



Value-Based Purchasing

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Value-Based Purchasing

- History
- Plans for implementation
- Proposed Methodology
- CHA DataSuite VBP Report



History of Value-Based Purchasing

- Deficit Reduction Act of 2005 authorized CMS to develop a plan to implement a pay-for-performance or Value-Based Purchasing (VBP) Program for Medicare services provided by hospitals paid under IPPS
- CMS' *Report to Congress*
 - Options for plan implementation that builds on Medicare's current Reporting Hospital Quality Data for Annual Payment Update (RHQDAPU) program.
 - Recommended replacing the current quality-reporting program with one that would include public reporting and financial incentives to drive improvements in clinical quality, patient centeredness and efficiency.

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Value-Based Purchasing Plans for Implementation

- Phased approach allowing time to gather baseline performance data for improvement scores, establish benchmarks and thresholds for computing attainment scores.
- CMS has made a recommendation to Congress but no action has yet been taken to implement VBP.

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Value-Based Purchasing Proposed Methodology

- Scoring will be based upon the data reported by hospitals in three quality domains:
 - Clinical process of care
 - Patients' perspectives of care
 - Outcomes
- The pool of "incentive" money would be funded via a carve-out from all hospital inpatient payments (2% to 5%)
- Redistribution of pool dollars will be dependent upon hospitals' scores

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Value-Based Purchasing Proposed Methodology (continued)

- RHQDAPU process of care data have been publicly available on the CMS Hospital Compare site
- HCAHPS Patients' Perspectives of Care survey is required as part of pay for reporting as of FFY 2008 and is publicly available
- Two outcomes measures, 30-day mortality of patients with AMI or heart failure, have been publicly reported since June 2007

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Value-Based Purchasing Proposed Methodology (continued)

- Overall hospital performance will be measured based on aggregate of the scores in all three domains
- RHQDAPU and HCAHPS Indicators
 - Each indicator receives a score between 1 and 10
 - Each indicator score is the higher of two measures – attainment or improved

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Value-Based Purchasing Proposed Methodology (continued)

- Each measure will have an attainment score and a national benchmark calculated
- The attainment score for an indicator is determined by comparing the hospital's performance to national benchmark and threshold levels for the indicator
 - The benchmark is the high performance measurement
 - The threshold is the minimum acceptable performance measurement

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Value-Based Purchasing Proposed Methodology (continued)

- Each measure will also have an improvement score calculated
- The improvement score for an indicator is determined by comparing the hospital's performance to its own prior year performance

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Value-Based Purchasing Proposed Methodology (continued)

- Each domain's performance scores are aggregated as a percentage of the maximum possible score, then the domain aggregates are combined to arrive at one overall VBP Total Performance Score
- Combining individual scores into one aggregate percentage will allow CMS to compare hospitals on one standardized measure
- Scores will be calculated at the start of each IPPS payment year

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Value-Based Purchasing Score Details

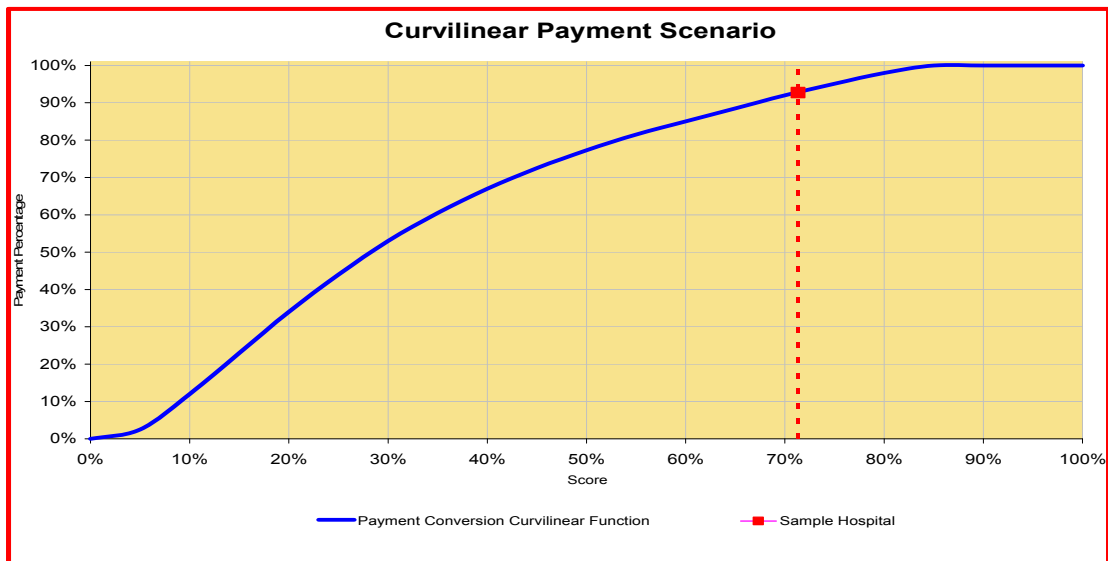
Scoring Period: January 2007 - December 2007

