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## Hospital Value-Based Purchasing

### Overview

Hospital Value-Based Purchasing (VBP) is part of the Centers for Medicare & Medicaid Services' (CMS') long-standing effort to link Medicare's payment system to a value-based system to improve healthcare quality, including the quality of care provided in the inpatient hospital setting.

The program attaches value-based purchasing to the payment system that accounts for the largest share of Medicare spending, affecting payment for inpatient stays in over 3,500 hospitals across the country.

Participating hospitals are paid for inpatient acute care services based on the *quality* of care, not just *quantity* of the services they provide.

Congress authorized Inpatient Hospital VBP in Section 3001(a) of the Affordable Care Act. The program uses the hospital quality data reporting infrastructure developed for the Hospital Inpatient Quality Reporting (IQR) Program, which was authorized by Section 501(b) of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

### Hospital VBP News

#### [Corrected Hospital VBP Program Exchange Function Slope for FY 2015 Announced](#)

CMS is announcing a technical correction to the **Fiscal Year (FY) 2015 Percentage Payment Summary Report** made available to hospitals in July 2014 through the QualityNet Secure Portal. The slope of the linear exchange function and the resulting value-based incentive payment adjustment factors are being corrected. As stated in the FY 2015 IPPS Final Rule (79 FR 50049), CMS intends to post the slope in Table 16B along with the actual payment adjustment factors in October.

For more details, please see Hospital VBP Resources below.

#### **Hospital VBP Program FY 2015 Percentage Payment Summary Report Now Available July 24, 2014**

CMS has made the Percentage Payment Summary Report for the FY 2015 Hospital Value-Based Purchasing (VBP) Program available.

The FY 2015 Hospital VBP Percentage Payment Summary Report provides hospitals with their:

- FY 2015 Hospital VBP value-based incentive payment percentage for each Medicare patient discharge in FY 2015
- Total Performance Score (TPS)
- Value-based incentive payment adjustment percentage for the third year of the program

[Hospital VBP resources](#) are available on *QualityNet*, including a [Percentage Payment Summary Report Fact Sheet](#) (PDF-123 KB) and instructions on [How to Read Your Report](#) (PDF-687 KB).

#### **Fiscal Year 2016 Hospital VBP Baseline Measures Reports Now Available (April 21, 2014)**

FY 2016 Baseline Measures Reports are now available via the QualityNet Secure Portal for hospitals eligible for the Hospital VBP Program. The report allows providers to monitor their Baseline Period performance for all domains and measures required for the Hospital VBP Program.

The report may be accessed via the Secure Portal by users who have been assigned the Hospital Reporting Feedback-Inpatient role (from the Reports section of the My Tasks page, select Run; then select the Report Category: Hospital Value Based Purchasing-Feedback Reports).

**Note:** CMS determined the FY 2015 and FY 2016 performance standards displayed for the PSI-90 measure in the FY 2013 IPPS/LTCH PPS final rule were in error due to an invalid variable used to identify Medicare claims included in the measure's performance standards calculations. The invalid variable caused CMS to include Medicare Advantage claims in the PSI-90 measure's calculations; however, the measure is designed for use only with traditional Medicare claims. The additional claims included in the calculation had the effect of raising the achievement threshold and benchmark slightly. As a result, CMS issued a technical correction to the Final Rule (FR) Doc. 2012-19079 of August 31, 2012 (77 FR 53602 and 53603), to provide the recalculated performance.

Hospitals can reference the "How to Read Your Report" document for questions related to the FY 2016 Baseline Measures Report from the Hospital Value-Based Purchasing [Resources](#) page on QualityNet.

### **CMS Adopts New Measures, Establishes Performance Standards in the FY 2015 IPPS/LTCH Final Rule**

CMS has released the FY 2015 IPPS/LTCH Final Rule. In it, CMS adopts quality measures for the FY 2017, FY 2019, and FY 2020 Hospital VBP Program years and establishes performance periods and performance standards for those measures. CMS also adopts additional policies related to performance standards and revises the domain weighting previously adopted for the FY 2017 Hospital VBP Program. Additionally, CMS discusses six potential future measures to supplement the Medicare Spending per Beneficiary (MSPB) measure in the Efficiency domain of the Total Performance Score (TPS).

### **Members Named to HVBP Monitoring and Evaluation Strategies Technical Expert Panel (01-15-13)**

Fifteen healthcare professionals from across the country have been named to participate in the Hospital Value-based Program (HVBP) Monitoring and Evaluation Strategies Technical Expert Panel. For more details, see Hospital VBP Resources below.

