Medicare Hospital Performance Initiatives
Value-Based Purchasing Program, Readmissions, and Healthcare Acquired Conditions

*Developments in FY 2018 Inpatient Prospective Payment System (IPPS) Proposed Rule*

June 5, 2017
Overview and rulemaking update of
- Hospital Readmissions Reduction (HRR)
- Hospital Acquired Conditions (HAC)
- Hospital Value-Based Purchasing (VBP) Program
Hospital Readmissions Reduction (HRR) and Hospital-Acquired Conditions (HAC) Programs

(Page 673 of FY 2018 proposed rule)
Hospital Readmissions Reduction (HRR) Program Background

Section 3025 of the Affordable Care Act

Penalty Program
- Only - no reward for strong performance

Payment reduction based on “higher than expected” readmissions

Commenced on October 1, 2012

Currently fifth year of implementation

2,597
- Total hospitals penalized FY 2017. $528 million penalized.

49
- Hospitals nationally penalized the maximum 3%

78%
- Hospitals penalized >1%

-0.73%
- Average penalty assessed
Conditions used in HRR (codes on FY 2018 proposed rule page 679)

<table>
<thead>
<tr>
<th>Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heart Failure (HF)</td>
</tr>
<tr>
<td>Acute Myocardial Infarction (AMI) (heart attack)</td>
</tr>
<tr>
<td>Pneumonia (PN)</td>
</tr>
<tr>
<td>COPD – Chronic obstructive pulmonary disease</td>
</tr>
<tr>
<td>THA/TKA - elective hip and knee replacements</td>
</tr>
<tr>
<td>CABG - Coronary Artery Bypass Graft surgery</td>
</tr>
<tr>
<td><em>New</em></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY Year</th>
<th>Maximum Payment Penalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1%</td>
</tr>
<tr>
<td>2014</td>
<td>2%</td>
</tr>
<tr>
<td>2015 and beyond</td>
<td>3%</td>
</tr>
</tbody>
</table>
HRR Program – How the program works

CMS collects data on eligible hospital discharges and readmissions within reporting period.

CMS generates an “expected” risk-adjusted readmission rate based on case mix and average national data.

Adjusted actual discharge rates (predicted) are compared to “expected” rates.

Specific penalties (if applicable) determined by amount of aggregate DRG payment received for readmissions.

Excess ratios >1.0 subject to some level of penalty.

Ratios <1.0 are not.

Hierarchical logistical regression determines “Excess Readmission Ratio”.

5
### HRR Basic Scoring Example

<table>
<thead>
<tr>
<th>Measures</th>
<th>Number eligible discharges</th>
<th>Number of Readmissions</th>
<th>Predicted (actual) Readmission Rate</th>
<th>Expected Readmission Rate</th>
<th>Excess Readmission Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMI – Heart Attack</td>
<td>325</td>
<td>71</td>
<td>22.3%</td>
<td>19%</td>
<td><strong>1.17</strong></td>
</tr>
<tr>
<td>COPD – Lung Disease</td>
<td>185</td>
<td>24</td>
<td>13.1%</td>
<td>15%</td>
<td>0.87</td>
</tr>
<tr>
<td>HF – Heart Failure</td>
<td>341</td>
<td>94</td>
<td>27.5%</td>
<td>24.3%</td>
<td><strong>1.13</strong></td>
</tr>
<tr>
<td>PN - Pneumonia</td>
<td>195</td>
<td>21</td>
<td>11%</td>
<td>17%</td>
<td>0.65</td>
</tr>
<tr>
<td>THA/TKA – Hip/Knee</td>
<td>564</td>
<td>17</td>
<td>3.2%</td>
<td>5.1%</td>
<td>0.62</td>
</tr>
</tbody>
</table>

This hospital would receive some level of penalty across all inpatient discharges, but not greater than 3%
New policy updates to ease processes

- Facilities are now allowed to submit a form signed by the facility’s CEO or designated personnel.
- CMS will provide formal responses notifying facilities of decisions within 90 days of receipt of facility’s request to improve transparency.
- CMS to have authority to grant ECEs due to CMS data system issues which affect facilities ability data submission.

Comments have been requested on these policy updates
Are there refinements that could strengthen the program?

What is the best data source to determine total hospital stays and if that data should include Medicare FFS and Medicare Advantage or just Medicare FFS?

