



## **HCAHPS Alert!**

### **CMS Proposes Plan to Base Payments on HCAHPS Performance**

In breaking news, CMS presented its value-based purchasing (VBP) program proposal to Congress on November 21, 2007. This VBP plan would reduce diagnostic-related group (DRG) payments for Medicare patients, but would also provide a chance to 'earn' the money back through high performance or significant improvement on key measures, which now includes HCAHPS performance. Value-based purchasing (VBP), which links payment to performance, is a key policy mechanism that CMS is proposing to transform Medicare from a passive payer of claims to an active purchaser of care.

The proposed timeline is set for implementation in 2010 or 2011, but there is one major thing we've learned from our top-performing HCAHPS clients, and that is *don't wait*. In one form or another, VBP is coming, and HCAHPS performance will play a key role.

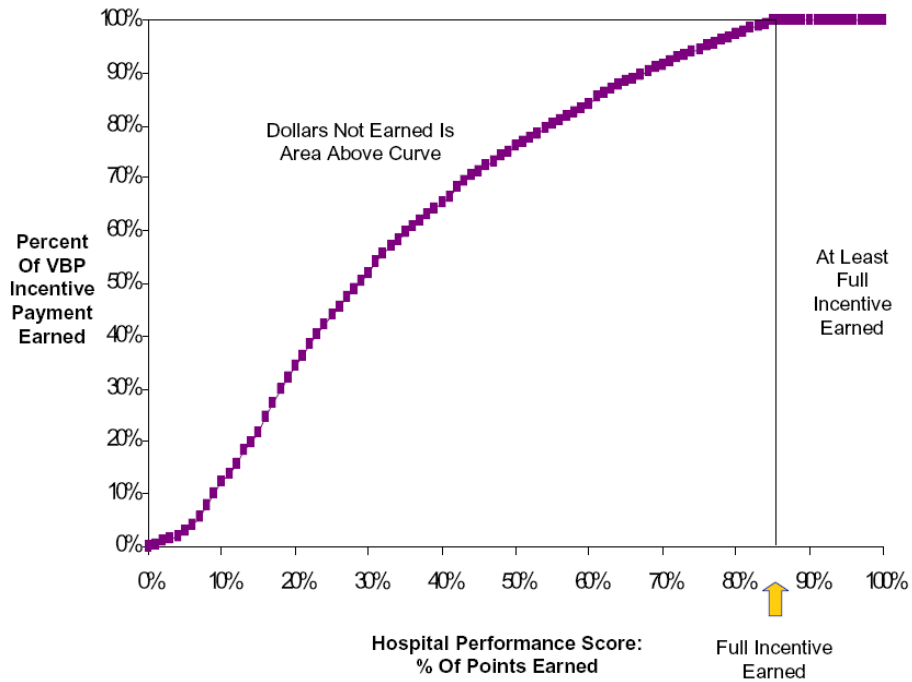
The VBP program would phase out RHQDAPU (Reporting Hospital Quality Data for Annual Payment Update) and would make a portion of hospital payment contingent on actual performance on specified measures, rather than simply on a hospital's reporting data for these measures. Under VBP, payments to high-performing hospitals would be larger than those to lower performing hospitals. For the first time, CMS proposes to use the IPPS (Inpatient Prospective Payment System) to provide financial incentives to drive improvements in clinical quality, patient-centeredness, and efficiency. The plan proposes to base 2 percent to 5 percent of the payment upon performance measures.

The proposed program contains the following key components, according to a press release by the Department of Health and Human Services.

- A measure development and selection process, including selection criteria for choosing performance measures for the VBP financial incentive and candidate measures to support ongoing expansion of the measure set.
- A Performance Assessment Model that incorporates quality measures, including clinical process of care, patient perspectives of care, and clinical outcomes, to calculate a hospital's Total Performance Score. The proposed model scores a hospital's performance on each measure during a 12-month measurement period based on the higher level of "attainment" compared with national thresholds and benchmarks or "improvement" compared with the hospital's own performance in the preceding 12-month baseline period
- The incentive is created by making a specified percentage of the base operating payment amount for all discharges contingent on performance. The percentage of incentive earned would be determined by the hospital's Total Performance Score.
- Enhancements to the Hospital Compare Web site to support expanded and more user-friendly public reporting.

- Ongoing evaluation and monitoring efforts to assess experiences early in VBP implementation, allowing for timely corrective action and building the evidence base for future VBP programs in other settings.

While some details may change, such as the precise model used to calculate payments, it is unlikely to have any substantive changes before implementation. Below is an example of how hospitals would be assessed under the proposed VBP plan:



We'll continue to alert our clients and readers to every CMS announcement related to this VBP plan. If you have any questions or would like information on how to prepare for the coming VBP program, contact us at [researchinfo@healthstream.com](mailto:researchinfo@healthstream.com) and we'll connect you with the appropriate consultant.