

# **REWARDING SUPERIOR QUALITY CARE: THE PREMIER HOSPITAL QUALITY INCENTIVE DEMONSTRATION**

## **CENTERS FOR MEDICARE & MEDICAID SERVICES**

### **FACT SHEET**

**March 2005**

The Premier Hospital Quality Incentive Demonstration will recognize and provide financial rewards to hospitals that demonstrate high quality performance in a number of areas of acute care. The demonstration involves a CMS partnership with Premier Inc., a nationwide organization of not-for-profit hospitals, and will reward participating top performing hospitals by increasing their payment for Medicare patients. Participating hospitals' performance under the demonstration will be posted at [www.cms.hhs.gov](http://www.cms.hhs.gov) for health care professionals.

#### **Overview**

CMS is pursuing a vision to improve the quality of health care by expanding the information available about quality of care and through direct incentives to reward the delivery of superior quality care. Through the Premier Hospital Quality Incentive Demonstration, CMS aims to see a significant improvement in the quality of inpatient care by awarding bonus payments to hospitals for high quality in several clinical areas, and by reporting extensive quality data on the CMS web site. Premier 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 34 quality measures for each of its hospitals. This capability to immediately provide such a broad set of quality data makes the Premier database operationally unique and enables a rapid test of the concept of incentives for high performance in several areas of quality.

#### **Quality of Care**

Under the demonstration, top performing hospitals will receive 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. The quality measures proposed for 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 Scores**

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

## **Financial Awards**

CMS will identify hospitals in the demonstration with the highest clinical quality performance for each of the five clinical areas. Hospitals in the top 20% of quality for those clinical areas will be given a financial payment as a reward for the quality of their care. Hospitals in the top decile of hospitals for a given diagnosis will be provided a 2% bonus of their Medicare payments for the measured condition, while hospitals in the second decile will be paid a 1% bonus. The cost of the bonuses to Medicare will be about \$7 million a year, or \$21 million over three years.

## **Improvement Over Baseline**

In year three, hospitals that do not achieve performance improvements above demonstration baseline will have adjusted payments. The demonstration baseline will be clinical thresholds set at the year one cut-off scores for the lower 9th and 10th decile hospitals. Hospitals will receive 1% lower DRG payment for clinical conditions that score below the 9th decile baseline level and 2% less if they score below the 10th decile baseline level.

## **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](http://www.cms.hhs.gov) in early 2004. The first year results will be reported in 2005 recognizing those hospitals with the highest quality and noting those hospitals that received bonus awards.

## **Hospital Participation**

Participation in the demonstration is voluntary and open to hospitals in the Premier Perspective system as of March 31, 2003. A total of 274 hospitals are participating in the demonstration. CMS will use the Premier demonstration as a pilot test of this concept, and may develop a request for additional proposals for this concept once we obtain results from the evaluation of the Premier demonstration.