Nursing Home Pay-for-Performance Demonstration

• Principles
  – Beneficiaries: All Medicare beneficiaries residing in nursing homes
  – Participating facilities: Hospital-based and freestanding facilities
  – Incentive payments based on level of performance and improvement over time

• Objectives
  – Promote quality
  – Facilitate sharing of best practices
  – Provide information to guide national policies
Demonstration Design

- Demonstration expected to include a few hundred facilities from 3-4 states and to begin in late 2006 or early 2007.
- Medicare savings as a result of quality improvements will be reinvested into the incentive payment pool.
- Demonstration will permit evaluation of impact of performance-based incentives on quality of care.
Reasons for Participating in the Demonstration

• Participation is voluntary.

• Why participate in the demonstration?
  – Earn incentive payment
  – Public recognition of high performers
  – Potential to influence national policy
Coordination Between CMS and State Medicaid Agencies

- CMS is interested in coordinating with state Medicaid programs.
- We are soliciting feedback on potential ways to establish partnerships between CMS and state Medicaid agencies.
Key Design Questions

• How should nursing home quality performance be measured?

• How should the incentive pool be determined?

• How should performance be linked to the incentive payment?
Potential Performance Measures

- MDS-based measures
- Outcomes from state survey inspections
- Staffing levels and stability
- Rate of avoidable hospitalizations
- Other measures
  - Process measures
  - Quality of life measures
  - Resident satisfaction
MDS-Based Measures

• Potential measures
  – Use a subset of the MDS quality measures that are posted on Nursing Home Compare.
  – MDS post-acute care measures
  – Resident immunization rates

• Selection criteria
  – Validity and reliability
  – Statistical performance
  – Measures of change in resident condition over time (e.g., worsening of ADL) are desirable
Facility Staffing

- **Staffing level**
  - Nursing hours per resident day (licensed, CNA).
  - Award points based on whether facility achieved the staffing targets identified in CMS Staffing Study.
  - Adjust for case mix differences.

- **Staffing stability**
  - Reward facilities with high retention and/or low turnover

- **Source data**
  - Collected directly from participating facilities.
Outcomes from State Survey Inspections

• Facilities with serious deficiencies would be disqualified from receiving any incentive payment.

• Other survey outcome measures may be considered.
Rate of Potentially Avoidable Hospitalizations

- Providing higher quality can reduce rate of certain types of hospitalizations

- Measure using hospitalizations for ambulatory care conditions (e.g., respiratory infection, urinary tract infection, congestive heart failure).

- Focus on rate rather than costs.

- Risk adjustment is recommended to deal with differences in baseline health status.

- May be appropriate to calculate separately for short and long-stay residents.
Other Potential Performance Measures

• Several other types of performance measures are under consideration:
  – Process measures
  – Resident satisfaction
  – Quality of life measures

• New measures may be added in year 2 as new data and methods become available.
Determining Facility Performance Score

• How much should each type of measure contribute to the overall quality performance score?

• Option: Equal weights for the major types of measures. As an example:
  – MDS-based measures: 30 points
  – Staffing patterns: 30 points
  – Avoidable hospitalizations: 30 points

• Measuring improvement
  – Based on change in overall performance score
Linking Payment Rate to Incentive Payment

- Reward high quality facilities and those with significant improvement.
  - Incentive payments intended as a reward for outstanding performance.
  - Part of incentive payment pool should be reserved for facilities that improved quality significantly.

- Distribute incentive payments based on number of resident days.
Determine Size of the Incentive Pool

- Demonstration must be budget neutral.

- Improving quality can reduce overall expenditures.

- Shared savings model used to determine size of incentive pool
  - Based on reduction in Medicare expenditures achieved by demonstration facilities.
  - Compare Medicare expenditures for demonstration and comparison facilities
  - Calculations made at the state level
  - If Medicare savings are achieved, these are used to fund the incentive pool
Measuring Medicare Expenditures

• Exclude Medicare Advantage enrollees.

• Use risk adjustment model (e.g., DCG Hierarchical Condition Categories).

• Include expenditures from period in nursing home and some period (7-30 days) after discharge.
Wrap-Up

• Draft Design will be revised based on feedback form the Open Door meeting and the project’s Technical Expert Panel.

• We welcome your comments and questions about the pay-for-performance demonstration.