

## **CMS Proposes Rule to Implement Medicare Inpatient Hospital Value-Based Purchasing Program**

For more information regarding the proposed rule, please contact:

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On January 13, 2011, the Centers for Medicare and Medicaid Services (“CMS”) published a proposed rule (the “Rule”) for implementing the Medicare hospital inpatient value-based purchasing (“VBP”) program established under the Patient Protection and Affordable Care Act of 2010, commonly known as “Health Care Reform.” The Rule creates a pay-for-performance policy within the Inpatient Prospective Payment System (“IPPS”) that provides incentive payments to hospitals able to demonstrate achievement or improvement on specific quality-control measures. Through the VBP program, CMS seeks to drive improvements in clinical quality, patient-centered care, and efficiency across the health care system.

The full text of the proposed rule is available at <http://www.federalregister.gov/articles/2011/01/13/2011-454/medicare-program-hospital-inpatient-value-based-purchasing-program>. Comments are due to CMS by Tuesday, March 8, 2011. CMS will then consider the comments and publish its final rule later this year.

### ***Quality Measures***

The Rule details 24 quality measures for federal fiscal year 2013, as well as additional measures for 2014. The measures will assess clinical processes, patient experience, and, eventually, actual patient outcomes. The measures are a subset of the measures already adopted under the Medicare Hospital Inpatient Quality Reporting Program (“IQR Program”).

For 2013, CMS plans to divide the measures into two domains. The first is clinical process care. The 17 proposed measures in this domain are split between five treatment categories: 1) acute myocardial infarction; 2) heart failure; 3) pneumonia; 4) health care-associated infections; and 5) surgeries. The second domain includes eight measures of patient experience, which CMS proposes to evaluate using the Hospital Consumer Assessment of Healthcare Providers and Systems (“HCAHPS”) Survey. The measures include: 1) communication with nurses; 2) communication with doctors; 3) responsiveness of hospital staff; 4) pain management; 5) communication about medicines; 6) cleanliness and quietness of hospital environment; 7) discharge information; and 8) overall rating of hospital.

Beginning in 2014, CMS plans to add mortality-based measures for acute myocardial infarction, heart failure, and pneumonia. It also intends to adopt new measures relating to hospital-acquired conditions, patient safety, and inpatient quality of care.

To keep pace with advancements in medicine and technology and to expand the scope and relevance of the VBP program, CMS aims to utilize a flexible approach to adopting new measures and retiring existing ones. It has proposed a process through which it can bypass notice-and-comment rulemaking for new measures by incorporating only those measures that have already been adopted under the IQR program and whose results have been posted to the publicly accessible Hospital Compare website for at least one year.

### ***Performance Periods***

In order to measure performance under the VBP program for fiscal year 2013, CMS proposes to collect data from a performance period lasting from July 1, 2011 to March 31, 2012. The results from that period will be compared with the baseline period for hospital performance data, which ran from July 1, 2009 to March 31, 2010. In the future, CMS hopes to extend the performance and baseline periods to a full year.

To enhance the accuracy of the mortality-based measures being added in 2014, CMS proposes to use a longer, 18-month performance period for mortality claims. This period is set to begin July 1, 2011 and end December 31, 2012. CMS will use the hospital reporting from July 1, 2008 to December 31, 2009 as the baseline for these measures.

### ***Hospital Scoring***

To determine the amount of the incentive payments, CMS will score hospitals based both on their achievement relative to other hospitals and on quality improvements specific to the individual hospital. CMS will award scores of 0–10 for achievement and 0–9 for improvement. The higher of the achievement and improvement scores will be used to calculate a total performance score, which is comprised of the weighted scores in the clinical process and patient experience domains. CMS will give the clinical process measures 70% of the weight, while patient experience measures will constitute 30%.

To determine the achievement score, CMS will compare an individual hospital's measures from the performance period with a threshold that is equivalent to the 50th percentile of hospital performance metrics within the baseline period. Hospitals will receive an achievement score only if their performance exceeds the 50th percentile. CMS will calculate improvement scores by comparing the hospital's own performance during the baseline and performance periods, and will award points only where the hospital has demonstrated actual improvement.

CMS will calculate scores under the patient satisfaction measures in a similar manner. Scores for this domain, however, will also include a consistency score, which is designed to encourage hospital achievement across the survey categories. Individual scores that fall below the 50th percentile of hospitals for a single survey measure will detract from the consistency score, even if scores in other categories are significantly higher.

CMS will eventually post each hospital's domain-specific and total performance scores on the Hospital Compare website. Hospitals will have opportunity to review and submit corrections to the public information before the information is posted.

### ***The Impact on Hospital Pay-Outs***

Three thousand ninety-two hospitals will participate in the new VBP program. The modified reimbursement amounts to those hospitals will apply to discharges occurring on or after October 1, 2012.

CMS will fund the VBP program through a reduction in base IPPS standardized amounts. For fiscal year 2013, CMS will reduce the base IPPS amount by 1%. The amount of the reduction will increase by 0.25% each year until it reaches a maximum 2% reduction in 2017. Taking into account the concurrent incentive payments, CMS estimates that hospitals will see no more than a net 1% increase or decrease in their reimbursements. CMS will notify hospitals of the exact amounts of their VBP payments on November 1, 2012.

***Exclusions***

Some hospitals will be excluded from the VBP program if, for example, they do not meet a minimum number of cases or measures for a given performance period, they have already been cited for deficiencies posing an immediate threat to patients, or if they are excluded from IPPS under section 1886(d)(1)(B) of the Social Security Act (as is the case for psychiatric, rehabilitation, long-term care, children's, and cancer hospitals). Hospitals that are not participating in the VBP program will not see their base IPPS payments reduced.

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