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Administration Implements Affordable Care Act Provision to Improve Care, Lower Costs
Value-Based Purchasing Will Reward Hospitals Based on Quality of Care for Patients

The Department of Health and Human Services (HHS) today launched a new initiative which will reward hospitals for the quality of care they provide to people with Medicare and help reduce health care costs. Authorized by the Affordable Care Act, the Hospital Value-Based Purchasing program marks the beginning of an historic change in how Medicare pays health care providers and facilities—for the first time, 3,500 hospitals across the country will be paid for inpatient acute care services based on care quality, not just the quantity of the services they provide.

This initiative helps support the goals of the [Partnership for Patients](#), a new public-private partnership that will help improve the quality, safety and affordability of health care for all Americans. The Partnership for Patients has the potential over the next three years to save 60,000 lives and save up to \$35 billion in U.S. health care costs, including up to \$10 billion for Medicare. Over the next ten years, the Partnership for Patients could reduce costs to Medicare by about \$50 billion and result in billions more in Medicaid savings.

“Changing the way we pay hospitals will improve the quality of care for seniors and save money for all of us,” said HHS Secretary Kathleen Sebelius. “Under this initiative, Medicare will reward hospitals that provide high-quality care and keep their patients healthy. It’s an important part of our work to improve the health of our nation and drive down costs. As hospitals work to improve their performance on these measures, all patients – not just Medicare patients – will benefit.”

In FY 2013, an estimated \$850 million will be allocated to hospitals based on their overall performance on a set of quality measures that have been shown to improve clinical processes of care and patient satisfaction. This funding will be taken from what Medicare otherwise would have spent, and the size of the fund will gradually increase over time, resulting in a shift from payments based on volume to payments based on performance.

“Medicare is in a unique position to reward hospitals for improving the quality of care they provide,” said Centers for Medicare & Medicaid (CMS) Administrator Donald Berwick, M.D. “Under this new initiative, we will reward hospitals for delivering high-quality care, treating their patients with respect and compassion, and ensuring they have the opportunity to participate in decisions about their treatment.”

Some of these measures will assess whether hospitals:

- Ensure that patients who may have had a heart attack receive care within 90 minutes;
- Provide care within a 24-hour window to surgery patients to prevent blood clots;
- Communicate discharge instructions to heart failure patients; and
- Ensure hospital facilities are clean and well maintained.

The measures to determine quality in the Hospital Value-Based Purchasing Program focus on how closely hospitals follow best clinical practices and how well hospitals enhance patients’ experiences of care. When hospitals follow these types of proven best practices, patients receive higher quality care and see better outcomes. And helping patients heal without complication can improve health and ultimately reduce health care costs. For example, ensuring heart failure patients receive clear instructions when they are discharged on their medications and other follow-up activities reduces the likelihood that they will suffer a preventable complication that would require them to be readmitted to the hospital.

The better a hospital does on its quality measures, the greater the reward it will receive from Medicare. The measures selected for the Hospital Value-Based Purchasing program in FY 2013 have been endorsed by national bodies of experts, including the National Quality Forum. Hospitals have been reporting on quality measures through the Hospital Inpatient Quality Reporting Program since 2004, and that information is posted on the [Hospital Compare](http://HospitalCompare) website. For a complete list of quality measures, visit www.HealthCare.gov/news/factsheets/valuebasedpurchasing04292011b.html.

In the future, CMS plans to add additional measures that focus on improved patient outcomes and prevention of hospital-acquired conditions. Measures that have reached very high compliance scores would likely be replaced, continuing to raise the quality bar.

The Hospital Value-Based Purchasing initiative is just one part of a wide-ranging effort by the Obama Administration to improve the quality of health care for all Americans, using important new tools provided by the Affordable Care Act. The Partnership for Patients is bringing together

hospitals, doctors, nurses, pharmacists, employers, unions, and state and federal government committed to keeping patients from getting injured or sicker in the health care system and improving transitions between care settings. CMS will invest up to \$1 billion to help drive these changes. In addition, proposed rules allowing Medicare to pay new Accountable Care Organizations (ACOs) to improve coordination of patient care are also expected to result in better care and lower costs.

For a fact sheet on the Hospital Value-Based Purchasing program, visit www.HealthCare.gov/news/factsheets/valuebasedpurchasing04292011a.html. To learn more about Hospital Value-based Purchasing, please visit www.cms.gov/HospitalQualityInits.

The final rule establishing the program was placed on display at the *Federal Register* today, and can be found online at: <http://www.cms.gov/HospitalQualityInits>.

More technical information about the final rule, including the measures CMS has included in the program, as well as CMS' scoring methodology, is included in a Fact Sheet posted on our Web page at: http://www.cms.gov/apps/media/fact_sheets.asp.

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