

Premier Hospital Quality Incentive Demonstration
Rewarding Superior Quality Care
FACT SHEET
December 2011

BACKGROUND

The Premier Hospital Quality Incentive Demonstration (HQID) recognized and provided financial rewards to hospitals that demonstrated high quality performance in a number of areas of acute care by increasing their payment for Medicare patients. The initial HQID was operational for three fiscal years, beginning on October 1, 2003, and ending on September 30, 2006. It was then extended for an additional three years, beginning October 1, 2006 and ended September 30, 2009. The demonstration was a CMS partnership with Premier, Inc., a nationwide organization of not-for-profit hospitals. Participating hospitals' performance under the demonstration is posted at www.cms.hhs.gov/HospitalQualityInits

Premier, Inc. was selected for the demonstration because through its database of hospitals in the Premier Perspective System, it has the ability to track and report quality data for over 30 quality measures for each of its hospitals. This capability to immediately provide such a broad set of quality data made the Premier database operationally unique and enabled a rapid test of the concept of incentives for high performance in several areas of quality.

QUALITY OF CARE MEASURES

Under the initial demonstration, top performing hospitals received bonuses based on their performance on evidence-based quality measures for inpatients with: heart attack, heart failure, pneumonia, coronary artery bypass graft, and hip and knee replacements. Starting in year five, we provided incentives for Surgical Care Improvement Project (SCIP) measures. The quality measures in the demonstration have an extensive record of validation through research, and are based on work by the Quality Improvement Organizations (QIOs), the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), the Agency for Healthcare Research and Quality, the National Quality Forum (NQF), the Premier system and other CMS collaborators.

HOSPITAL SCORING AND FINANCIAL AWARDS

Hospitals were scored on the quality measures related to each condition measured in the demonstration. Composite quality scores were calculated annually for each demonstration hospital by "rolling-up" individual measures into an overall quality score for each clinical condition. CMS determined the distribution of hospital quality scores into deciles to identify top performers for each condition.

Under the extension's new reimbursement model, CMS awarded incentive payments of \$12 million in year six to 211 hospitals for top performance, as well as top improvement

and overall attainment, in the project's six clinical areas. Overall, 1,343 awards were given in the sixth year of the project. Through the project's six years, CMS awarded more than \$60 million to participating hospitals.

PUBLIC REPORTING

Hospitals participating in Premier Hospital Quality Incentive Demonstration reported previously collected quality data currently available in the Premier Perspective database to provide a historical reference on these quality indicators. The data was published at www.cms.hhs.gov/HospitalQualityInits

Results for all six years are reported on the CMS website, recognizing those hospitals with the highest quality and noting those hospitals that received bonus awards.

HOSPITAL PARTICIPATION

Participation in the demonstration was voluntary. A total of 216 hospitals completed the demonstration. HQID hospitals included small/large, urban/rural and teaching/non-teaching facilities that volunteered to report their quality data for six high-volume inpatient conditions using national measures of quality care.

CMS is implementing value based purchasing for all hospitals, as required by the Affordable Care Act. The Premier demonstration was extremely valuable in providing design and testing of the concept.

DEMONSTRATION RESULTS FROM INCEPTION TO THE END

The average composite quality score (CQS), an aggregate of all process and outcomes measures within each clinical area, improved project-wide by 18.6 percentage points over the project's six years (October 2003 through September 2009):

- From 87.5 percent to 98.1 percent for patients with AMI (heart attack);
- From 84.8 percent to 97.6 percent for patients with coronary artery bypass graft (CABG);
- From 64.5 percent to 95.5 percent for patients with heart failure (HF);
- From 69.3 percent to 94.8 percent for patients with pneumonia (PN); and
- From 84.6 percent to 98.0 percent for patients with hip and knee (HK) replacement.

In the Surgical Care Improvement Project (SCIP) clinical area, CQS improved from 85.8 percent to 96.2 percent, year four to year six only (October 2006 to September 2009).

EXTENSION - PHASE II

CMS approved the extension of the HQID from fiscal year 2007 through fiscal year 2009. The extension included a change in the demonstration payment policies. CMS paid hospitals that improved the most as well as hospitals that achieved quality above a benchmark level.

Quality Incentive Payments. The payment structure for years four through six provided financial incentives based on threshold attainment, top performance, and significant improvement.

- a. **Attainment Award:** Hospitals that attained or exceeded median level performance, as measured in year two for each clinical area, received, in the aggregate, 40% of the total available quality incentive payment. The incentive amount was calculated and paid out on a per discharge basis; the incentive amount was uniform across hospitals and clinical conditions. The attainment median benchmark was a median composite quality score from two years prior to the performance year and was updated annually.
- b. **Top Performer Award:** Hospitals in the top performer group, defined as the top 20% of hospitals in each clinical area, received an additional incentive payment. *Note: This group received the performance award for median level attainment as well.*
- c. **Improvement Award:** Hospitals that achieved attainment and were among the top 20% of hospitals with the largest quality improvements received an additional incentive payment. Improvement was calculated based on the change in the hospital composite quality score in the performance year compared to two years prior (e.g. from year two to year 4). *Note: This group received the median level attainment performance award as well.*
- d. **Threshold Penalty:** Hospitals that did not score above the 9th decile threshold (year two) in any clinical area received a 1% reduction of their Medicare payment in that clinical area for year four; hospitals that did not score above the 10th decile threshold in any clinical areas (year two) received a 2% reduction of their Medicare payment in that clinical area for year four. The same occurred in year five with the penalty based on year three decile thresholds and for year six with the penalty based on year four decile thresholds.

Incentive payment amounts were based on the number of cases identified by CMS as being Medicare fee-for-service beneficiaries who received care within the applicable demonstration year in one of the clinical area(s) as determined by the applicable principal diagnosis or principal procedure code.

For the extension, CMS budgeted \$12 million per year for demonstration incentives. The availability and amount of payment incentives were based on the approval by CMS. Incentive payments were made annually in a lump sum.

For complete information about the HQID project, visit www.cms.hhs.gov/HospitalQualityInits