Public comments requested on which social risk factors would be appropriate for stratifying measure scores and potential risk adjustment (pg. 712).

Implementation of the socioeconomic adjustment approach mandated by the 21st Century Cures Act for the FY 2019. CMS would assess penalties based on a hospital's performance relative to other hospitals with a similar proportion of patients who are dually eligible for Medicare and Medicaid.
Hospital-Acquired Conditions (HAC)
(Page 780 of FY 2018 proposed rule)
Hospital-Acquired Conditions (HAC) Program Background

<table>
<thead>
<tr>
<th>Since 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Medicare has not typically reimbursed for avoidable complications not present on admission (POA)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section 3008</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Affordable Care Act authorized the HAC reduction program</td>
</tr>
<tr>
<td>• Penalty only – no reward for strong performance</td>
</tr>
<tr>
<td>• Top quartile always penalized, regardless of distributive performance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exemptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Critical Access Hospitals (CAH) and specialty hospitals</td>
</tr>
<tr>
<td>(Cancer centers, long-term, etc.)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Penalties</th>
</tr>
</thead>
<tbody>
<tr>
<td>• FY 2017, 2,597 hospitals penalized for a total $528 million</td>
</tr>
<tr>
<td>• Increase is due to changes in how CMS measures pneumonia readmissions and the addition of coronary artery bypass grafts to the program's procedure list</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rulemaking Update</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Details on FY 2018 IPPS Proposed Rule Implementation starts on page 780</td>
</tr>
</tbody>
</table>
FY 2018 HAC Program – How the program works

Eligible hospitals & CMS collect & report data

CMS places measures into weighted categories (domains)

Individual measure scores calculated as Winsorized z-score

Total HAC scores are compared to national ranking

Domain scores are added for a total HAC score (negative scores are better)

Measure points are multiplied by the weight of the domain

HAC scores at or above the 75 percentile are penalized
FY 2017 HAC Domain Scoring

**Domain 1 measure (PSI 90 Composite)**
- Submit Medical Claims
  - If sufficient data for measure, then PSI 90 Composite measure score calculated
  - If insufficient data for measure, then no PSI 90 Composite measure score calculated

**Domain 2 measures (CLABSI, CAUTI, SSI, MRSA, and CDI)**
- If submitted data to NHSN for measure
  - If sufficient data for measure, then measure score calculated
  - If insufficient data or outlier data for measure, then no measure score calculated
- If did not submit data to NHSN for measure
  - If waiver for measure, then no measure score calculated
  - If no waiver for measure, then maximum measure score of 10 points applied

**Domain 1 score**
- If PSI 90 Composite measure score calculated, then Domain 1 score equals PSI 90 Composite measure score. Otherwise, no Domain 1 score calculated.

**Domain 2 score**
- If measure score calculated for at least one Domain 2 measure, then Domain 2 score equals average of Domain 2 measure scores. Otherwise, no Domain 2 score calculated.

**Total HAC Score**
- If Domain 1 score or Domain 2 score calculated, then Total HAC Score equals weighted average of calculated domain scores. Otherwise, no Total HAC Score calculated.
### FY 2017 HAC Program

#### Domain 1
PSI-90 AHRQ Pt Safety Composite
- PSI-3: pressure Ulcer
- PSI-6: iatrogenic pneumomonthorax
- PSI-7: central venous catheter-related blood stream infection rate
- PSI-8: hip fracture
- PSI-12: perioperative PE/DVT rate
- PSI-13: sepsis rate
- PSI-14: wound dehiscence rate
- PSI-15: accidental puncture

#### Domain 2
CDC Measures – chart abstracted
- CLABSI: Central Line Bloodstream infections
- CAUTI’s: Catheter Urinary Tract Infections
- SSI: Colon & Abdominal Hysterectomy
- **NEW!**: MRSA- Methicillin-Resistant Staphylococcus aureus
- **NEW!**: C Diff – Clostridium difficile

