

Mandated report: Designing a value incentive program for post-acute care

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Mandate to establish a prototype value-based purchasing program under a unified PAC PPS

- Mandate in the Consolidated Appropriations Act, 2021
- Report shall:
 - Consider design elements
 - Analyze the effects of implementing program
 - Make recommendations as appropriate
- Report due March 15, 2022

Note: PAC (post-acute care). PPS (prospective payment system).

Today's discussion

- Unified PAC PPS
- Five design elements of a PAC value incentive program (VIP)
- Results of illustrative modeling of PAC VIP design
- Steps to implement a PAC VIP

Actions taken to align quality measurement and payments across PAC providers

- Many types of patients treated in the four PAC settings overlap but Medicare uses separate payment systems
- Congress passed the IMPACT Act (2014), calling for:
 - Uniform quality measures and patient assessment items
 - Recommendations for a PAC PPS design
 - Two studies by MedPAC: First completed in 2016, second due June 2023 (work underway)
 - Report by Secretary of HHS: Currently underway
- Congress mandated this report on PAC VIP

Commission's work on a unified payment system for PAC providers

- PAC PPS would establish payments based on patient characteristics, not setting
- Reports (2016, 2017, 2018, 2019) evaluated the impact of design elements on providers and 30+ patient groups
 - Used data from 25,000 cost reports, 8.9 million Medicare claims, and beneficiary risk score information
- MedPAC noted that PAC PPS should be accompanied by aligned regulatory requirements and a value incentive program

Design elements of a PAC VIP

- Small set of performance measures
- Strategies to ensure reliable results
- System to distribute rewards with minimal “cliff” effects
- Approach to account for differences in patients’ social risk, if necessary
- Method to distribute a provider-funded pool of dollars

Small set of performance measures

Decisions for policymakers

- Common measures only or also include measures that are specific to the patients a provider treats
- Set of performance measures
 - Will evolve over time
 - Need patient function and patient experience measures

Illustrative model

- Same common measures for all providers
- Measures:
 - Hospitalizations during stay
 - Successful discharge to the community
 - Medicare spending per beneficiary

Strategies to ensure reliable results

Decisions for policymakers

- Determine reliability standard
- Strategies to ensure reliable results for as many providers as possible

Illustrative model

- Used a 0.7 standard of reliability (70% of the variation was attributed to actual performance differences)
- Minimum of 60 stays for each measure
- Pooled three years of data to include as many providers as possible

System for distributing rewards with minimal “cliff” effects

Decisions for policymakers

- Determining whether and what minimum performance standard is required before a provider earns a reward

Illustrative model

- Awarded points for every performance achieved
- Included no thresholds
- Every provider has an incentive to improve
- Comparisons made within setting

Approach to account for differences in patients' social risk, if necessary

Decisions for policymakers

- Define and measure the social risk of a provider's patient population
 - *Conceptual* relationship and *empirical* association with outcomes
- Number of peer groups used to differentiate providers

Illustrative model

- Used the share of fully dual-eligible beneficiaries treated because *conceptual* relationship
- Used peer groups when the share of fully dual-eligible patients had *empirical* association with poorer performance
- Scaled the number of peer groups to the size of the setting

Method to distribute the provider-funded pool of dollars

Decisions for policymakers

- Size of rewards and penalties to motivate providers to improve their performance and avoid poor performance

Illustrative model

- 5 percent of payments funded the incentive pool of dollars
- All withheld funds were distributed back to providers

Data and analysis used to evaluate an illustrative PAC VIP model

- Data:
 - Claims from 23,000 PAC providers were used to calculate performance measures and estimate impacts (i.e., the net payment adjustments)
 - Enrollment file used to calculate social risk measures
- Analysis:
 - Assessed empirical association between social risk measures and provider performance using correlations
 - Evaluated alternative peer groupings
 - Confirmed impacts by provider characteristics with regressions

Illustrative PAC VIP model: SNFs and IRFs

Model parameters

- Measure of social risk = Share of fully dual-eligible beneficiaries
- Peer groups were used because higher levels of social risk were *empirically* associated with poorer performance

Results

- Peer grouping helped counter the disadvantages providers face in achieving good performance
- Nonprofit providers and hospital-based providers received larger positive payment adjustments compared with other providers

Note: SNF (skilled nursing facility), IRF (inpatient rehabilitation facilities)
Results are preliminary and subject to change.

Illustrative PAC VIP model: HHAs and LTCHs

Model parameters

- Measure of social risk = Share of fully dual-eligible beneficiaries
- Peer groups were *not* used because higher levels of social risk were associated with *better* performance

Results

- Nonprofit providers and hospital-based HHAs received larger positive payment adjustments compared with other providers

Note: HHA (home health agency), LTCH (long-term care hospital)
Results are preliminary and subject to change.

HHA and LTCH results highlight complexities of measuring social risk and performance

- Definitions of dual eligibility vary across states
- Extent of home and community-based services varies across states
- Risk adjustment may not fully capture differences in case-complexity
- For the provision of home-based care, the community risk factors may be especially important in shaping HHA performance

Steps to implementing a PAC VIP

- Implement a PAC PPS
- Concurrently align regulatory requirements
- Design a PAC VIP that incorporates the five elements

- Select performance measures
- Adopt a strategy to ensure reliable results
- Develop a system for distributing rewards with minimal “cliff” effects
- Define the measure of social risk and assess its relationship to performance
- Establish the size of the incentive pool of dollars

Discussion

- Comments on draft report
- Chapter will be included in March 2022 report