased as share of fully dual-eligible beneficiaries increased



Note: The multiplier converts a provider's SNF VIP points into payments based on its peer group. A smaller multiplier results in a smaller adjustment per point earned. A larger multiplier results in a larger payment adjustment per point earned.

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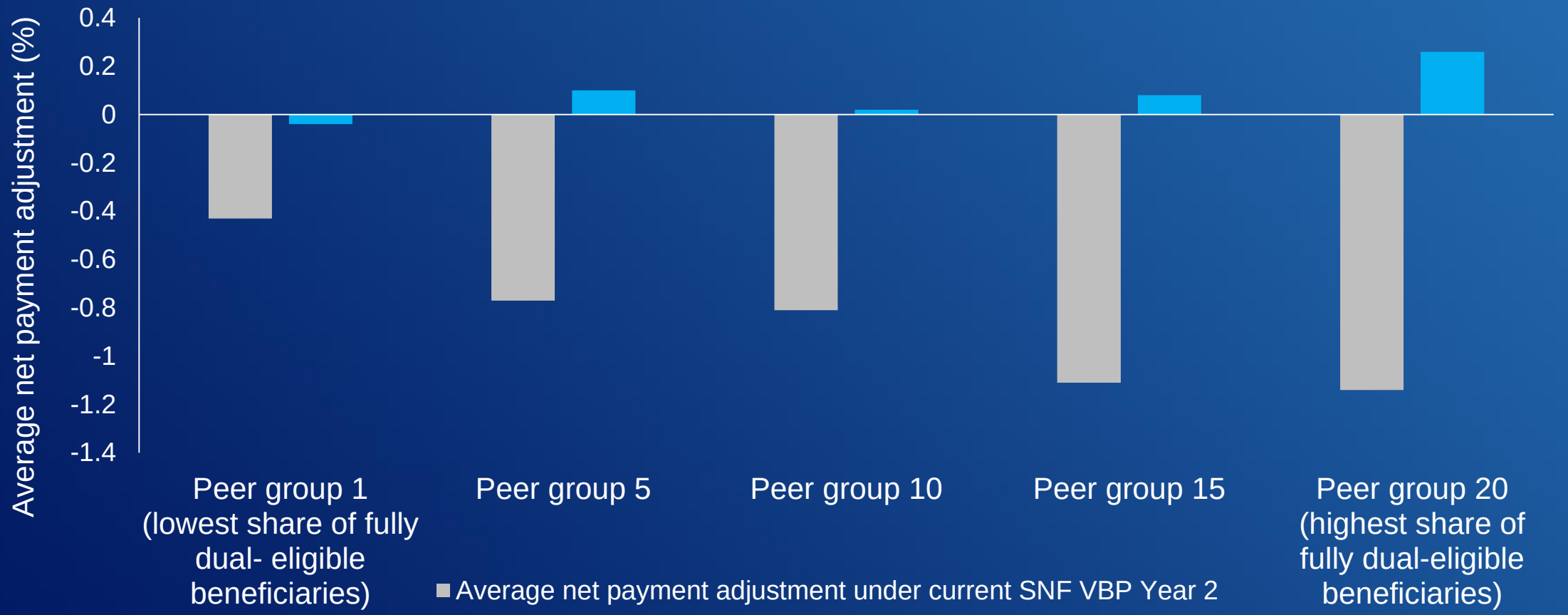
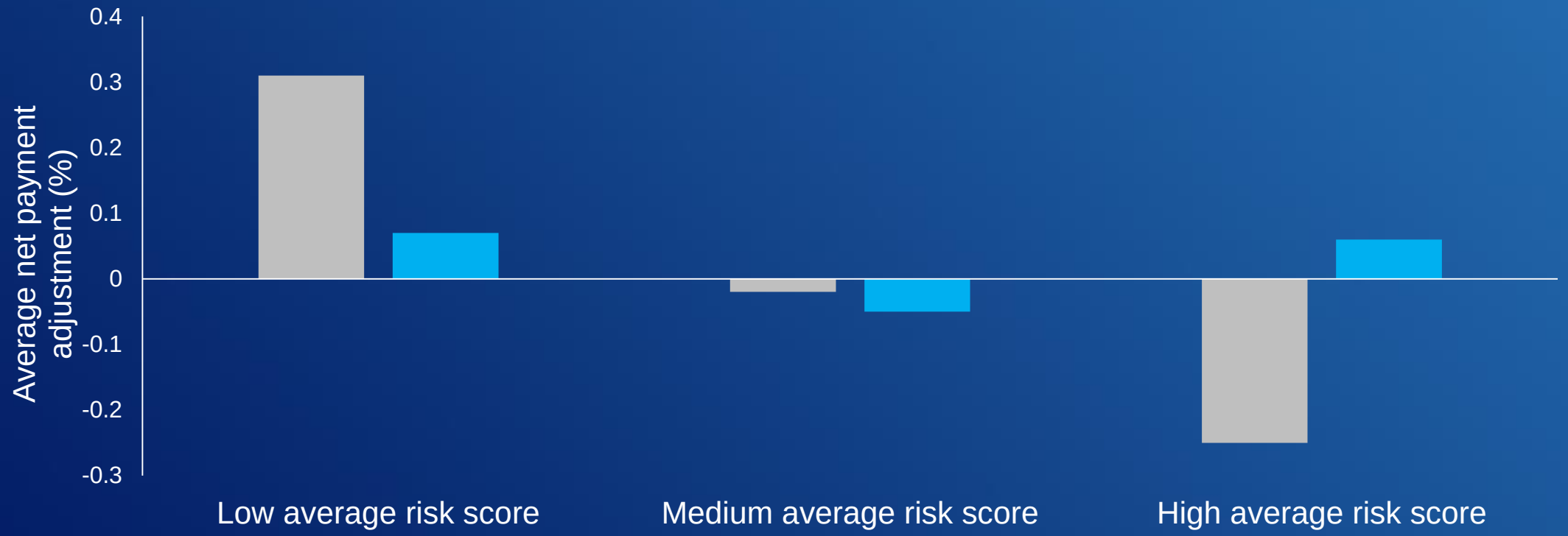
Data are preliminary and subject to change.

Illustrative SNF VIP model: Payment adjustments more equitable for SNFs with higher shares of fully dual-eligible beneficiaries



Data are preliminary and subject to change.

Illustrative SNF VIP model: Payment adjustments more equitable for SNFs treating patients with different average clinical risk scores



Data are preliminary and subject to change.

Illustrative SNF VIP model: Some variation by provider characteristics

- Average net payment adjustments slightly higher for
  - Non-profit SNFs
  - Urban SNFs
- The small number of hospital-based SNFs had notably higher average payment adjustments compared with freestanding SNFs
  - Hospital-based SNFs performed better on all 3 measures

Data are preliminary and subject to change.

Conclusion

- Proposed SNF VIP is feasible
- Design addresses the flaws of the SNF VBP
- The benefits of peer grouping were as intended—as the average share of fully dual-eligible beneficiaries increased across peer groups, providers in those groups had the potential to earn larger rewards for higher quality
- Compared to the SNF VBP, the SNF VIP results in more equitable payments across SNFs with different mixes of patients

Next steps

- In early 2021, present policy options to replace the SNF VBP with a SNF VIP
- Discussion topics for today
  - Proposed SNF VIP design
    - Score a small set of performance measures
    - Incorporate strategies to ensure reliable results
    - Establish a system for distributing rewards with no “cliff” effects
    - Account for differences in patient social risk factors using a peer group mechanism
    - Distribute the entire provider-funded pool of dollars back to providers
  - Illustrative modeling results