Base Period: April 2006 - March 2007

Indicator	National		Hospital - Base Year		Hospital - Scoring Year		Attainment Score	Improvement Score	Final Score
	Benchmark	Threshold	Case Count	Performance	Case Count	Performance			
Heart Attack Patients Given ACE Inhibitor or ARB for Left Ventricular Systolic Dysfunction (LVSD)	90.0%	60.0%	66	83%	65	94%	10	Does Not Apply	10
Heart Attack Patients Given Aspirin at Arrival	90.0%	60.0%	217	97%	275	99%	10	Does Not Apply	10
Heart Attack Patients Given Aspirin at Discharge	90.0%	60.0%	252	98%	323	99%	10	Does Not Apply	10
Heart Attack Patients Given Beta Blocker at Discharge	90.0%	60.0%	278	99%	329	100%	10	Does Not Apply	10
Heart Attack Patients Given PCI Within 120 Minutes Of Arrival	Insufficient Data	Insufficient Data	0	0%	0	Insufficient Data			Not Computed
Heart Attack Patients Given Smoking Cessation Advice/Counseling	90.0%	60.0%	104	100%	111	100%	10	Does Not Apply	10
Heart Attack Patients Given Fibrinolytic Medication Within 30 Minutes Of Arrival	85.4%	53.0%	7	43%	4	50%	Not Computed	Not Computed	Not Computed
Heart Failure Patients Given ACE Inhibitor or ARB for Left Ventricular Systolic Dysfunction (LVSD)	99.5%	87.0%	99	78%	85	86%	0	4	4
Heart Failure Patients Given Discharge Instructions	97.7%	72.0%	259	58%	236	62%	0	1	1
Heart Failure Patients Given Smoking Cessation Advice/Counseling	90.0%	60.0%	60	97%	51	100%	10	Does Not Apply	10
Pneumonia Patients Assessed and Given Pneumococcal Vaccination	97.6%	80.0%	119	87%	116	91%	6	4	6
Pneumonia Patients Given Smoking Cessation Advice/Counseling	90.0%	60.0%	47	89%	34	100%	10	Does Not Apply	10
Pneumonia Patients Given the Most Appropriate Initial Antibiotic(s)	97.1%	87.0%	99	91%	74	92%	5	2	5
Pneumonia Patients Whose Initial Emergency Room Blood Culture Was Performed Prior To The Administration Of The First Hospital Dose Of Antibiotics	90.0%	60.0%	151	79%	140	88%	9	8	9
Pneumonia Patients Assessed and Given Influenza Vaccination	99.1%	82.0%	39	79%	39	85%	2	3	3
Surgery Patients Who Received Preventative Antibiotic(s) One Hour Before Incision	97.1%	87.0%	420	76%	522	88%	1	6	6
Surgery Patients Whose Preventative Antibiotic(s) are Stopped Within 24 hours After Surgery	97.0%	79.0%	415	72%	500	80%	1	3	3
Overall Score							71%		

Payment Impact Estimate
Value-Based Purchasing
 Scoring Period: January 2007 - December 2007
Assumes 5% Pool

	Curvilinear Payment Function	
	Sample Hospital	California
Overall VBP Score	71%	70%
Payment Percentage	93%	91%
Dollars Contributed to VBP	\$2,457,000	\$460,032,000
Expected Payment from VBP	\$2,279,000	\$418,054,954
Net Loss from VBP	(\$178,000)	(\$41,977,046)





