



Modeling Pay-4-Performance

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Health Affairs
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P4P Goals

- **Improve Patient Care**
- **Inform Consumers**
- **Value for Payment**



DRA P4P Plan

- **Expended Pay-4-Reporting**
 - **FY07 Report HQA Approved Measures or Lose 2%**
 - **FY08 Additional Measures**
- **FY08 DRG Payment Reduction for Hospital-acquired Infections**
- **FY09 CMS Implements Hospital Pay-for-Performance (May Include Quality, Cost, & Efficiency Measures)**



Data Sources

Quality Data:

- 10 measurers from all of 2004
- 7 measures from 2nd thru 4th quarters of 2004



Hospital Demographics:

- FY 2006 IPPS Final Rule Impact File
- ## Discharges and Payment:
- FY 2004 MEDPAR

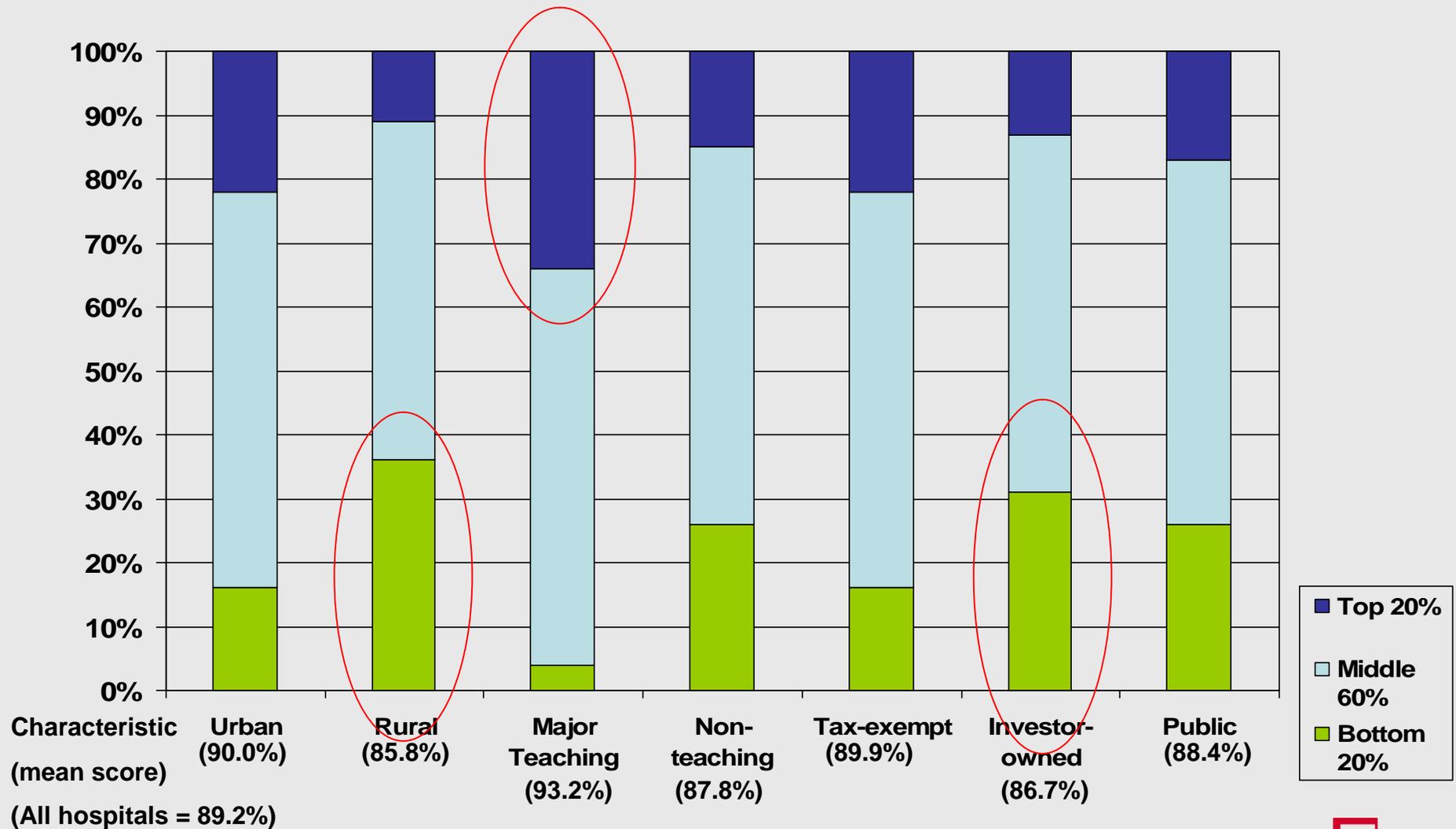


Model Sample

- **3,338 PPS hospitals reported up to 17 measures**
- **Heart Attack: 2,468 hospitals**
 - 92% of all discharges and 95% of all payments
- **Heart Failure: 3,201 hospitals**
 - 99% of all discharges and of all payments
- **Pneumonia: 3,270 hospitals**
 - 99% of all discharges and of all payments



