On April 29, 2011, the Centers for Medicare and Medicaid Services (CMS) released its Hospital Value-Based Purchasing (HVBP) Final Rule, required under the Patient Protection and Affordable Care Act and applied under Medicare’s inpatient prospective payment system (IPPS). The final rule is a 195-page document. Below is a condensed version that zeros in on the areas you need to focus on in order to maximize reimbursement.

Even if you have good results right now, just sustaining them is not enough. As the quality targets related to reimbursement get progressively tougher, staying the same is like standing still on a downward-moving escalator.

While this document relates specifically to Medicare reimbursement, please note that private payors are following CMS’s lead. An article in the May 16, 2011, edition of the Wall Street Journal—“WellPoint Shakes Up Hospital Payments,” by Janet Adamy—highlights an industry shift “to compensate healthcare providers based on the quality of their care, instead of the volume of tests and treatments they perform.”

**JULY 1, 2011: PERFORMANCE PERIOD BEGINS FOR FISCAL YEAR 2013**

In fiscal year 2013, CMS will reduce base operating diagnosis-related group (DRG) payment to all hospitals reimbursed under the IPPS model by 1 percent. (This number will gradually increase to 2 percent by FY 2017.) The money it withholds will be used to create an incentive fund out of which the agency will pay hospitals based on their performance in certain domains of quality measures. Estimates put this fund at approximately $850 million.

Final determination of your payment from the 1 percent withholding will be calculated as a linear function based on all hospitals participating. That means if you don’t keep improving, others will pass you by.

The nine-month performance period CMS will look at in order to determine your reimbursement in fiscal year 2013 began July 1, 2011, and ends in March 2012. And no matter where you stand right now in comparison with other hospitals, you need to get better and better.
For fiscal year 2013, the domains used to measure performance improvement will be patient experience of care (HCAHPS) and clinical process of care (Process of Care Measures). How will CMS determine your HVBP incentive payment? It will examine the relevant hospital data from the baseline period (July 2009-March 2010) and the performance period of July 2011-March 2012.

According to the FY 2013 HVBP final rule, a performance score will be calculated based on achievement and improvement ranges for each applicable composite within a domain, and a consistency score will be added. In determining the score, as the chart at left illustrates, CMS will weigh the HCAHPS domain results at 30 percent and the Process of Care Measures domain results at 70 percent.

### PART ONE OF REIMBURSEMENT: HCAHPS (30 PERCENT)

#### HCAHPS COMPOSITES AND BASELINES

<table>
<thead>
<tr>
<th>Composite</th>
<th>Question Summary</th>
<th>Floor Minimum</th>
<th>Achievement Threshold 50th Percentile</th>
<th>Benchmark Mean of Top Decile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nurse Communication</td>
<td>Nurse Courtesy and Respect&lt;br&gt;Nurse listen carefully&lt;br&gt;Nurse explanations are clear</td>
<td>39.98</td>
<td>75.18</td>
<td>84.70</td>
</tr>
<tr>
<td>Doctors Communication</td>
<td>Doctor courtesy and respect&lt;br&gt;Doctors listen carefully&lt;br&gt;Doctor explanations are clear</td>
<td>51.51</td>
<td>79.42</td>
<td>88.95</td>
</tr>
<tr>
<td>Responsiveness of Staff</td>
<td>Did you need help getting to bathroom&lt;br&gt;Staff helped with bathroom needs&lt;br&gt;Call button answered</td>
<td>30.25</td>
<td>61.82</td>
<td>77.69</td>
</tr>
<tr>
<td>Pain Management</td>
<td>Did you need medicine for pain?&lt;br&gt;Pain well controlled&lt;br&gt;Staff helped patient with pain</td>
<td>34.76</td>
<td>68.75</td>
<td>77.90</td>
</tr>
<tr>
<td>Communication of Medicines</td>
<td>Were you given any new meds?&lt;br&gt;Staff explained medicine&lt;br&gt;Staff clearly described side effects</td>
<td>29.27</td>
<td>59.28</td>
<td>70.42</td>
</tr>
<tr>
<td>Hospital Cleanliness &amp; Quietness</td>
<td>Area around room kept quiet at night&lt;br&gt;Room and bathroom kept clean</td>
<td>36.88</td>
<td>62.80</td>
<td>77.64</td>
</tr>
<tr>
<td>Discharge Information</td>
<td>Did you go home, someone else’s home, or to another facility&lt;br&gt;Staff discussed help needed after discharge&lt;br&gt;Written symptom/health info provided</td>
<td>50.47</td>
<td>81.93</td>
<td>89.09</td>
</tr>
<tr>
<td>Overall Rating</td>
<td>Hospital Rating Question</td>
<td>29.32</td>
<td>66.02</td>
<td>82.52</td>
</tr>
</tbody>
</table>

Willingness to Recommend will continue to be reported but not included in VBP formula.