#### FY 2017 HAC Domain Weights

### Pie Chart
- **85%** Domain 2
- **15%** Domain 1
### FY 2017 HAC Domain Weights

<table>
<thead>
<tr>
<th>PSI Domain</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PSI-3</td>
<td>Pressure Ulcer</td>
</tr>
<tr>
<td>PSI-6</td>
<td>Latrogenic Pneumomonthorax</td>
</tr>
<tr>
<td>PSI-7</td>
<td>Central Venous Catheter-Related Bloodstream Infection Rate</td>
</tr>
<tr>
<td>PSI-8</td>
<td>Hip Fracture</td>
</tr>
<tr>
<td>PSI-12</td>
<td>Perioperative PE/DVT Rate</td>
</tr>
<tr>
<td>PSI-13</td>
<td>Sepsis Rate</td>
</tr>
<tr>
<td>PSI-14</td>
<td>Wound Dehiscence Rate</td>
</tr>
<tr>
<td>PSI-15</td>
<td>Accidental Puncture</td>
</tr>
</tbody>
</table>

- **Domain 1**: PSI-90 AHRQ Pt Safety Composite

- **Domain 2**: CDC Measures – chart abstracted
  - CLABSI: Central Line Bloodstream Infections
  - CAUTI’s: Catheter Urinary Tract Infections
  - SSI: Colon & Abdominal Hysterectomy
  - MRSA: Methicillin-Resistant Staphylococcus aureus
  - C Diff: Clostridium difficile

#### FY 2018 HAC Program
(proposed rule starting page 780)
Winsorized z-score method uses a continuous measure score rather than grouping measure results into deciles.

\[
Z\text{-Score} = \frac{(\text{Hospital’s Measure Performance} - \text{Mean Performance for All Hospitals})}{\text{Standard Deviation for All Hospitals}}
\]

- Eliminates situations in which hospitals with no adverse events and no Domain 2 scores are eligible for a penalty.
- Makes it easier to distinguish performance across hospitals.
- Substantially reduces ties of total HAC scores.
- Creates a more level playing field for hospitals with data in only one Domain.

Any hospital above the 75\textsuperscript{th} percentile (.345) is in the worse performing quartile and penalized.

- **Positive z-score** = poor performing hospitals.
- **Negative z-score** = better performing hospitals.
Each individual measure result that is populated for a hospital will be calculated as a Winsorized z-score.

In place of performance deciles and points assigned (1-10) hospitals will receive Winsorized z-score.

- Domain 1 score is now the z-score for the PSI 90
- Domain 2 score is now the average z-scores for CDC measures
Possible comment on the social risk factors regarding this program.

Comments requested accounting for disability and medical complexity in CDC and NHSN measures in Domain 2.
Both are penalty programs only

HAC program
- Risk-adjusted and assessed against a national benchmark- SIRs (standardized infection rates)
- **Windsorized Z-score approach with continuous scoring in FY 2018**
- Will always have a 1% penalty assessed to lowest performing quartile (aka highest quartile in points scored)

HRR program
- Assessed against the average rate of hospitals with similar case mixes (similar to HAC)
- Risk-adjusted
- Lower scores are better
- Penalty for excessive readmissions varies from minimal to up to 3%
MRR, HAC, and VBP in context

Max potential cumulative negative impact combined VBP, MRR & HAC
Hospital Value-Based Purchasing Program

*Background and Prior Implementation*

*(Page 717 of the FY 2018 proposed rule)*
Key policy issue for the HQC—existing value-based initiative for hospitals

One of several “value” programs created by the Affordable Care Act
  ● Goal to pay for better value of care
  ● Builds on existing Hospital Inpatient Quality Reporting (IQR) infrastructure
  ● Applies to payments for hospital discharges occurring on or after Oct. 1, 2012

Budget-neutral incentive payments
  ● Across-the-board reductions made to base diagnosis-related group (DRG) for each hospital inpatient discharge (for all eligible hospitals)
  ● Amounts withheld redistributed to hospitals by performance rates
  ● Statutory ceiling on amount of payment withheld at 2% by FY 2017

Hospitals are scored by either their achievement or improvement
  ● Achievement – Performance compared to all other hospitals in baseline period
  ● Improvement – Current performance compared to own baseline period performance
## Hospital VBP Financing

<table>
<thead>
<tr>
<th>Year</th>
<th>Hospital DRG Withhold Amount Subject to re-distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2013</td>
<td>1.00%</td>
</tr>
<tr>
<td>FY 2014</td>
<td>1.25%</td>
</tr>
<tr>
<td>FY 2015</td>
<td>1.50%</td>
</tr>
<tr>
<td>FY 2016</td>
<td>1.75%</td>
</tr>
<tr>
<td>FY 2017</td>
<td>2.00%</td>
</tr>
<tr>
<td>FY 2018 and beyond</td>
<td>2.00%</td>
</tr>
</tbody>
</table>

