



an informational series for hospital leaders

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

On January 7, the Centers for Medicare & Medicaid Services (CMS) released its highly anticipated proposed rule addressing implementation of a Medicare Value-Based Purchasing System (VBP), which was then published in the *Federal Register* on January 13. CMS was required to implement a VBP program under the Patient Protection and Affordable Care Act. Comments on this proposed rule are due by March 8, 2011. The proposed rule may be accessed at:

<http://www.gpo.gov/fdsys/pkg/FR-2011-01-13/pdf/2011-454.pdf>.

Key provisions of the proposed rule are summarized below. You may also access a more detailed Q & A paper prepared by IHA on the proposed rule by [clicking here](#).

### HIGHLIGHTS OF THE PROPOSED RULE

- 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 October 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 Mar. 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 federal fiscal year (FFY) 2013, Medicare inpatient operating payments to PPS hospitals would be reduced by 1% (rising to 2% in FFY 2017) 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 estimated at 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 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 proposed rule on your Medicare revenues. In the near future, IHA will be sending estimates of the impact of the rule to its members.
- Comments on the proposed rule are due March 8. In the coming weeks, look for sample comments from IHA to be used as you prepare your comments on the proposed rule.

### **FURTHER INFORMATION**

If you have questions or comments, contact: Tom Jendro at 630-276-5516.