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Centers for Medicare & Medicaid Services
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Office of Media Affairs

MEDICARE NEWS

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Affordable Care Act program to improve hospital care for patients

CMS hospital inpatient value-based purchasing program would promote high-quality health care in Medicare hospitals

The Centers for Medicare & Medicaid Services (CMS) today issued a proposed rule that would establish a new hospital value-based purchasing program that would reward hospitals for providing high quality, safe care for patients. Under the program, hospitals that perform well on quality measures relating both to clinical process of care and to patient experience of care, or those making improvements in their performance on those measures, would receive higher payments under the program.

"Today's proposal is a huge leap forward in improving the quality and safety of America's hospitals for both Medicare beneficiaries and all Americans," said CMS Administrator Donald Berwick, M.D. "The hospital value-based purchasing program will reward hospitals for improving patients' experiences of care, while making care safer by reducing medical mistakes."

The hospital value-based purchasing program, which would apply beginning in FY 2013 to payments for discharges occurring on or after October 1, 2012, would make value-based incentive payments to acute care hospitals, based either on how well the hospitals perform on certain quality measures or how much the hospitals' performance improves on certain quality measures from their performance during a baseline period. The higher a hospital's performance or improvement during the performance period for a fiscal year, the higher the hospital's value-based incentive payment for the fiscal year would be.

The program, which was required by the Affordable Care Act, would apply to Medicare payments under the Inpatient Prospective Payment System (IPPS) for inpatient stays in more than 3,000 acute care hospitals. The financial incentives would be funded by a reduction in the base operating DRG payments for each discharge, which under the statute will be 1% in FY 2013, rising to 2% by FY 2017. The hospital value-based

purchasing program is one of multiple reforms that are dramatically changing how Medicare pays hospitals. Other changes that will increasingly tie payments to how effectively hospitals deliver quality care for patients include incentives for implementing electronic health records, and payment adjustments based on hospitals rates of hospital-acquired conditions and rates of readmissions.

It would be a permanent part of the IPPS and would make it possible for all hospitals paid under the IPPS to receive value-based incentive payments.

CMS has been collecting quality and patient experience information from acute care hospitals on a voluntary basis since2004, the initial year of the Hospital Inpatient Quality Reporting (IQR) Program. The IQR program was authorized by section 501(b) of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, and amended by Section 5001(b) of the Deficit Reduction Act of 2005. In recent years, a vast majority of hospitals chose to participate in the program in order to be eligible for the full annual percentage increase each year, as a result of legislation requiring Medicare to reduce the annual percentage increase for hospitals that did not participate in the reporting program. More than 95 percent of eligible hospitals have participated successfully in this Hospital Inpatient Quality Reporting program, formerly called Reporting Hospital Quality Data for Annual Payment Update (RHQDAPU), receiving their full annual percentage increase each year since the program went into effect.

"The hospital value-based purchasing program proposal expands upon CMS' long-standing pay-for-reporting program to reward hospitals not just for reporting data, but for the results of that data," said Administrator Berwick. "Value-based purchasing repositions Medicare from an observer of nationwide hospital quality to a formidable force in shaping quality going forward."

CMS will accept comments on the hospital value-based purchasing Program proposed rule until March 8, 2010, and will respond to them in a final rule to be issued next year.

The proposed rule was placed on display at the *Federal Register* today, and can be found under Special Filings at: www.ofr.gov/inspection.aspx#special. For more information, please see: www.cms.gov/hospitalqualityinits.

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

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MEDICARE FACT SHEET

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Jan. 7, 2011

Contact: CMS Office of Media Affairs
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Medicare proposes new Hospital Value-Based Purchasing program

OVERVIEW: Today the Centers for Medicare & Medicaid Services (CMS) issued a proposed rule that would establish a hospital value-based purchasing program for acute care hospitals that are paid under the Medicare Inpatient Prospective Payment System (IPPS) for inpatient services furnished to Medicare beneficiaries. The new program, which was required by the Affordable Care Act of 2010, would provide value-based incentive payments to hospitals beginning in FY 2013, based on their achievement or improvement on a set of clinical and patient experience of care quality measures. The Hospital VBP program is designed to foster improved clinical outcomes for hospital patients as well as improve how patients experience inpatient care.

