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## Medicare Value-Based Purchasing Program: Final Rule Issued

On May 2, the Centers for Medicare & Medicaid Services (CMS) released its highly anticipated final rule addressing implementation of a Medicare Value-Based Purchasing System (VBP), which was then published in the *Federal Register* on May 6. CMS was required to implement a VBP program under the Patient Protection and Affordable Care Act. Comments on the proposed rule were due by March 8, 2011, and the final rule addresses many of these comments. The rule may be accessed [here](#) (click on PDF).

Key provisions of the final rule are summarized below. You may also access a more detailed [Frequently Asked Questions](#) paper prepared by IHA.

### HIGHLIGHTS OF THE FINAL RULE

- To determine scoring under the Value-Based Purchasing system, CMS had proposed to use 18 measures: 17 Process of Care measures and the Patient's Experience of Care (HCAHPS) survey instrument. In the final rule, 13 measures are incorporated: 12 Process of Care and the HCAHPS survey.
- There were no changes to the reporting periods (Baseline and Performance) from the proposed rule. The Baseline reporting period begins July 1, 2009 and ends March 31, 2010; the Performance reporting period begins July 1, 2011 and ends March 31, 2012.
- Inpatient, prospective payment hospitals will contribute 1% of their Medicare base operating DRG payments to a VBP pool of dollars effective for Medicare discharges occurring on or after Oct. 1, 2012. For that same period, hospitals will be eligible to receive a VBP payment amount based upon a composite quality score. Initially, that score is comprised of individual scores of measurements reflecting a hospital's performance in process measures and patient satisfaction. A hospital's composite score will determine whether that hospital will receive less than or more than its initial 1% "investment."
- Even though VBP's payment impact will not be felt until federal fiscal year (FFY) 2013, those payment adjustments will be based upon performance

measured for the period from July 1, 2011 through March 31, 2012. Therefore, it is imperative to focus on your hospital's specific operations and performance on the relevant measures now.

- In determining payment for the process measures, consideration will be given to both performance achievement and performance improvement. IHA lobbied extensively for consideration of an improvement score so that hospitals initially scoring in the lower quartiles will be rewarded for their improvement.

#### **WHAT DOES THIS MEAN FOR HOSPITALS?**

- Beginning in FFY2013, Medicare inpatient operating payments to PPS hospitals would be reduced by 1% (rising to 2% in FFY2017) to create a pool to be distributed to hospitals based on their performance on certain clinical process measures and the HCAHPS survey of patient experiences with care. Based on its performance, a hospital will receive more or less than its contribution to the VBP pool.
- Based on preliminary IHA estimates, the 1% total VBP contribution for Illinois hospitals is approximately \$41 million.
- Psychiatric, rehabilitation, long-term care, children's, cancer and critical access hospitals and post-acute providers are exempt from VBP, although post-acute providers, such as home health agencies, must continue to report Medicare outcome data to avoid a 2% payment reduction.

#### **NEXT STEPS TO CONSIDER**

- Share this *Issues & Answers* paper with your quality improvement team and clinical leadership.
- Promptly review your hospital's performance on the quality and patient satisfaction measures used in the VBP program and develop a plan to continually improve your performance. Payment adjustments under VBP will be based upon performance measured for the period from July 1, 2011 through March 31, 2012.
- Review the estimated impact of the final rule on your Medicare revenues. In the near future, IHA will be sending estimates of the impact of the rule to members.

#### **FURTHER INFORMATION**

If you have questions or comments, contact: Cathy Grossi, Vice President, Quality Care Institute (630-276-5706 or [cgrossi@ihastaff.org](mailto:cgrossi@ihastaff.org)) or Tom Jendro, Senior Director of Finance (630-276-5516 or [tjendro@ihastaff.org](mailto:tjendro@ihastaff.org)).