## **Payment Adjustments**

### **CMS to Release FY 2015 IPPS Final Rule Table 16B Linear Exchange Function Slope by October 31, 2014**

The Centers for Medicare & Medicaid Services (CMS) is releasing the **Fiscal Year (FY) 2015 Hospital Value-Based Purchasing (VBP) Program Incentive Payment Adjustment Factors** through the FY 2015 Inpatient Prospective Payment System (IPPS)/ Long-Term Care Hospital (LTCH) Final Rule Table 16B. As stated in the FY 2015 IPPS Final Rule (79 FR 50049), CMS intends to post the exchange function slope, along with the actual incentive payment adjustment factors, by October 31, 2014 on [www.CMS.gov](http://www.CMS.gov).

The slope of the linear exchange function and the resulting value-based incentive payment adjustment factors were corrected on October 1, after an error in the base operating DRG payment amount calculations was identified. The exchange function slope **originally displayed** for the FY 2015 Hospital VBP Program was calculated by CMS actuaries to be 2.5791399338. Using the corrected estimated amount available, CMS actuaries have re-calculated the FY 2015 exchange function slope. The **corrected** slope of the linear exchange function for FY 2015 payment adjustments is **2.5801048882**.

[For](#) more details, please see Hospital VBP Resources below.

## CMS Releases Hospital VBP Aggregate Payment Information on *Hospital Compare*

As part of the *Hospital Compare* refresh on October 11, 2014, CMS released Hospital Inpatient Value-Based Purchasing (VBP) aggregate payment information.

The applicable percent reduction to participating hospitals' base operating DRG payment amounts will increase by 0.25 percent each federal fiscal year (FY), starting at a 1.0 percent reduction in the first year of the Hospital VBP program until it reaches 2.0 percent. The following lists the applicable percent reductions, by year:

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- For FY 2013: 1.0 percent;
  - For FY 2014: 1.25 percent;
  - For FY 2015: 1.5 percent;
  - For FY 2016: 1.75 percent; and
  - For FY 2017 and subsequent years: 2.0 percent.

CMS published four tables displaying various ways that users can view the payment adjustment data.

- Table 1, the Net Change in Base Operating DRG Payment Amount, shows hospitals' value-based incentive payment amounts after subtracting the amount by which their Medicare payments per discharge were reduced.
- Table 2, FY2013 Distribution of Net Change in Base Operating DRG Payment Amount, shows the distribution of hospitals' value-based incentive payment amounts after subtracting the amount of the applicable percent reduction their Medicare payments.
- Table 3, FY2013 Percent Change in Base Operating DRG Payment Amount, displays how hospitals' Medicare payments changed as a result of the Hospital Value-Based Purchasing (VBP) Program in percentage terms.
- Table 4, FY2013 Value-Based Incentive Payment Amount, displays the number of hospitals that received value-based incentive payment amounts in ranges of \$50,000.

The Department of Health and Human Services (HHS) is required by law to publish aggregate information on hospitals' value-based incentive payments under the Hospital VBP Program.

## Regulations and Notices

### FY 2015 IPPS Final Rule Published (August 22, 2014)

The final rule for changes to the hospital Inpatient Prospective Payment Systems (IPPS) for acute care hospitals and FY 2015 rates has been published in the August 22 *Federal Register* (PDF), Vol. 79, No. 163 . Included in the regulations are changes to the Hospital Inpatient Quality Reporting Program and other quality reporting programs.

Details regarding various quality reporting programs begin on the *Federal Register* pages noted:

- Hospital Inpatient Quality Reporting (IQR) Program –p. 50202
- Hospital-Acquired Condition (HAC) Reduction Program –p. 50087
- Electronic Health Record (EHR) Incentive Program and Meaningful Use (MU) –p. 50319
- PPS-Exempt Cancer Hospital Quality Reporting (PCHQR) Program –p. 50277
- Hospital Value-Based Purchasing (VBP) Program –p. 50048
- Long-Term Care Hospital Quality Reporting (LTCHQR) Program –p. 50286

## Hospital VBP Resources

### General

- CMS to Post Release of FY 2015 IPPS Final Rule Table 16B Linear Exchange Function Slope October 30, 2014
- [FY2015-IPPS-NPRM-episodes-supplemental-documentation \[PDF, 636KB\]](#)
- [Roster for HVBP Monitor & Eval Technical Expert Panel \(2-11-13\) \[PDF, 46KB\]](#)
- [Hospital VBP Payment Adjustments on Hospital Compare](#)

### Fact Sheets

- FY 2015
  - [Fact Sheet for FY 2015](#), PDF-123 KB — This fact sheet discusses the major elements of the FY 2015 Percentage Payment Summary Report.