BACKGROUND: The hospital value-based purchasing program continues a longstanding effort by CMS to forge a closer link between Medicare's payment systems and improvement in health care quality, including the quality and safety of care provided in the inpatient hospital setting. In recent years, CMS has undertaken a number of initiatives, including demonstrations and quality reporting programs, to lay the foundation for rewarding health care providers and suppliers for the quality of care they provide by tying a portion of their Medicare payments to their performance on quality measures. The transition of these initiatives to value-based purchasing is intended to transform Medicare from a passive payer of claims based on volume of care to an active purchaser of care based on the quality of services its beneficiaries receive. The hospital value-based purchasing program is one of multiple reforms that are dramatically changing how Medicare pays hospitals. Other changes that will increasingly tie payments to how effectively hospitals deliver quality care for patients include incentives

for implementing electronic health records, and payment adjustments based on hospitals rates of hospital-acquired conditions and rates of readmissions.

Since 2005, CMS has published information for consumers about the quality of hospital inpatient care through the Hospital Compare website at www.hospitalcompare.hhs.gov.

THE HOSPITAL VALUE-BASED PURCHASING PROGRAM UNDER THE AFFORDABLE CARE ACT: Section 3001 of the Affordable Care Act requires CMS to implement a hospital value-based purchasing program that rewards hospitals for the quality of care they provide as demonstrated by their performance or improvement on measures of care quality, rather than simply adjusting payments for reporting on quality measures as had been the emphasis of previous national-level hospital quality initiatives.

Today's proposed rule includes proposed measures for the hospital value-based purchasing program, proposed performance standards for the program, a proposed scoring scheme, and, finally, proposals for how these scores would translate into value-based incentive payments for hospitals in FY 2013.

Under the new hospital value-based purchasing program, CMS would evaluate a hospital's performance during an identified performance period based on achievement or improvement relative to performance standards established for the program. Hospitals that achieve certain performance standards during this performance period or that improve their performance over prior performance during a baseline period would receive incentive payments for discharges occurring on or after Oct. 1, 2012.

By statute, the aggregate hospital value-based purchasing payments across all hospitals must be funded through a reduction in base operating DRG payments for each discharge, which will be 1% in FY 2013, rising to 2% by FY 2017.

PROPOSED HOSPITAL VALUE-BASED PURCHASING QUALITY MEASURES: For the FY 2013 hospital value-based purchasing program, CMS proposes to use 17 clinical process of care measures as well as 8 measures from the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) survey that document patients' experience of care. The quality measures CMS proposes to use for the FY 2013 hospital value-based purchasing program are attached to this Fact Sheet in Appendix A. CMS also proposes to adopt three mortality outcome measures, eight Hospital Acquired Condition (HAC) measures, and nine Agency for Healthcare Research and Quality (AHRQ) measures for the FY 2014 Hospital VBP program, which are also specified in Appendix A.

Hospitals have already been reporting these measures to CMS as part of the Hospital Inpatient Quality Reporting Program (Hospital IQR), and data regarding hospital performance on these measures are available to the public on the Hospital Compare website at www.hospitalcompare.hhs.gov.

PROPOSED PERFORMANCE SCORING:

Proposed Performance Period: As required by the Affordable Care Act, CMS is proposing a performance period that ends prior to the beginning of FY 2013, specifically from July 1, 2011 through March 31, 2012, for the FY 2013 hospital value-based purchasing payment determination. CMS anticipates that in future fiscal years, the Agency may propose to use a full year as the performance period. In addition, CMS is proposing to use an 18-month performance period for the three proposed mortality measures for the FY 2014 Hospital VBP payment determination, and expects to propose a performance period for the eight HAC and nine AHRQ measures in future rulemaking.

Proposed Scoring Methods: CMS proposes to score each hospital on relative achievement and improvement ranges for each applicable measure. A hospital's performance on each quality measure would be evaluated based on the higher of an achievement score in the performance period or an improvement score, which is determined by comparing the hospital's score in the performance period with its score during a baseline period of performance. For each of the proposed clinical process and patient experience of care measures that apply to a hospital for FY 2013, CMS proposes that a hospital would earn 0-10 points for achievement based on where its performance for the measure fell within an achievement range, which is a scale between an achievement threshold and a benchmark. With regard to the improvement score, CMS proposes that a hospital would earn 0-9 points based on how much its performance on the measure during the performance period improved from its performance on the measure during the baseline period. Finally, CMS would calculate a Total Performance Score (TPS) for each hospital by combining its scores on all of the measures within each domain, multiplying its performance score on each domain by the proposed weight for the domain, and adding the weighted scores for the domains.

Proposed Incentive Payment Calculations: CMS proposes to translate each hospital's TPS into a value-based incentive payment using a linear exchange function. The linear exchange function provides the same marginal incentives to both lower- and higher-performing hospitals.