- Budget Neutral (Per Statute)
- DRG withholds simultaneously align with VBP Adjustment Factors (each Fiscal Year)
- $1.8 billion redistributed in FY 2017
Eligible hospitals report quality measures via Inpatient Quality Reporting (IQR)

CMS places measures into weighted categories (domains)

CMS generates improvement and achievement scores within each domain against baseline

CMS places measures into weighted categories (domains)

Total performance score (TPS) created

Hospitals receive the higher of either the sum of achievement or improvement scores

Hospitals receive the higher of either the sum of achievement or improvement scores

Total performance score (TPS) created

Hospitals receive TPS and Adjustment Factors at least 60 days prior to FY implementation

Hospitals receive TPS and Adjustment Factors at least 60 days prior to FY implementation

TPS translated to % using linear exchange function

TPS translated to % using linear exchange function

Percent converted to a VBP Payment Adjustment Factor

Percent converted to a VBP Payment Adjustment Factor

Withhold + Adjustment factors applied to DRG payments in Fiscal Year

Withhold + Adjustment factors applied to DRG payments in Fiscal Year

Withhold + Adjustment factors applied to DRG payments in Fiscal Year
Weighting of Measure Domains continues as a Key Policy Direction

- **Processes**: 70%
- **Efficiency**: 30%
- **Patient Experience**: 30%
- **Outcomes**: 20%
- **Safety**: 10%

**FY 2013**
- Processes: 45%
- Efficiency: 30%
- Patient Experience: 25%

**FY 2014**
- Processes: 10%
- Efficiency: 40%
- Patient Experience: 25%

**FY 2015**
- Processes: 25%
- Efficiency: 25%
- Patient Experience: 25%

**FY 2016**
- Processes: 25%
- Efficiency: 25%
- Patient Experience: 25%

**FY 2017**
- Processes: 25%
- Efficiency: 25%
- Patient Experience: 25%
- Safety: 20%

**FY 2018**
- Processes: 25%
- Efficiency: 25%
- Patient Experience: 25%
- Safety: 25%
FY 2017 (Oct. 2016)

- DRG withhold 2%
- $1.8 billion available for redistribution
- Second year of efficiency domain
- Efficiency increases to 25% weighting
- Removal of 13 eCQMs

FY 2018 (Oct. 2017)

- DRG withhold reaches 2% statutory ceiling
- Shortened 15 month performance period – 7/1/14 – 9/30/15
- Increased emphasis on outcomes remain
- VBP incentive payments is $1.9 billion
Achievement vs. Improvement
What’s the difference?

**Achievement Points**
- At or above benchmark = 10 points
- Between threshold and benchmark = 1-9
- Below threshold = 0

**Improvement Points**
- At or above benchmark = 9
- Rate less than or equal to baseline = 0
- Between baseline and benchmark = 0-9
### Example FY 2017 Total Performance Score Calculation Breakdown

<table>
<thead>
<tr>
<th>Domain</th>
<th>Unweighted Improvement Score</th>
<th>Unweighted Achievement Score</th>
<th>Unweighted Score</th>
<th>Weighting</th>
<th>Weighted Domain Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clinical Outcomes</td>
<td>68.3</td>
<td>62.1</td>
<td>68.3</td>
<td>30%</td>
<td>20.49</td>
</tr>
<tr>
<td>Patient Experience of Care</td>
<td>52.7</td>
<td>39.2</td>
<td>52.7</td>
<td>25%</td>
<td>13.175</td>
</tr>
<tr>
<td>Safety Domain</td>
<td>61.0</td>
<td>63.5</td>
<td>63.5</td>
<td>20%</td>
<td>12.7</td>
</tr>
<tr>
<td>Efficiency</td>
<td>21.2</td>
<td>34.5</td>
<td>34.5</td>
<td>25%</td>
<td>8.625</td>
</tr>
</tbody>
</table>

**Total Performance Score (TPS)** 54.99

**National TPS** 50

<table>
<thead>
<tr>
<th>Factor</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Operating DRG Percent Payment Amount Reduction</td>
<td>2%</td>
</tr>
<tr>
<td>Net Change in Base Operating DRG Payment Amount (Linear Exchange)</td>
<td>+0.574%</td>
</tr>
<tr>
<td>Value-Based Incentive Payment Adjustment Factor</td>
<td>1.00574</td>
</tr>
</tbody>
</table>

