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# Value-Based Purchasing for Critical Access Hospitals



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# Value-Based Purchasing Concepts for Critical Access Hospitals (CAHs)

Objective of the Discussion: To gain a high-level understanding of value-based purchasing concepts for CAHs

Discussion Agenda:

- Definition of “value-based purchasing” in health care
- Understanding market trends in value-based purchasing
- How might value-based purchasing concepts be implemented in CAHs?
- How should CAHs prepare for this new reimbursement methodology?



# Definition of “Value-Based Purchasing” in Health Care

## Concept:

- In October 2012, the Centers for Medicare & Medicaid Services (CMS) created the concept of the hospital value-based program (HVBP) to **improve health care quality**, including the quality of care provided in the inpatient hospital setting. Today, hospitals subject to the HVBP include inpatient prospective payment system hospitals (IPPS) —not CAHs) or other specialty hospitals



# Definition of “Value-Based Purchasing” in Health Care

- CMS now annually publishes HBVP incentive factors or **payment adjustment factors**. Based on the achievement of a defined set of measures, certain hospitals are able to receive incentive payment adjustments for inpatient services provided to Medicare beneficiaries
- Since the program is to be self sustaining, all IPPS hospitals are reimbursed amounts from Medicare that reflect a **withhold amount** to be distributed as incentives to those hospitals that are successful in achieving a sufficient performance score for incentive payment adjustments. The withhold amount for fiscal 2016 is 1.75% of inpatient reimbursement, moving to 2.00% in fiscal 2017



# Definition of “Value Based Purchasing” in Health Care

## **What is being measured in the HVBP?**

- The HBVP has 24 measures for 2016 relating to the following key domains of quality with the following domain weighting:
  - Clinical process of care (10%)
  - Patient experience of care (25%)
  - Outcome (40%)
  - Efficiency (25%)
- In fiscal 2017, the number of measures decreases to 21; however, the domain weighting is shifting more toward clinical care and outcomes (including patient safety and efficiency) and less on clinical process of care (decreasing to 5% of total value)



# Market Trends in Hospital Value-Based Programs

- Given the success of the program experienced by CMS (including measureable improvements in many quality measures to date), certain large commercial payors are incorporating the concepts of value-based reimbursement incentives in provider contracts
- We have seen commercial insurers provide incentive to providers to improve quality and efficiency of care through similar value-based concepts as adopted by CMS (with limited or no reimbursement increases as a baseline and incentive reimbursement increases based on measurable quality and efficiency improvement efforts that may range from 2% to 5% or more)



# Market Trends in Hospital Value-Based Programs

- Some examples of quality and/or efficiency improvement incentives in commercial insurance contracts may include:
  - Reduction in readmissions
  - Reduction in emergency department visits
  - Use of lower cost settings for care (such as ambulatory surgery centers)
  - Overall reduction in medical costs for the insured population



# How Might Value-Based Purchasing Concepts be Implemented in CAHs?

- CMS has not yet adopted a HVBP for CAHs where Medicare reimbursement continues to be based on allowable cost of services. However, in January 2015, Sylvia M. Burwell, U.S. Secretary of Health and Human Services, announced ambitious plans to move from “volume to value in Medicare payments”
- CMS intends for 85% of all hospital-based Medicare reimbursement to be tied to performance-based metrics by 2016, increasing to 90% by 2018. There is concern in the industry that this goal will include CAHs among providers subjected to some type of value-based program





# How Might Value-Based Purchasing Concepts be Implemented in CAHs?

- Industry analysts have reviewed the inpatient quality measures associated with patients at CAHs throughout the country, attempting to project winners and losers should CMS adopt a similar HVBP program for CAHs as is currently in place for IPPS hospitals.
  - Potential winners under the current HBVP - CAHs in New England and in Western states
  - Potential losers under the current HBVP - CAHs in Southern states and in the Rust Belt



# How Might Value-Based Purchasing Concepts be Implemented in CAHs?

- Historically, the ongoing challenge in creating a value-based program for CAHs has been the relatively low numbers of measures and cases at these types of facilities. How valid are these measures for CAHs?
- The National Advisory Committee on Rural Health and Human Services published a White Paper (Value-Based Purchasing Demonstrations for Critical Access and Small PPS Hospitals, September, 2011)



# How Might Value-Based Purchasing Concepts be Implemented in CAHs?

- The Committee concluded the following:
  - CAHs and low-volume hospitals will continue to need cost reimbursement if they are to continue to serve as safety net providers for rural communities
  - Value-based payments can be used to enhance the quality of care and also the effectiveness of management while maintaining budget neutrality



# How Might Value-Based Purchasing Concepts be Implemented in CAHs?

- Clinical measurements and performance shall be based on:
  - Relevant clinical quality measures (with significant input from the CAH community)
  - Peer comparisons
  - Financial incentives to encourage participation
  - Technical assistance in place for lower-performing hospitals



# How Might Value-Based Purchasing Concepts be Implemented in CAHs?

- Since the White Paper's publication, a number of industry groups have taken it upon themselves to identify relevant quality measures for CAHs. The Flex Monitoring Team (with funding from the Federal Office of Rural Health Policy) developed Policy Brief No. 25, January, 2012, that addresses "Relevant Quality Measures for Critical Access Hospitals"



# How Might Value-Based Purchasing Concepts be Implemented in CAHs?

- Their findings indicated:
  - A comprehensive set of quality measures are relevant for CAHs, including those addressing appropriate care for inpatients with specific medical conditions, global measures addressing appropriate care across multiple medical conditions and emergency department measures
  - Many relevant quality measures are now ready for reporting by CAHs
  - A single set of quality measures for all entities involved in regulation, accreditation and payment would greatly streamline the process and reporting burden for CAHs
  - To motivate improvement in the quality of care and help patients make informed decisions about their health care, all CAHs should publically report on relevant quality measures



# How Should CAHs Prepare for This New Reimbursement Methodology?

- As a whole, CAHs understand that measurable quality of care (including outcome and safety measures) are important to the public and to payors
- Therefore, the public measurement and reporting of relevant measures **should be embraced** by the CAH community—since this is foundational for efforts to improve performance
- As a health care board member or leader, part of your role is to ensure a strong system of reporting and accountability of quality for your organization



# How Should CAHs Prepare for This New Reimbursement Methodology?

- This includes making sure the right tools (technology), people and processes are in place to:
  - Gather accurate, relevant information on care quality, safety, outcomes and patient satisfaction
  - Report such information in a meaningful way to a designated quality team
  - Review the data and related findings with the quality team to validate and interpret the data
  - Create a prioritized set of processes changes within the organization to improve quality measures and patient outcomes
  - Routinely measure and report relevant results for continuous improvement and adjustment





# In Summary

- HVBPs have been embraced by Medicare and other key payors as a method to encourage higher-quality health care through reporting of quality measures and linking reimbursement increases to performance
- Since Medicare's HVBP was adopted in 2012, CMS has reported direct improvement in quality measures as a result of quality measurement and reporting. Therefore, its role in health care reimbursement systems is increasing at a fast pace



# In Summary

- It is expected that CAHs will be required to participate in some type of HVBP in the near future as a result of HHS Secretary's announcement of ambitious plans to move from "volume to value in Medicare payments"
- CAHs should embrace public reporting of relevant quality measures as a means to continuously improve patient outcomes
- To be successful as a HVBP, CAHs will need to ensure that competent people and sound processes and technology solutions are in place to properly collect, report, analyze and take action on quality data for improvement efforts





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