Value-Based Purchasing

```
=IF(AND(G9 >= 0, G9 < 0.1), 14 * G9^2 + -0.2 * G9, IF(G9 <= 0.2, 2.2 * G9 + -0.1, IF(G9 <= 0.3, -2 * G9^2 + 2.9 * G9 + -0.16, IF(G9 <= 0.4, -2 * G9^2 + 2.8 * G9 + -0.13, IF(G9 <= 0.5, -1.4 * G9^2 + 2.29 * G9 + -0.022, IF(G9 <= 0.6, -1.4 * G9^2 + 2.31 * G9 + -0.032, IF(G9 <= 0.75, -0.2666666666666666 * G9^2 + 1.0333333333333333 * G9 + 0.326, IF(G9 <= 0.85, -0.85 * G9^2 + 1.85 * G9 + 0.041625,1))))))))))
```

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Value-Based Purchasing

- Hospitals' VBP scores and payment percentages will be established prospectively based upon performance
- For example, the data reported between April 1, 2008 and March 31, 2009 will be the measurement year for FFY 2010
- Only top performers will be made whole
- If transition to VBP, hospitals still must participate in reporting of all data to qualify for incentive payments

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Value-Based Purchasing Outstanding Questions

- How will mortality (outcome) measures be scored and incorporated? (*Report to Congress* makes no mention)
- Will indicators with small case counts be included? (CHA excluded in our analysis)
- How will new indicators be phased in?
- How will the three domains' scores be weighted to arrive at the Total VBP score?
- What becomes of the excess pool funds?

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Update on the Hospital Fee Proposal

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Hospital Fee Proposal

- Medi-Cal reimbursement rates lowest in country
 - \$2701 in California
 - \$4,662 national average
 - \$7,000 + in some states
 - \$3.7 Billion in uncompensated care costs for hospitals
 - \$2.5 Billion +/- in “upper payment limit” room

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Hospital Fee Proposal

- Independent proposal by a Hospital System in California
 - Outside consultants
 - Approached CHA Board

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Hospital Fee Proposal

- CHA Board of Trustees
 - February 6, 2009
 - Endorsed the general “concept”
 - Leadership and management of CHA
 - Member participation
 - 2007 Board criteria

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Hospital Fee Proposal

- 2007 CHA Board Criteria
 - Hospitals must be permanently protected with respect to payments and amount of tax.
 - Hospitals must be paid by Medi-Cal at the highest level allowed under federal law.
 - The state must be required to maintain its maintenance of effort.
 - All of the money generated from the hospital tax must be used solely to benefit hospitals.
 - Only the voters can change the program.

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Hospital Fee Proposal

- Federal laws and regulations
 - Broad based and uniformly applied
 - Cannot just tax Medicaid
 - No direct or indirect guarantee to get as much back as paid in
 - Hold harmless provision
 - No direct correlation between taxes and payments
 - Statistical formula P1/P2 test

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Hospital Fee Proposal

- 21 States have a Hospital Provider Tax
 - California is “different”
 - 440 hospitals
 - UPL room created by severe under funding
 - Broad range of business models
 - Uneven distribution of Medicaid population
 - » Geography
 - » Micro-economies
 - Results in significant redistribution

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Hospital Fee Proposal

- A Lesson in UPLs
 - Six UPLs in California
 - Three Inpatient/Three Outpatient
 - » State owned public hospitals
 - » Non state owned public hospitals
 - » Private hospitals
 - Each pool is unique and each group of hospitals must not be paid at amounts greater than allowed by their UPL “room”.

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Hospital Fee Proposal

- Risks!!!!
 - Legal
 - Legislative
 - Financial
 - Political

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Hospital Fee Proposal

- CHA recommends two strategies
 - Short term solution
 - Take advantage of increased FMAP
 - Was 50/50, now 62/38
 - Through December 31, 2010
 - Longer term solution
 - Start January 1, 2011
 - June 2010 ballot initiative

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Hospital Fee Proposal

- Short term solution
 - Supplemental “add on” payments
 - Focus on easy, may not be perfect
 - Tight deadlines
 - Federal fiscal year considerations
 - October 1, 2008 – December 31, 2010

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Hospital Fee Proposal

- Long term strategy
 - Very complex
 - CMAC – alternative solution
 - FMAP rate decreases back to 50/50
 - Timeline for this aggressive agenda is very tight.

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Hospital Fee Proposal

- The simulation model
 - Minimize the harmful effects of redistribution to as many hospitals as possible.
 - CHA Board of Trustees has final authority to support or oppose any proposal.

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Hospital Fee Proposal

- Where are we now?

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Thank you and questions

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