1.00 is the “break even” point of the withhold

Upcoming FY payments for DRG’s would increase by over ½ of 1%

Example: $10,000 surgery would be reimbursed $10,057 for the fiscal year
### Clinical Process of Care
- AMI 7a Fibrinolytic agent received w/in 30’ of hospital arrival
- IMM-2 Influenza immunization
- **NEW!** PC-01 Early elective delivery prior to 39 weeks

### Safety
- Catheter-associated urinary tract infection
- PSI-90 AHRQ Pt Safety Composite
- CLABSI – blood infection
- Surg. Site infection
- **NEW!** C.diff clostridium difficile infection
- **NEW!** MRSA meticillin-resistant staph

### Efficiency & Cost Reduction
- MSPB – Medicare spending per beneficiary

### Clinical Outcomes
- AMI 30-Day mortality rate
- HF 30-day mortality rate
- PN 30-day mortality rate

### Patient Experience & Care Coordination
- Communication with nurses
- Communication w/ physicians
- Responsiveness of staff
- Pain management
- Communication about medications
- Cleanliness and quietness
- Discharge information
- Overall rating

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**Outcomes Based**

- Patient Experience 25%
- Efficiency & Cost Reduction 25%
- Safety 20%
- Outcomes 25%

Refer to the FY 2018 Proposed Rule, page 717 for performance thresholds and benchmarks for all measures.

*Currently in performance periods for all measures. Payment adjustment effective for discharges from October 1, 2016 to September 30, 2017.*
Refer to the FY 2018 Proposed Rule, pages 717 for performance thresholds and benchmarks for all measures.
<table>
<thead>
<tr>
<th><strong>Efficiency &amp; Cost Reduction</strong></th>
<th><strong>Safety</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>MSPB – Medicare spending per beneficiary</td>
<td><strong>New!</strong> CAUTI – urinary catheter infect.</td>
</tr>
<tr>
<td><strong>Patient Experience &amp; Care Coordination</strong></td>
<td><strong>Removed!</strong> PSI-90 AHRQ Pt Safety Composite</td>
</tr>
<tr>
<td>Communication with nurses</td>
<td><strong>New!</strong> CLABSI – blood infection</td>
</tr>
<tr>
<td>Communication with physicians</td>
<td>SSI - Surg. Site infection</td>
</tr>
<tr>
<td>Responsiveness of staff</td>
<td>CDI - Clostridium difficile infection</td>
</tr>
<tr>
<td>Pain management</td>
<td>MRSA Methicillin-Resistant staph</td>
</tr>
<tr>
<td>Communication about medications</td>
<td>PC-01 elective delivery prior to 39 weeks</td>
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<tr>
<td>Cleanliness and quietness</td>
<td><strong>Clinical Outcomes</strong></td>
</tr>
<tr>
<td>Discharge information</td>
<td>AMI 30-Day mortality rate</td>
</tr>
<tr>
<td>Overall rating</td>
<td>HF 30-day mortality rate</td>
</tr>
<tr>
<td>3-Item Care Transition Measure (CTM–3)</td>
<td>PN 30-day mortality rate</td>
</tr>
<tr>
<td></td>
<td>COPD 30-day mortality <em>(FY 2021 proposed)</em></td>
</tr>
</tbody>
</table>

Refer to the FY 2018 Proposed Rule, page 727 for performance thresholds and benchmarks for all measures.
Future IQR Updates

- FY 2020: Update HCAHPS survey with questions regarding communication about pain.
- FY 2022: Adopt PN Payment measure
- FY 2023: Update stroke mortality measure to include NIH Stroke Scale claims data.
  - Proposed measure to replace PSI 90: Patient safety and adverse effects (composite) (page 738)
- Seeking comments regarding including future measures:
  - Quality of informed consent documents for elective procedures measure
  - End-of-life processes and outcomes measures for cancer patients
  - Two new nurse staffing measures
  - Eleven newly specified electronic clinical quality control measures
Submitting Public Comments

Next Steps
First draft being developed, disseminated by June 5

Feedback returned by C.O.B. Monday, June 12

Feedback collated and submitted to CMS by June 13

Encourage all HQC organizations to submit comments!
Contact Info

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