

## Hospital VBP Program Final Rule Released by CMS

The Centers for Medicare and Medicaid Services (CMS) has released a final rule establishing the Medicare hospital inpatient value-based purchasing (VBP) program. This final rule strays very little from CMS' original proposal, despite numerous comments for change from the industry.

The Affordable Care Act (ACA) of 2010 mandates that CMS implement an inpatient hospital VBP program, a pay-for-performance program that will link Medicare payment to the quality performance of acute care hospitals paid under the inpatient Prospective Payment System (IPPS).

Hospitals' quality performance, as evaluated by CMS under the final rule, will affect Medicare inpatient fee-for-service payments to hospitals beginning October 1, 2012 (federal fiscal year (FFY) 2013). CMS has also set forth rules for future program years and will continue to do so in future rulemaking.

As required by the ACA, a pool of funds to be redistributed to hospitals based on quality performance under the VBP program will be created by reducing Medicare IPPS payments for all participating hospitals—a 1.0% reduction in FFY 2013, increasing by 0.25% each year until the reduction reaches 2.0% for FFY 2017 and thereafter.

The Hospital VBP Program is one of several delivery system reforms that will affect Medicare inpatient fee-for-service payments to hospitals in the coming years. CMS is also mandated to implement payment policies for hospital readmission rates (beginning FFY 2013) and of hospital-acquired condition (HAC) rates (beginning FFY 2015).

Highlights of the VBP final rule include:

### ***Quality Measures for the FFY 2013 VBP Program***

CMS will implement a VBP program that assesses hospital quality performance using quality measures from various domains (categories of quality measures):

- clinical process of care;
  - patient experience of care;
  - patient outcomes; and
  - efficiency (as proposed by CMS in the FFY 2012 IPPS proposed rule)
- As proposed, CMS will base the FFY 2013 VBP Program on quality measures in two domains: clinical process of care and patient experience of care. All of the measures in these two domains are currently reported under the Hospital Inpatient Quality Reporting (IQR) Program, as required by the ACA.
  - CMS is adopting as final 12 of the 17 process measures proposed for use under the VBP Program. Five of the originally proposed process measures have been excluded because three measures have been deemed by CMS to be "topped out" and two measures are being retired from the Hospital IQR Program.
  - CMS is adopting as final its proposal to use a subset of measures from the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) survey for the patient experience of care domain.

- CMS will not move forward with its proposal to establish a “sub-regulatory” process that would have expedited the timeline for adding measures to the VBP Program. CMS indicates that it will simultaneously adopt measures for both the Hospital IQR Program and the Hospital VBP Program.

Table 1, provided at the end of this document, lists the quality measures subject to the FFY 2013 Hospital VBP Program.

#### ***Baseline and Performance Periods for the FFY 2013 VBP Program***

Under the VBP program, VBP scores will be calculated for each hospital based on its performance on the selected quality measures during two specific time periods. These time periods are defined by CMS as a “baseline period” and a “performance period.”

- **Baseline Period:** As proposed, quality data collected by hospitals during the 9-month period, July 1, 2009 through March 31, 2010, will be used for the baseline period. This data will serve as the baseline for determining hospital quality improvement and establishing the VBP national performance standards.
- **Performance Period:** As proposed, quality data collected by hospitals during the 9-month period, July 1, 2011 through March 31, 2012, will be used for the performance period. This data will be used to determine hospitals’ achievement scores by comparing hospital performance to the national performance standards derived from the baseline period data.

CMS was forced to use 9-month evaluation periods for the FFY 2013 VBP Program due to program implementation deadlines mandated by the ACA. CMS anticipates using 12-month baseline and performance periods in future years of the VBP program.

#### ***National Performance Standards for the FFY 2013 VBP Program***

As proposed, CMS has established national benchmarks and thresholds for each VBP Program quality measure. The benchmarks represent the highest achievement levels on quality measures; the thresholds represent the minimum achievement levels. Hospitals’ performance on individual quality measures will be compared to these national performance standards to calculate VBP “achievement” and “improvement” scores. The ACA requires CMS to take both achievement and improvement into consideration when determining hospitals’ overall VBP score.

- In response to comments from the field, CMS is not adopting its proposal to convert hospitals’ HCAHPS scores into percentile rankings to determine national performance standards and VBP scores. CMS will use the same methodology to calculate VBP scores for both the process measures and the HCAHPS measures.
- **National Benchmarks:** CMS will set the national benchmark for each process measure and each HCAHPS measure at the average performance score for the top 10% of all hospitals during the baseline period.
- **National Thresholds:** CMS will set the national threshold for each process measure and each HCAHPS measure at the median performance score (50th percentile) for all hospitals during the baseline period.

