



IMPLEMENTING HEALTH CARE REFORM

January 2011

VALUE-BASED PURCHASING (SEC. 3001 OF THE AFFORDABLE CARE ACT, PPACA)

The PPACA required the Secretary to implement the final step in linking a portion of the payment for inpatient hospital care to the quality of the care: value-based purchasing (VBP). On January 13, 2011, the Secretary published a proposed rule to create VBP as a new, permanent feature of the Inpatient Prospective Payment System (IPPS). The rule's comment period will close March 8, 2011; the final rule will be published in 2012.

Essentially, VBP consists of measuring performance, benchmarking individual hospitals against national medians, withholding one percent of the base payment of every IPPS hospital, and rewarding the highest performing hospitals with the funds collected from the lower-performing hospitals. For about 3,000 inpatient hospitals, the first VBP measurement period will begin on July 1, 2011 (see timeline below). The second measurement period will begin April 1, 2011 and run for a full year while other parts of the system—bonus estimates and payment withholds—begin for FY2013, based on the quality measured in the first measurement period. Bonus adjustments will be applied to payments made after January 2013 for discharges beginning October 1, 2012.

Timeline for FY2013 Cycle of Value Based Purchasing



Hospital performance for FY2013 will be judged on a subset of the measures hospitals currently report in the pay for reporting program (the Hospital Inpatient Quality Reporting Program, formerly the RHQDAPU system): heart attack, heart failure, pneumonia, surgical infections, and HCAHPS. Extra weight is given to HCAHPS and to having no low scores in any HCAHPS measure.

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- There is no enrollment or application necessary; VBP is intended to become a part of the regular IPPS payment system.
- One percent of base operating DRG payments will be withheld in 2013, rising in increments of 0.25 each year until it reaches 2 percent in 2017.
- Hospitals with fewer than 4 measures with a sufficient sample size will be exempted from the withhold and excluded from VBP bonuses.
- Hospitals that meet or exceed the national median score, or improve toward quality threshold could get back an amount slightly larger than their withholding; hospitals with higher scores will get back more than those with lower scores.
- Payments such as disproportionate share hospital (DSH) payments, indirect medical education payments (IME) for teaching hospitals, low-volume add-on payments and outlier payments would not be impacted by the payment reductions.

Penalties and bonuses do not accumulate over time. If the program is seen as a success, it is likely that the percent of payments at risk will continue to grow after 2017; in the private sector, pay-for-performance awards and penalties for facilities can be as large as 5 or 10 percent of payments.

Value-based purchasing in other Medicare settings

A similar VBP was introduced for the treatment of End-Stage Renal Disease patients in 2010.

PPACA includes some movement towards value-based purchasing in each of Medicare's major payment systems by 2016. Pay for reporting will be enhanced for physicians: a "physician compare" website will begin by 2012, and CMS will identify high-quality/low cost physicians during 2013. In 2015, some physicians will be in a value-based purchasing system, all could be included by 2017.

The Secretary is instructed to develop plans for value-based purchasing for home health agencies, skilled nursing facilities, and ambulatory surgery centers in 2011. Long-term care hospitals, inpatient psychiatric facilities, inpatient rehabilitation facilities, PPS-exempt cancer hospitals, and hospices will have pay for reporting in 2014; pilots of value based purchasing will begin in these settings will begin by 2016.

The number and type of quality measures will also continue to expand. Measures of mortality, healthcare-acquired conditions, and "patient safety/inpatient quality" measures (such as lung collapse, pulmonary embolism, and accidental punctures during surgery) will be added to VBP in 2014. Other new measures for future VBP inclusion are efficiency (such as Medicare spending per beneficiary or use of imaging), functional improvement outcomes, health disparity reduction, use of health information technology, and coordination of care.

Proposed Measures for FY2013 Cycle of Value Based Purchasing

Clinical Process of Care Measures	
Measure ID	Measure Description
Acute Myocardial Infarction	
AMI-2	Aspirin Prescribed at Discharge
AMI-7a	Fibrinolytic Therapy Received Within 30 Minutes of Hospital Arrival
AMI-8a	Primary PCI Received Within 90 Minutes of Hospital Arrival
Heart Failure	
HF-1	Discharge Instructions
HF-2	Evaluation of LVS Function
HF-3	ACEI or ARB for LVSD
Pneumonia	
PN-2	Pneumococcal Vaccination
PN-3b	Blood Cultures Performed in the ED Prior to Initial Antibiotic Received in Hospital
PN-6	Initial Antibiotic Selection for CAP in Immunocompetent Patient
PN-7	Influenza Vaccination
Healthcare-associated Infections	
SCIP-Inf-1	Prophylactic Antibiotic Received Within One Hour Prior to Surgical Incision
SCIP-Inf-2	Prophylactic Antibiotic Selection for Surgical Patients
SCIP-Inf-3	Prophylactic Antibiotics Discontinued Within 24 Hours After Surgery End Time
SCIP-Inf-4	Cardiac Surgery Patients with Controlled 6AM Postoperative Serum Glucose
Surgical Care Improvement	
SCIP-Card-2	Surgery Patients on a Beta Blocker Prior to Arrival That Received a Beta Blocker During the Perioperative Period
SCIP-VTE-1	Surgery Patients with Recommended Venous Thromboembolism Prophylaxis Ordered
SCIP-VTE-2	Surgery Patients Who Received Appropriate Venous Thromboembolism Prophylaxis Within 24 Hours Prior to Surgery to 24 Hours After Surgery

Patient Experience of Care Measures	
Measure ID	Measure Description
HCAHPS	Hospital Consumer Assessment of Healthcare Providers & Systems Survey (HCAHPS) <ul style="list-style-type: none"> • Communication with Nurses • Communication with Doctors • Responsiveness of Hospital Staff • Pain Management • Communication About Medicines • Cleanliness and Quietness of Hospital Environment • Discharge Information • Overall Rating of Hospital

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