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Premier Hospital Quality Incentive Demonstration

Rewarding Superior Quality Care

FACT SHEET

July 2009

BACKGROUND

The Premier Hospital Quality Incentive Demonstration recognizes and provides financial rewards to hospitals that demonstrate high quality performance in a number of areas of acute care. The demonstration is a CMS partnership with Premier, Inc., a nationwide organization of not-for-profit hospitals, and rewards participating top performing hospitals by increasing their payment for Medicare patients. Participating hospitals' performance under the demonstration is posted at www.cms.hhs.gov/HospitalQualityInits

Premier, Inc. was selected for the demonstration because, through its database of hospitals in the Premier Perspective system, it has the ability to track and report quality data for over 30 quality measures for each of its hospitals. This capability to immediately provide such a broad set of quality data makes the Premier database operationally unique and enables a rapid test of the concept of incentives for high performance in several areas of quality.

QUALITY OF CARE MEASURES

Under the demonstration, top performing hospitals receive bonuses based on their performance on evidence-based quality measures for inpatients with: heart attack, heart failure, pneumonia, coronary artery bypass graft, and hip and knee replacements. The quality measures in the demonstration have an extensive record of validation through research, and are based on work by the Quality Improvement Organizations (QIOs), the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), the Agency for Healthcare Research and Quality, the National Quality Forum (NQF), the Premier system and other CMS collaborators.

HOSPITAL SCORING AND FINANCIAL AWARDS

Hospitals are scored on the quality measures related to each condition measured in the demonstration. Composite quality scores are calculated annually for each demonstration hospital by "rolling-up" individual measures into an overall quality score for each clinical condition. CMS determines the distribution of hospital quality scores into deciles to identify top performers for each condition.

Under the extension's new reimbursement model, CMS awarded incentive payments of \$12 million in Year 4 to 225 hospitals for top performance, as well as top improvement and overall attainment, in the project's five clinical areas. Overall, 1,258 awards were given in

the fourth year of the project. Through the project's first four years, CMS has awarded more than \$36.5 million to top performers.

PUBLIC REPORTING

Hospitals participating in Premier Hospital Quality Incentive Demonstration reported previously collected quality data currently available in the Premier Perspective database to provide a historical reference on these quality indicators. The data was published at www.cms.hhs.gov/HospitalQualityInits. Results are reported on the CMS website, recognizing those hospitals with the highest quality and noting those hospitals that received bonus awards.

HOSPITAL PARTICIPATION

Participation in the demonstration is voluntary. Currently, about 230 hospitals are participating in the demonstration. CMS is using the Premier demonstration as a pilot test of this concept. CMS is currently working on proposals to expand the pay-for-performance concept to additional hospitals, and to other types of providers.

DEMONSTRATION UPDATE

Results from Inception to end of Year 4

The average composite quality scores (CQS), an aggregate of all quality measures within each clinical area, improved significantly between the inception of the program and the end of Year 4 (October, 2007):

- From 87.5 percent to 96.3 percent for patients with AMI (heart attack);
- From 84.8 percent to 98.5 percent for patients with coronary artery bypass graft (CABG);
- From 64.5 percent to 92.2 percent for patients with heart failure (HF);
- From 69.3 percent to 92.6 percent for patients with pneumonia (PN);
- From 84.6 percent to 97.2 percent for patients with hip and knee (HK) replacement.

The total improvement in average CQS over HQID's first three years is 17.2 percentage points. Between HQID's third and fourth years, the average CQS increase is 2.2 percentage points.

EXTENSION - PHASE II

CMS approved the extension of the HQID from fiscal year 2007 through fiscal year 2009. The extension includes a change in the demonstration payment policies. CMS will pay hospitals that improve the most as well as hospitals that achieve quality above a benchmark level.

DETAILS OF INCENTIVE MODEL IN EXTENSION

Quality Incentive payments. The payment structure for Years 4 through 6 provides financial incentives based on threshold attainment, top performance, and significant improvement.

- a. **Attainment Award:** Hospitals that attain or exceed median level performance, as measured in Year 2 for each clinical area, will receive, in the aggregate, 40% of the total available quality incentive payment. The incentive amount will be calculated and paid out on a per discharge basis; the incentive amount will be uniform across hospitals and clinical conditions. The attainment median benchmark will be the median composite quality score from two years prior to the performance year and will be updated annually.
- b. **Top Performer Award:** Hospitals in the top performer group, defined as the top 20% of hospitals in each clinical area, will receive an additional incentive payment. *Note: This group will receive the performance award for median level attainment as well.*
- c. **Improvement Award:** Hospitals that achieve attainment and are among the top 20% of hospitals with the largest quality improvements will receive an additional incentive payment. Improvement will be calculated based on the change in the hospital composite quality score in the performance year compared to two years prior (e.g. from Year 2 to Year 4). *Note: This group will receive the median level attainment performance award as well.*
- d. **Threshold Penalty:** Hospitals that do not score above the 9th decile threshold (Year 2) in any clinical area will receive a 1% reduction of their Medicare payment in that clinical area for Year 4; hospitals that do not score above the 10th decile threshold in any clinical areas (Year 2) will receive a 2% reduction of their Medicare payment in that clinical area for Year 4. The same will occur in Year 5 with the penalty based on Year 3 decile thresholds and for Year 6 with the penalty based on Year 4 decile thresholds.

Incentive payment amounts will be based on the number of cases identified by CMS as being Medicare fee-for-service beneficiaries who received care within the applicable demonstration year in one of the clinical area(s) as determined by the applicable principal diagnosis or principal procedure code.

CMS has budgeted \$12 million per year for demonstration incentives. The availability and amount of payment incentives will be based on the approval by CMS. Incentive payments will be made annually in a lump sum. Measures used to calculate the incentive payment will not include any test measures.

For complete information about the HQID project, visit www.cms.hhs.gov/HospitalQualityInits

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