Developing the Medicare Hospital Pay-for-Performance Plan

Medicare Provider Feedback Town Hall Meeting
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CMS’ Quality Improvement Roadmap

Strategies

1. Work through partnerships
2. Measure quality and report comparative results
3. Pay for performance – improve quality and avoid unnecessary costs
4. Encourage adoption of effective health information technology
5. Promote innovation and the evidence base for effective use of technology
CMS’ Quality Improvement Roadmap

• Strategy #3 – Pay for Performance
  – Reinforce CMS’ commitment to quality
  – Encourage avoidance of unnecessary costs
  – Provide greater financial support for those who are providing efficient care (higher quality per unit cost)
What Does Pay for Performance Mean to CMS?

• Mechanism for promoting better quality, while avoiding unnecessary costs
  – Explicit payment incentives to achieve identified quality and efficiency goals
Why Pay for Performance?

• Improve Quality
  – Quality of our healthcare system is inadequate
    • Wennberg’s Dartmouth Atlas
    • IOM’s Crossing the Quality Chasm

• Avoid Unnecessary Costs
  – Medicare’s various fee-for-service fee schedules and prospective payment systems are based on resource consumption and quantity of care, NOT quality or unnecessary costs avoided
    • Physician Fee Schedule and Hospital Inpatient DRGs
    • Medicare Trust Fund insolvency looms
Support for Pay for Performance

- President’s Budget
  - FY 2006
    - “The Administration will take further steps to encourage excellence in care by exploring provider payment reforms that link quality to Medicare reimbursement in a cost neutral manner. Such payment reforms should be flexible enough to support innovations in health care delivery.”
  - FY 2007
    - Expansion of P4P initiatives

- Congressional Interest in P4P and Other Value-Based Purchasing Tools
  - Deficit Reduction Act provisions for hospitals, home health agencies, and a gainsharing demonstration

- MedPAC March 2005 Report to Congress
  - P4P recommendations related to quality, efficiency, and health information technology

- IOM Reports
  - P4P recommendations in *To Err Is Human* and *Crossing the Quality Chasm*
  - Report on P4P payment incentives pending

- Private Sector
  - Rewarding Results programs
  - Employer coalitions
  - Private health plans
Hospital Quality Initiative

• MMA Section 501(b)
  – Payment differential of 0.4% for reporting (hospital pay for reporting)
  – FYs 2005-07
  – Starter set of 10 measures
  – High participation rate (>98%) for small incentive
  – Public reporting through CMS’ Hospital Compare website
Hospital Quality Initiative

• DRA Section 5001(a)
  – Payment differential of 2% for reporting (hospital P4R)
  – FYs 2007- “subsequent years”
  – Expanded measure set, based on IOM’s December 2005 Performance Measures Report
  – Expanded measures publicly reported through CMS’ Hospital Compare website
Hospital Quality Initiative

• DRA Section 5001(b)
  – Plan for hospital P4P beginning with FY 2009 that must consider:
    • Quality and cost measure development and refinement
    • Data infrastructure
    • Incentive methodology
    • Public reporting
Hospital P4P Plan Elements

- **Measures**
  - Quality, cost, patient experience
  - Valid and reliable
  - Evidence-based
  - Consensus

- **Data Infrastructure**
  - Collection
  - Analysis
  - Validation
  - Appeals

- **Incentive Methodology**
  - Individual measures or composite
  - Attainment and improvement
  - Bonus or differential
  - Funding source

- **Public Reporting**
  - Providers and professionals
  - Consumers
  - Researchers
Process for Plan Development

• CMS Hospital P4P Workgroup
  – 4 Subgroups addressing
    • Measures
    • Data infrastructure
    • Incentive methodology
    • Public reporting

• RAND contract support for Workgroup and its Subgroups

• Measures contract for in-depth support on measures issues
Key Process Milestones & Dates

- Synthesis of P4P State of the Art          October
  - Environmental Scan
  - Literature review
- Development of P4P Options Paper         December
- Listening Session #1                   January 17
  - P4P Options Paper will be posted at least 2 weeks before session
- Development of Draft Medicare Hospital P4P Plan  March
  - Will consider feedback to Options Paper from LS #1
- Listening Session #2                   April 12
  - Draft Plan will be posted at least 2 weeks before session
- Final Medicare Hospital P4P Plan         June
  - Will consider feedback to Draft Plan from LS #2
Opportunities for Input

- Response to IPPS Proposed Rule
- Listening Sessions #1 and #2
  - Will be held at CMS Baltimore with call-in numbers
- Monthly Hospital Open Door Forums
- Other suggestions?
Questions

1. How can Medicare assure a smooth transition from the current hospital pay-for-reporting program to a pay-for-performance program?

2. What challenges confronting small and rural hospitals, critical access hospitals, and safety net providers should Medicare be particularly sensitive to in developing the P4P Plan?

3. Others?
Thank You

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