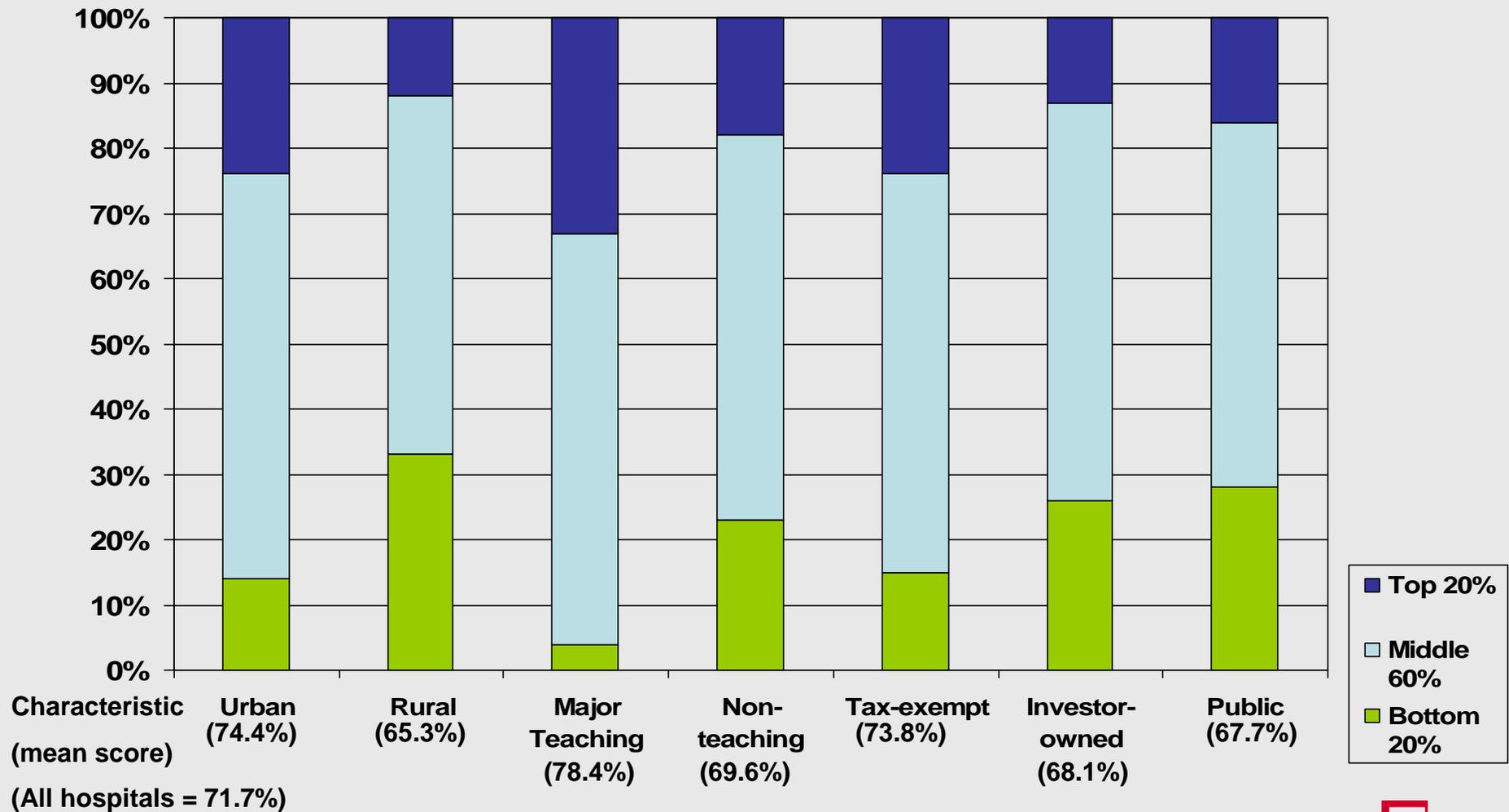
2004 Heart Attack Scores



Analysis by Health Policy Alternatives & Direct Research LLC, October 2005



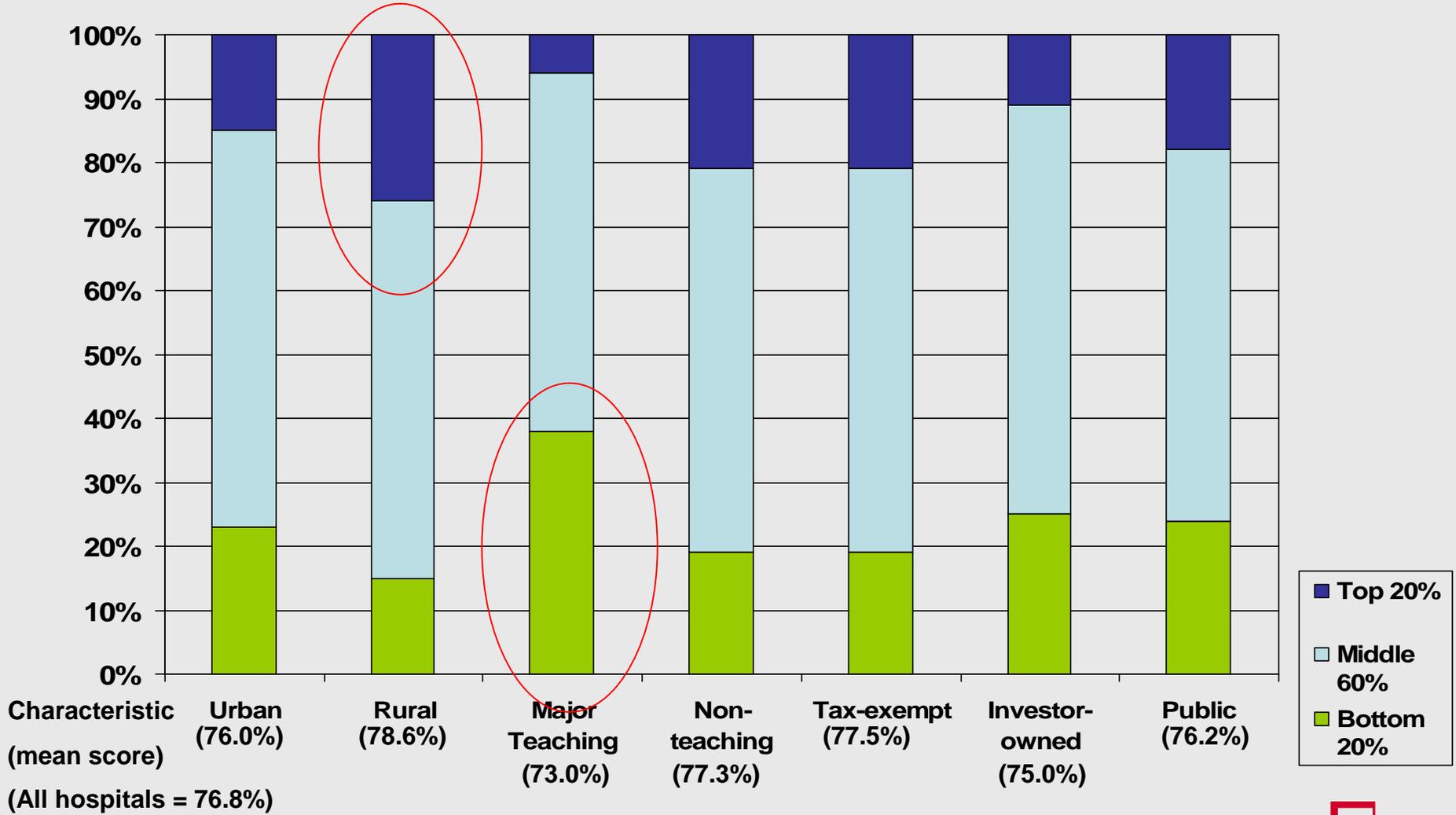
2004 Heart Failure Scores



Analysis by Health Policy Alternatives & Direct Research LLC, October 2005



2004 Pneumonia Scores



Analysis by Health Policy Alternatives & Direct Research LLC, October 2005



Hospital Compare & P4P

Potential Impact of Medicare P4P:

