

# CMS' Progress Toward Implementing Value-Based Purchasing

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# Presentation Overview

- CMS' Value-Based Purchasing (VBP) Principles
- CMS' VBP Demonstrations and Pilots
- CMS' VBP Programs
- Value-Driven Health Care
- Horizon Scanning and Opportunities for Participation

# CMS' Quality Improvement Roadmap

- Vision:

The right care for every person every time

- Make care:
  - Safe
  - Effective
  - Efficient
  - Patient-centered
  - Timely
  - Equitable

# CMS' Quality Improvement Roadmap

- Strategies
  - Work through partnerships
  - Measure quality and report comparative results
  - Value-Based Purchasing: improve quality and avoid unnecessary costs
  - Encourage adoption of effective health information technology
  - Promote innovation and the evidence base for effective use of technology

# VBP Program Goals

- Improve clinical quality
- Reduce adverse events and improve patient safety
- Encourage more patient-centered care
- Avoid unnecessary costs in the delivery of care
- Stimulate investments in effective structural components or systems
- Make performance results transparent and comprehensible
  - To empower consumers to make value-based decisions about their health care
  - To encourage hospitals and clinicians to improve quality of care

# What Does VBP Mean to CMS?

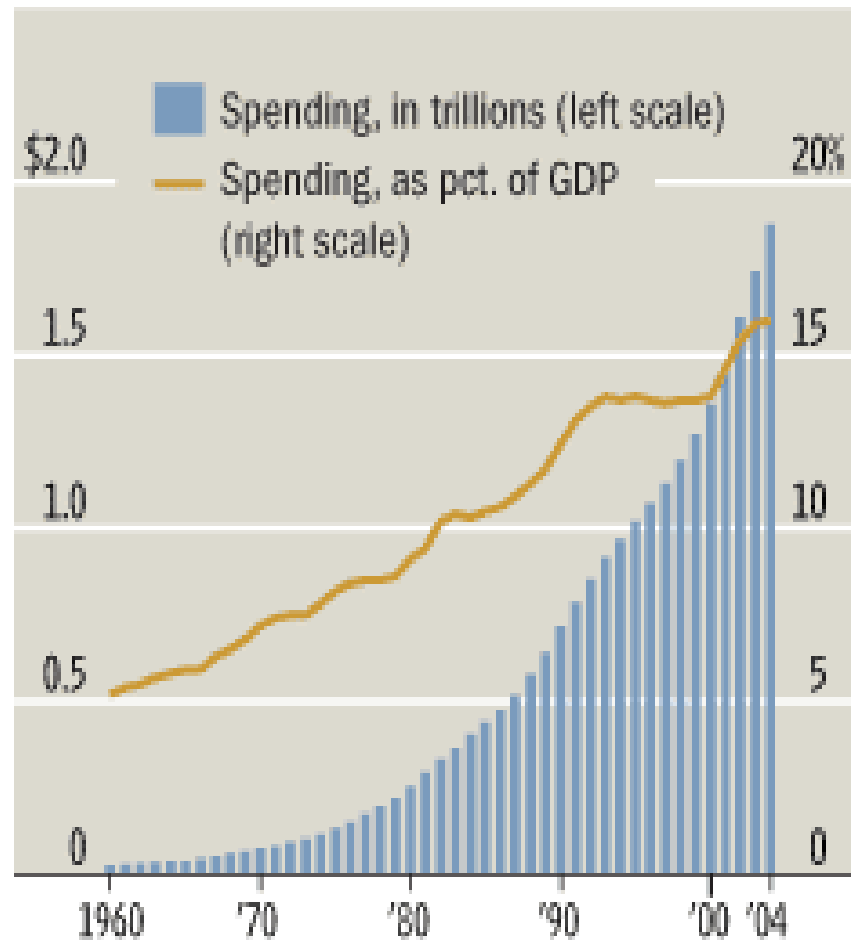
- Transforming Medicare from a passive payer to an active purchaser of high quality, efficient health care
- Tools for promoting better quality, while avoiding unnecessary costs
  - Explicit payment incentives to achieve identified quality and efficiency goals
  - Pay for reporting, pay for performance, gainsharing, and competitive bidding are all VBP tools

# Why VBP?

- Improve Quality
  - Quality improvement opportunity
    - Wennberg's Dartmouth Atlas on variation in care
    - McGlynn's NEJM findings on lack of evidence-based care
    - IOM's Crossing the Quality Chasm findings
- Avoid Unnecessary Costs
  - Medicare's various fee-for-service fee schedules and prospective payment systems are based on resource consumption and quantity of care, NOT quality or unnecessary costs avoided
    - Physician Fee Schedule and Hospital Inpatient DRGs
    - Medicare Trust Fund insolvency looms