## News Archive

### **CMS considers future measures for the Efficiency and Cost Reduction domain in the FY 2015 IPPS/LTCH Proposed Rule**

CMS has posted the FY2015 IPPS/LTCH Proposed Rule. In it, CMS discusses six potential future measures to supplement the Medicare Spending per Beneficiary (MSPB) measure in the Efficiency domain of the Total Performance Score (TPS). See the “Downloads” section below for the “Hospital-Based Episode Supplemental Documentation” file, which provides technical details on these potential future measures.

### **Members Named to HVBP Monitoring and Evaluation Strategies Technical Expert Panel (01-15-13)**

Fifteen healthcare professionals from across the country have been named to participate in the Hospital Value-based Program (HVBP) Monitoring and Evaluation Strategies Technical Expert Panel. For more details, see Downloads below.

## Regulations and Notices Archive

### **CMS Finalizes Program Provisions for FYs 2014 and 2016-19 of HVBP (8-1-13)**

On August 1, 2013, CMS announced the display of the FY 2014 IPPS Final Rule, which included a number of policies related to the Hospital VBP Program. Specifically, we finalized payment and operational details for FY 2014, the second year in which value-based incentives are available under the program. We also finalized new policies for FY 2016, including (1) new measures, (2) performance periods, (3) performance standards, and (4) domain weighting.

The final rule also included policies related to certain measures for FY 2017 through FY 2019, including performance periods, and performance standards for those program years, as well as a new domain structure for FY 2017 based on the National Quality Strategy and its priorities of better patient outcomes, quality, safety, and lower cost for Medicare payments.

[The final rule was published in the Federal Register on August 19, 2013.](#)

## Resources Archive

### Downloads

- [FY 2014 Value-based Incentive Payment Adjustment Factors \[ZIP, 278KB\]](#)
- [FY 2013 HVBP Payment Adjustment Factors \(12-20-12\) \[ZIP, 186KB\]](#)
- [Presentation - National Provider Call on HVBP FY 2013 Actual Reports \(10-04-12\) \[PDF, 1MB\]](#)
- [Presentation - National Provider Call on FY 2014 Program \(7-11-12\) \[PDF, 3MB\]](#)
- [Presentation - National Provider Call on Hospital VBP FY 2013 Dry Run \(2-28-12\) \[PDF, 4MB\]](#)
- [Transcript - National Provider Call on Hospital VBP FY 2013 Dry Run \(2-28-12\) \[PDF, 280KB\]](#)
- [Addendum to Transcript - National Provider Call on Hospital VBP FY 2013 Dry Run \(2-28-12\) \[PDF, 41KB\]](#)
- [Presentation - Special Open Door Forum on Hospital VBP \(7-27-11\) \[PDF, 7MB\]](#)
- [Fact Sheet - Spending per Hospital Patient with Medicare: Spending Breakdowns by Claim Type \(Dec-12\) \[PDF, 186KB\]](#)
- [Medicare Spending per Beneficiary Measure - Reliability Analysis \[PDF, 403KB\]](#)
- [Hospital VBP Measures - Reliability Analysis \[PDF, 167KB\]](#)
- [FY 2013 Program: Frequently Asked Questions about Hospital VBP \(3-9-12\) \[PDF, 307KB\]](#)

## Related Links

- [Fact Sheet - CMS Makes Changes to Improve Quality of Care During Hospital Inpatient Stays \(8-1-12\) - Opens in a new window](#)
- [Final Rule - Inpatient Prospective Payment System with HVBP Provisions for FY 13, 15, 16 - Opens in a new window](#)
- [Fact Sheet - CMS Finalizes Hospital VBP in 2014 \(Part of OPPS Announcement\) \(11-1-11\) - Opens in a new window](#) 
- [FY 14 Program: Final Rule with Hospital VBP FY 2014 Proposals \(Included in OPPS Regulation\) \(11-30-11\) - Opens in a new window](#)
- [Fact Sheet for Hospitals & Policymakers - CMS Issues Final Rule for First Year of Hospital Value-based Purchasing Program \(4-29-11\) - Opens in a new window](#)
- [FY13 Program: Fact Sheet for the Public - Administration Implements New Health Reform Provision to Improve Care Quality, Lower Costs \(4-29-11\) - Opens in a new window](#)
- [FY 13 Program: More Information about Hospital Value-based Purchasing: Explanation of Quality Measures \(4-29-11\) - Opens in a new window](#)