

# Developing the Medicare Hospital Pay-for-Performance Plan

Medicare Provider Feedback Town Hall Meeting  
September 20, 2006

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

# 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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