Table 1, provided at the end of this document, lists the FFY 2013 VBP national benchmarks and thresholds for each quality measure.

### **Scoring Methodology for the FFY 2013 VBP Program**

Per the ACA mandate, CMS will calculate two scores for each measure—an achievement score and an improvement score. Hospitals can earn up to 10 achievement points and up to 9 improvement points for each process and HCAHPS measure. A final score for each measure will be the higher of the two scores. These scores are calculated by comparing hospital quality performance to the national performance standards.

- CMS will calculate achievement points and improvement points for both the process measures and the HCAHPS measures using the same methodology.
- Achievement Points: CMS will use the following formula to calculate achievement points:

*[9 \* ((Hospital's performance period score - achievement threshold) / (benchmark - achievement threshold))] + .5, where the hospital performance period score falls in the range from the achievement threshold to the benchmark*

- Improvement Points: CMS will use the following formula to calculate improvement points:

*[10 \* ((Hospital performance period score - Hospital baseline period score) / (Benchmark - Hospital baseline period score))] - .5, where the hospital performance score falls in the range from the hospital's baseline period score to the benchmark*

- CMS is adopting its proposal for 20 extra “consistency” points in the patient experience of care domain only. However, CMS is modifying its proposed formula for calculating these points. The modified formula takes into consideration a performance floor based on lowest HCAHPS score for each dimension. CMS will use the following formula to calculate improvement points:

*(20 \* (lowest dimension score) – 0.5), rounded to the nearest whole number, with a minimum of zero and a maximum of 20 consistency points*

The lowest dimension score would be calculated as follows:

*((Hospital's performance period score – floor) / (achievement threshold - floor))*

### **Determining an Overall VBP Score for the FFY 2013 VBP Program**

A hospital's overall VBP score will determine its payments from the VBP incentive pool. CMS will calculate an overall VBP score for each hospital by combining the process of care domain score and the patient experience of care domain score. CMS is required by the ACA to assign weights to each domain.

- Holding to its proposal, CMS will apply a weight of 70% to the clinical process of care domain and a weight of 30% to the patient experience of care domain.

### **Payment Adjustments under the FFY 2013 VBP Program**

For the FFY 2013 Hospital VBP Program, the VBP payment incentive pool will be funded by reducing Medicare IPPS payments by 1.0%. Per the ACA, the VBP program must be budget neutral; all pool dollars must be released back to hospitals.

- CMS is adopting its proposal to use a “linear exchange function” to calculate each hospital’s payment adjustment under the VBP program. Using the adopted scoring methodology, this payout function distributes the VBP pool dollars based on the overall VBP scores of all hospitals participating in the program. Not all hospitals will earn back everything they contribute to the pool and some hospitals will earn back more than they contribute to the pool.

#### ***Future Hospital VBP Program Years***

- CMS is adopting its proposal to add a third quality domain, the patient outcomes domain, to the FFY 2014 VBP Program. CMS did not propose or adopt a weight for the patient outcomes domain, but will do so in future rulemaking.
- CMS is adopting as final 13 of the 20 outcomes measures proposed for use under the VBP Program. Seven originally proposed Agency for Healthcare Research and Quality (AHRQ) Patient Safety Indicator (PSI) and Inpatient Quality Indicator (IQI) outcome measures have been excluded because CMS believes that two AHRQ composite measures capture the data necessary for measuring hospital performance under the VBP Program. The outcomes domain will consist of the following measures:
  - Mortality Measures
    - AMI 30-day mortality
    - HF 30-day mortality
    - PN 30-day mortality
  - AHRQ PSI and IQI Composite Measures
    - Complication/patient safety for selected indicators (composite)
    - Mortality for selected medical conditions (composite)
  - HAC 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
- For the mortality measures, CMS will not adopt an 18-month baseline and performance period as proposed. Instead, to be consistent across domains, CMS is adopting 12-month baseline period and performance periods. Data from July 1, 2009 to June 30, 2010 will be used for the baseline period. Data from July 1, 2011 through June 30, 2012 will be used for the performance period.
- For the AHRQ and HAC measures, CMS is adopting its proposal to begin the performance period for these measures one year after the measures are included on the Hospital Compare Web site. Using this method, the performance period for the 2 AHRQ measures and 8 HAC measures will begin on March 3, 2012. CMS will propose and end date for this performance period in future rulemaking.
- Using the recently released FFY 2012 IPPS proposed rule as a vehicle, CMS has proposed to add a fourth domain, the efficiency domain, to the FFY 2014 VBP Program. Under CMS’ proposal, this domain would use claims data to develop a Medicare spending per beneficiary measure. The measure would be scored using the same methodology adopted for the process of care and patient

experience of care domains. CMS did not propose a weight for the efficiency domain but will do so in future rulemaking.

