

Fact Sheet: Premier Hospital Quality Incentive Demonstration (HQID) Extension

Background and Goals of Extension: The Centers for Medicare and Medicaid Services approved the extension of the HQID from fiscal year 2007 through fiscal year 2009. Only hospitals that completed year 3 of the current demonstration are eligible to participate. The extension begins with October 1, 2006 discharges. The extension includes the basic terms of the current demonstration project. The most notable changes are in the payment methodology. The objectives will be to test new payment models, ways to measure quality, and methods to provide information to support designing value-based purchasing models.

Clinical Areas/Measures included: Clinical areas in year 4 are acute myocardial infarction (AMI), coronary artery bypass graft procedures (CABG), heart failure (HF), community acquired pneumonia (PN), and hip and knee replacement procedures (HK). HK will now include all patients, not just Medicare patients. Several measures are planned to be used for testing new ways to calculate performance. Test measures will not be used in payment scoring or public reporting for the test year, but may be eligible for inclusion in future years as appropriate and agreed upon by CMS and Premier. Any new or revised national hospital quality measures may be added and/or modified to the composite quality scores in the year they are required for national reporting (Annual Payment Update) as agreed upon by Premier and CMS.

Quality Incentive Payments. During the first three years of the demonstration, only top-performing hospitals were eligible for incentive payments. The payment structure for Year 4 provides financial incentives based on threshold attainment, top performance, and significant improvement. We will test whether or not this model provides added incentive for hospitals that are not in the top performance category to improve their care, and thus benefit their patients.

Attainment Award: Hospitals that attain or exceed median level composite quality score (CQS) performance will receive an incentive payment. The attainment median benchmark will be the median level CQS two years prior to the performance year, in this case Year 2 of the current project.

Top Performer Award: Hospitals in the top performer group consisting of the top 20% of hospitals in each clinical area will receive an additional incentive payment. Note: This group will receive the median level attainment performance award as well.

Top Improvement Award: Hospitals that attain median level performance and are among the top 20% of hospitals with the largest percentage quality improvements in each clinical area will receive an additional incentive payment. Improvement will be calculated based on the change in the hospital CQS in the performance year compared to two years prior. Note: This group will receive the median level attainment performance award as well.

Penalty: The threshold penalty methodology remains the same in Year 4 of the project. Hospitals that do not score above the 9th decile threshold set in Year 2 in the 4th year of the project will receive a 1% reduction of its Medicare payment in each clinical area. Hospitals that do not score above the 10th decile threshold set in Year 2 in the 4th year of the project will receive a 2% reduction on their Medicare payment in each clinical area for Year 4. The payment methodology may be modified each subsequent year to enable CMS to evaluate alternative incentive models.

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