



*Advising the Congress on Medicare issues*

# Redesigning Medicare's hospital value incentive programs

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# Overview

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- Current hospital quality payment programs
- Hospital value incentive program (HVIP)
  - Design
  - Measures
  - Scoring
  - Effect on payment
- Discussion

# Current hospital quality payment programs

## **Inpatient Quality Reporting Program (IQRP)**

- Pay-for-reporting about 60 measures
- Almost all hospitals report, so no financial impact

## **Hospital Readmissions Reduction Program (HRRP)**

- Incentive to reduce readmissions
- Reduces payments by up to 3 percent, if above average readmissions

## **Hospital-Acquired Condition Reduction Program (HACRP)**

- Ranked on rates of patient safety and infections
- Reduces payment by 1 percent for the 25 percent of poorest-performing hospitals

## **Hospital Value-based Purchasing (VBP) Program**

- Score based on patient experience, safety, efficiency (e.g., Medicare spending per beneficiary), and clinical care (e.g., mortality)
- Redistributes 2 percent of inpatient payments

# Issues with current programs

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- Too many, overlapping programs
- All-condition mortality and readmission measures are more appropriate than condition-specific
- Include process measures that are not tied to outcomes, and provider-reported measures that may be inconsistently reported
- Score hospitals using “tournament models” and not clear, absolute and prospectively set performance targets

# 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)

- Score four quality and value measures
  - Readmissions
  - Mortality
  - Spending
  - Patient experience
- Set clear, absolute and prospective performance targets
- Account for social risk factors by directly adjusting payment through “peer grouping”

# Principles for quality measurement

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- Should be patient-oriented, encourage coordination across providers and time and promote change in the delivery system
- Not be unduly burdensome for providers
- Include population-based measures such as outcomes, patient experience, value (cost/low-value)

# HVIP: Four quality measures

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- HVIP would include CMS-administered measures
  1. Readmissions
  2. Mortality (stay + 30 days)
  3. Medicare spending per beneficiary (MSPB)
  4. Patients' overall rating of the hospital
- Providers may use other granular measures for their quality improvement

# Illustrative example of quality performance scoring

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- Prospective targets
- Full points for reaching the target (e.g., 10 points for having an x% readmission rate)
- Reduction of points for performing worse than the target. (e.g., 9 points for a readmission rate 10% above the target)
- Sum points from the four domains to create a HVIP score

# Converting a quality score to a financial reward

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- Withhold from all providers (e.g., 2%)
- Divide hospitals into peer groups (e.g., deciles) based on the share of low-income FFS Medicare patients
- Prospectively set how much each quality point will increase payments (i.e., each point will increase inpatient payments by  $z\%$  for hospitals in the peer group)
- Targets would be set so the expectation is that 100 percent of the withhold is returned

# Net effect on payment

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- Expect HVIP to be budget neutral to current programs
- Hospitals with better performance than their peer group target will receive HVIP payments that exceed their withhold
- Hospitals with poorer performance than their peer group target will receive HVIP payments that are less than their withhold

# Reducing hospital infections

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- Reducing infections is an important objective
- Hospitals will be required to continue to report infections to the CDC and work with them to reduce infections
- However infection rates could be excluded from the HVIP for several reasons
  - False negatives and false positives are more likely than for mortality and readmissions
  - We do not want hospitals to be penalized for improving the detection of infections that occur in the hospital

# Discussion

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- Clarifying questions
- Feedback on
  - Design
  - Measures
  - Scoring