Table 2, provided at the end of this document, lists the FFY 2014 VBP national benchmarks and thresholds for the mortality measures. CMS has not yet established benchmarks and thresholds for the other measures within the patient outcomes domain or for the efficiency domain.

The final rule will be published in the May 6, 2011 *Federal Register*. A display copy of the final rule is currently available online at [http://www.ofr.gov/OFRUpload/OFRData/2011-10568\\_PI.pdf](http://www.ofr.gov/OFRUpload/OFRData/2011-10568_PI.pdf).

**Table 1**  
**FFY 2013 VBP Program**  
**Quality Measures and National Benchmarks/Thresholds by Domain**

***Process of Care Domain***

<b>Acute Myocardial Infarction (AMI)</b>		<b>National Threshold</b>	<b>National Benchmark</b>
AMI-7a	Fibrinolytic Therapy Received Within 30 Minutes of Hospital Arrival	0.6548	0.9191
AMI-8a	Primary PCI Received Within 90 Minutes of Hospital Arrival	0.9186	1.0000
<b>Heart Failure (HF)</b>		<b>National Threshold</b>	<b>National Benchmark</b>
HF-1	Discharge Instructions	0.9077	1.0000
<b>Pneumonia (PN)</b>		<b>National Threshold</b>	<b>National Benchmark</b>
PN-3b	Blood Cultures Performed in the Emergency Department Prior to Initial Antibiotic Received in Hospital	0.9643	1.0000
PN-6	Initial Antibiotic Selection for CAP in Immunocompetent Patient	0.9277	0.9958
<b>Healthcare-Associated Infections (as measured by Surgical Care Improvement (SCIP) measures)</b>		<b>National Threshold</b>	<b>National Benchmark</b>
SCIP-Inf-1	Prophylactic Antibiotic Received Within One Hour Prior to Surgical Incision	0.9735	0.9998
SCIP-Inf-2	Prophylactic Antibiotic Selection for Surgical Patients	0.9766	1.0000
SCIP-Inf-3	Prophylactic Antibiotics Discontinued Within 24 Hours After Surgery End Time	0.9507	0.9968
SCIP-Inf-4	Cardiac Surgery Patients with Controlled 6AM Postoperative Serum Glucose	0.9428	0.9963
<b>Surgeries (as measured by SCIP)</b>		<b>National Threshold</b>	<b>National Benchmark</b>
SCIP-VTE-1	Surgery Patients with Recommended Venous Thromboembolism Prophylaxis Ordered	0.9500	1.0000
SCIP-VTE-2	Surgery Patients Who Received Appropriate Venous Thromboembolism Prophylaxis Within 24 Hours Prior to Surgery to 24 Hours After Surgery	0.9307	0.9985

SCIP- Card-2	Surgery Patients on a Beta Blocker Prior to Arrival That Received a Beta Blocker During the Perioperative Period.	0.9399	1.0000
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**Patient Experience of Care Domain**

HCAHPS Dimension	National Threshold	National Benchmark
Communication with Nurses	75.18%	84.70%
Communication with Doctors	79.42%	88.95%
Responsiveness of Hospital Staff	61.82%	77.69%
Pain Management	68.75%	77.90%
Communication About Medicines	59.28%	70.42%
Cleanliness and Quietness of Hospital Environment	62.80%	77.64%
Discharge Information	81.93%	89.09%
Overall Rating of Hospital	66.02%	82.52%

**Table 2  
FFY 2014 VBP Program  
Mortality Measures and National Benchmarks/Thresholds within the Outcomes Domain**

**Outcomes Domain\***

Mortality Measures		National Threshold	National Benchmark
Mort-30-AMI	AMI 30-Day Mortality (Medicare Patients)	84.8082%	86.9098%
Mort-30-HF	HF 30-Day Mortality (Medicare Patients)	88.6109%	90.4861%
Mort-30-PN	PN 30-Day Mortality (Medicare Patients)	88.1795%	90.2563%

\* CMS has yet not established benchmarks and thresholds for the other measures within the patient outcomes domain.