CMS proposes to notify each hospital of the *estimated* amount of its value-based incentive payment for FY 2013 through its QualityNet account at least 60 days prior to Oct. 1, 2012. CMS proposes to notify each hospital of the *exact* amount of its value-based incentive payment on or about Nov. 1, 2012.

CMS will accept public comments on the proposed rule through March 8, 2010 CMS will review all comments and respond to them in a final Hospital VBP rule scheduled to be released some time in 2011.

To view the hospital value-based purchasing proposed rule, please see: www.ofr.gov/inspection.aspx.

For more information about CMS' hospital quality improvement and measurement programs, please visit www.cms.gov/hospitalqualityinits.

Appendix A
PROPOSED QUALITY MEASURES
HOSPITAL VALUE-BASED PURCHASING PROGRAM:
FISCAL YEAR 2013

Clinical Process of Care Measures	
Measure ID	**Measure Description**
Acute Myocardial Infarction	
AMI-2	Aspirin Prescribed at Discharge
AMI-7a	Fibrinolytic Therapy Received Within 30 Minutes of Hospital Arrival
AMI-8a	Primary PCI Received Within 90 Minutes of Hospital Arrival
Heart Failure	
HF-1	Discharge Instructions
HF-2	Evaluation of LVS Function
HF-3	ACEI or ARB for LVSD
Pneumonia	
PN-2	Pneumococcal Vaccination
PN-3b	Blood Cultures Performed in the ED Prior to Initial Antibiotic Received in Hospital
PN-6	Initial Antibiotic Selection for CAP in Immunocompetent Patient
PN-7	Influenza Vaccination
Healthcare-associated Infections	
SCIP-Inf-1	Prophylactic Antibiotic Received Within One Hour Prior to Surgical Incision
SCIP-Inf-2	Prophylactic Antibiotic Selection for Surgical Patients
SCIP-Inf-3	Prophylactic Antibiotics Discontinued Within 24 Hours After Surgery End Time
SCIP-Inf-4	Cardiac Surgery Patients with Controlled 6AM Postoperative Serum Glucose
Surgical Care Improvement	
SCIP-Card-2	Surgery Patients on a Beta Blocker Prior to Arrival That Received a Beta Blocker During the Perioperative Period
SCIP-VTE-1	Surgery Patients with Recommended Venous Thromboembolism Prophylaxis Ordered
SCIP-VTE-2	Surgery Patients Who Received Appropriate Venous Thromboembolism Prophylaxis Within 24 Hours Prior to Surgery to 24 Hours After Surgery

Patient Experience of Care Measures	
Measure ID	**Measure Description**
HCAHPS	Hospital Consumer Assessment of Healthcare Providers &Systems Survey (HCAHPS) • Communication with Nurses • Communication with Doctors • Responsiveness of Hospital Staff • Pain Management • Communication About Medicines • Cleanliness and Quietness of Hospital Environment • Discharge Information • Overall Rating of Hospital

PROPOSED QUALITY MEASURES FOR FISCAL YEAR 2014

Mortality Measures:

- Mortality-30-AMI: Acute Myocardial Infarction (AMI) 30-day Mortality Rate
- Mortality-30-HF: Heart Failure (HF) 30-day Mortality Rate
- Mortality-30-PN: Pneumonia (PN) 30-Day Mortality Rate

Hospital Acquired Condition Measures:

- Foreign Object Retained After Surgery
- Air Embolism
- Blood Incompatibility
- Pressure Ulcer Stages III & IV
- Falls and Trauma: (Includes: Fracture, Dislocation, Intracranial Injury, Crushing Injury, Burn, Electric Shock)
- Vascular Catheter-Associated Infections
- Catheter-Associated Urinary Tract Infection (UTI)
- Manifestations of Poor Glycemic Control

AHRQ Patient Safety Indicators (PSIs), Inpatient Quality Indicators (IQIs), and Composite Measures:

- PSI 06 – Iatrogenic pneumothorax, adult
- PSI 11 – Post Operative Respiratory Failure
- PSI 12 – Post Operative PE or DVT
- PSI 14 – Post Operative would dehiscence
- PSI 15 – Accidental puncture or laceration
- IQI 11 – Abdominal aortic aneurysm (AAA) repair mortality rate (with or without volume)
- IQI 19 – Hip fracture mortality rate
- Complication/patient safety for selected indicators (composite)
- Mortality for selected medical conditions (composite)