- Premier Hospital P4P Demonstration
- MedPAC Recommendation P4P





P4P: Premier Assumptions



PREMIER

	<u>Bonuses</u>	<u>Penalties or Pool Contribution</u>	<u>Scope</u>	<u>Other</u>
<u>Proposal</u>	2% and 1% bonuses for top 10% and 20% of hospitals respectively; thresholds are concurrently determined	Penalties only for hospitals falling below base period thresholds: 2% and 1% penalties if below 10th and 20th deciles respectively	Base PPS payments, including operating and capital but excluding IME, DSH and outliers	Not budget neutral; bonuses can exceed penalties
<u>As Modeled</u>	Same as proposal, but based on only 17 measures	Thresholds determined concurrently-- shows hospitals with penalty risk	Same as proposal	Same as proposal



P4P: MedPAC Assumptions



MedPAC

Penalties or Pool

Bonuses

Contribution

Scope

Other

Proposal

Bonuses for both attainment and improvement; details to be specified by Secretary

Bonus pool of 1-2% of PPS payments; details to be specified by Secretary

PPS payments including operating and capital and IME, DSH and outliers

Budget neutral: creates winners and losers by design

As Modeled

Similar to Premier, bonuses for top 10% and 20% based on 17 measures; percentage for top 10% is twice that for lower decile; based on attainment only

1% offset applied to all PPS payments for cases subject to 17 measures

Same as proposal

Same as proposal



PREMIER

Premier Bonuses/Penalties For Three Conditions

	<u>Bonus</u>	<u>Penalty</u>
Urban	\$34.0	\$25.2
Rural	\$5.3	\$5.1
Teaching	\$22.6	\$13.7
Non-Teaching	\$16.6	\$16.8
Tax-Exempt	\$32.6	\$20.0
Investor-Owned	\$3.0	\$6.3
Government	\$3.7	\$4.1

(\$s in Millions)

Source: *Health Affairs*, January/February 2006, Volume 25, Number 1, Page 158, Exhibit 7



MedPAC Bonuses For Three Conditions

	<u>Bonus</u>	<u>Contribution To the Pool</u>
Urban	\$117.2	\$119.8
Rural	\$21.6	\$18.8
Teaching	\$76.4	\$73.5
Non-Teaching	\$62.4	\$65.1
Tax-Exempt	\$114.8	\$105.6
Investor-Owned	\$10.7	\$17.5
Government	\$14.2	\$16.6

(\$s in Millions)

Source: *Health Affairs*, January/February 2006, Volume 25, Number 1, Page 158, Exhibit 7



Measures Needing Most Improvement - National Average / Top 10% in ()

Heart Attack

Thrombolytic Medication Within 30 Minutes of Arrival
(31% / 80%)

PCI Within 120 Minutes of Arrival
(61% / 88%)

Smoking Cessation Counseling
(75% / 100%)

Heart Failure

Discharge Instructions
(48% / 86%)

Smoking Cessation Counseling
(68% / 100%)

Pneumonia

Pneumococcal Vaccination
(51% / 83%)

Smoking Cessation Counseling
(66% / 96%)

Initial Antibiotic Within 4 Hours of Arrival
(75% / 90%)



P4P Observations

- **Reporting May Be Sufficient; P4P May Be Unnecessary To Raise Quality**
- **Available Measures Focus on Process, Not Outcomes**
- **Performance Metrics Empirical While Payment Adjustments Arbitrary**
- **Performance re Single Condition or Treatment Not Sure Indicator of Overall Hospital Quality**
- **Data Collection on Measures Necessarily Limited Until Adoption of EHR**
- **Tendency to Play to the Test May Undermine Goal of Improving Overall Health Quality**



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