So, your results on the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) survey will determine 30 percent of your HVBP reimbursement. See right for the eight measures and the scores pertaining to the VBP baseline period that will factor into CMS calculations.

HCAHPS results are publicly reported and may be seen at [www.hospitalcompare.hhs.gov](http://www.hospitalcompare.hhs.gov).
PART TWO OF REIMBURSEMENT: PROCESS OF CARE MEASURES (70 PERCENT)

The other 70 percent of the score that determines your HVB$P reim-
bursement will be based on your organization's performance on certain Process of Care Measures. While you will report all 17 Pro-
cess of Care Measures, the 12 to the right are the ones that will fac-
tor into the CMS calculations used to determine your FY 2013 reim-
bursement. (However, new Process of Care Measures will be added to this list in future years.)

Notice that most of the “bench-
mark” numbers are at 100 percent. That means it’s absolutely critical to get Process of Care Measures right every time to receive the optimal amount of reimbursement.

Process of Care Measures results are publicly reported and may be seen at www.hospitalcompare.hhs.gov.

SO, WHAT’S COMING IN FISCAL YEAR 2014 AND BEYOND?

First, as the graph at left indicates, CMS will increase its base operating DRG payment withholding to 1.25 percent (up from 1 percent in FY 2013). We also know the agency will add other quality performance metrics to the mix. Hospital-Acquired Conditions, Mortality Index, and Patient Safety Indicators are three of the thirteen outcomes that we know will be included in some way. In addition, CMS is expected to implement an efficiency (cost per beneficiary) measure.
THE BOTTOM LINE: CONTINUAL IMPROVEMENT IS NECESSARY

The pattern is clear. As the years go by, CMS is likely to continue to withhold a higher percentage of base operating DRG funding (expected to rise to 2 percent in 2017) and at the same time will continue to raise the bar in pursuit of greater value and quality.

Hospitals that thrive in this new era will be those that have the right foundation in place—one that empowers them to execute new tactics quickly while sustaining improvements they’ve already made. They’ll be the ones that keep excellent patient care front and center. And they’ll be the ones that help staff members stay connected to the passion and sense of purpose that drives them to do their best work over and over again.

Studer Group* partners achieve all of this and more, because they know the tactics needed to achieve change and have the framework in place that allows them to sustain it. The enclosed insert will show you how they outperform others in the industry. To learn more, please visit www.studergroup.com.

Your results in these new outcome areas, combined with your HCAHPS and Process of Care Measures results, will determine your HVBP reimbursement in the future. It’s a safe assumption that percentages will be recalculated each fiscal year as new items are added.

The following chart lays out the proposed measures CMS will likely factor into its calculations to determine your reimbursement for FY 2014.

VALUE BASED PURCHASING FY 2014

MORALITY MEASURES (FY 2014)*

1. Mortality -30-AMI: Acute Myocardial Infarction (AMI) 30-day Mortality Rate
2. Mortality -30-HF: Heart Failure (HF) 30-day Mortality Rate
3. Mortality -30-PN: Pneumonia (PN) 30-day Mortality Rate

HOSPITAL-ACQUIRED CONDITION MEASURES (FY 2014)

1. Foreign Object Retained After Surgery
2. Air Embolism
3. Blood Incompatibility
4. Pressure Ulcers Stages III and IV
5. Falls and Trauma: (Includes: Fracture, Dislocation, Intracranial Injury, Crushing Injury, Burn, Electric Shock)
6. Vascular Catheter-Associated Infections
7. Catheter-Associated Urinary Tract Infection (UTI)
8. Manifestations of Poor Glycemic Control

PATIENT SAFETY INDICATORS (FY 2014)

1. PSI 06 - Iatrogenic pneumothorax, adult
2. PSI 11 - Post Operative Respiratory Failure
3. PSI 12 - Post Operative PE or DVT
4. PS 14 - Post Operative wound dehiscence
5. PS 15 - Accidental puncture or laceration
6. IQI 11 - Abdominal aortic aneurysm (AAA) repair mortality rate (with or without volume)
7. IQI 19 - Hip fracture mortality rate
8. Complication/patient safety for selected indicators (composite)
9. Mortality for selected medical conditions (composite)

*Nnote: Mortality Measures may go into effect before fiscal year 2014

THE BOTTOM LINE: CONTINUAL IMPROVEMENT IS NECESSARY