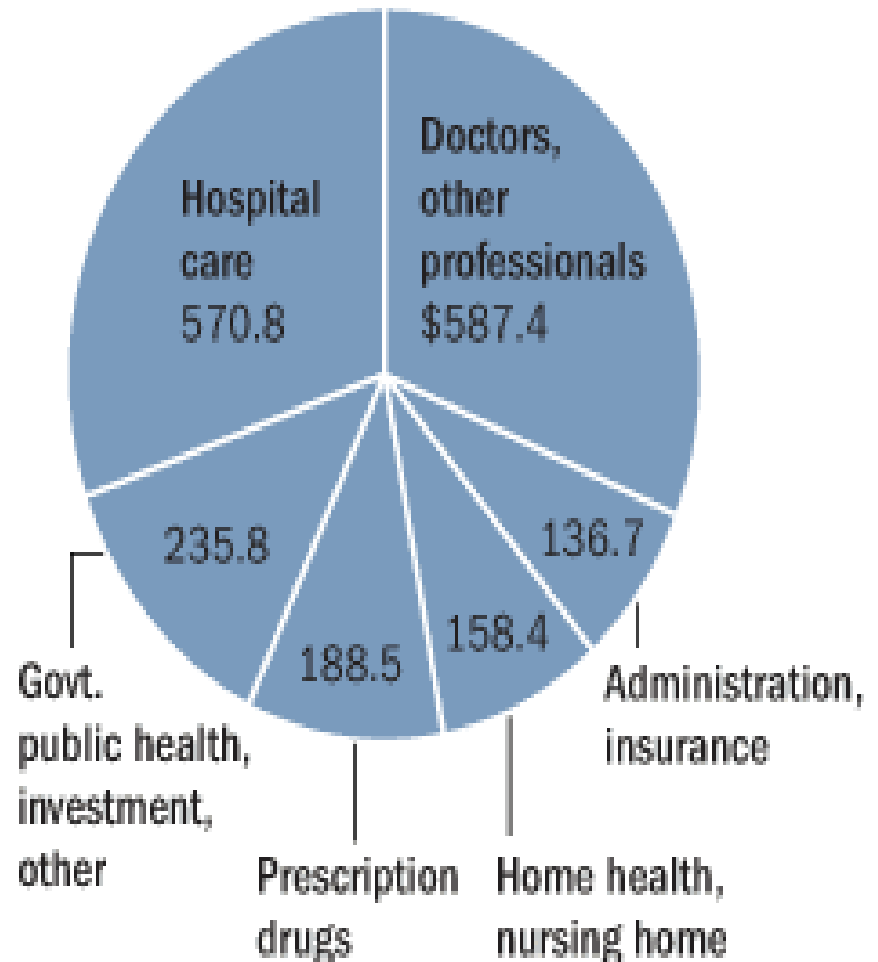
# Health-Care Spending, American-Style

## Up, up and still up



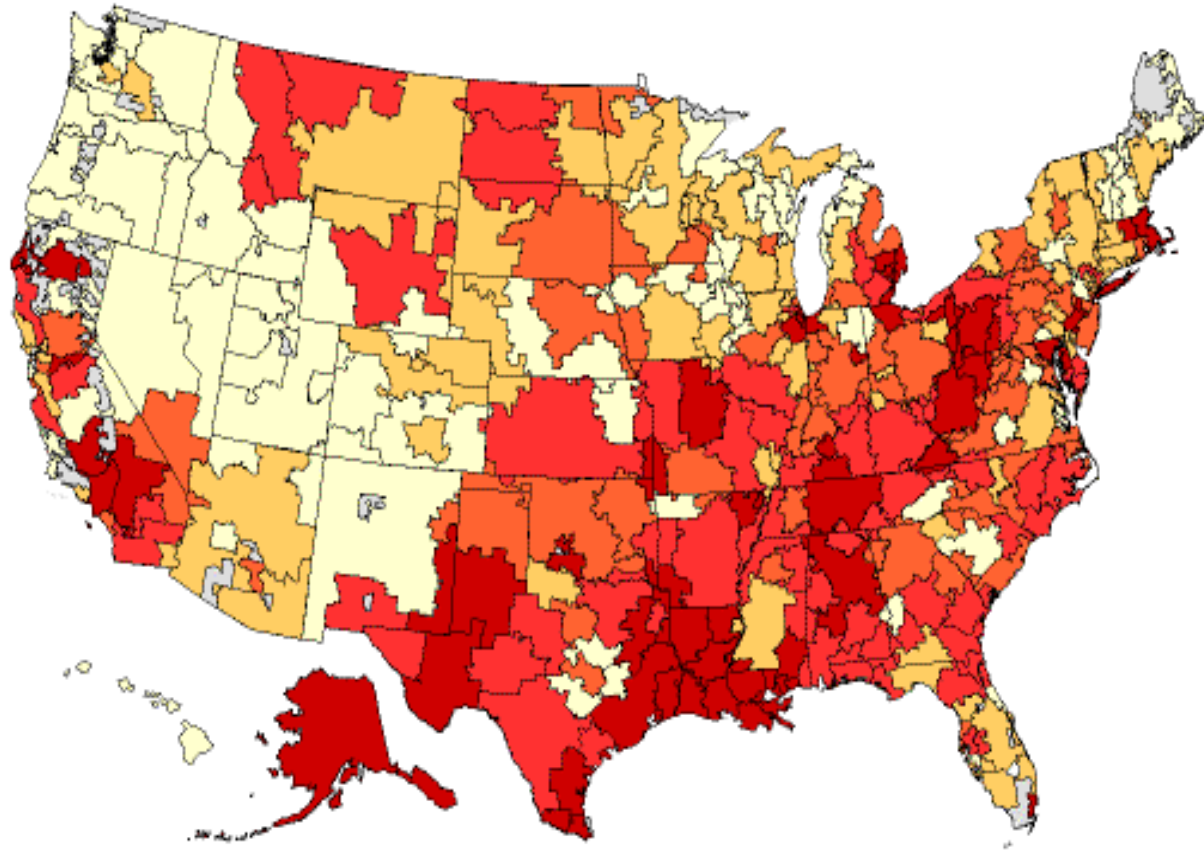
Source: Centers for Medicare & Medicaid Services

## Where the money goes, in billions

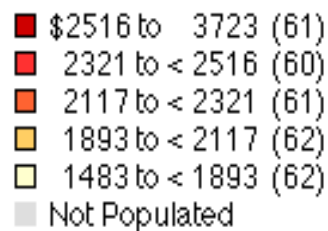




# Practice Variation

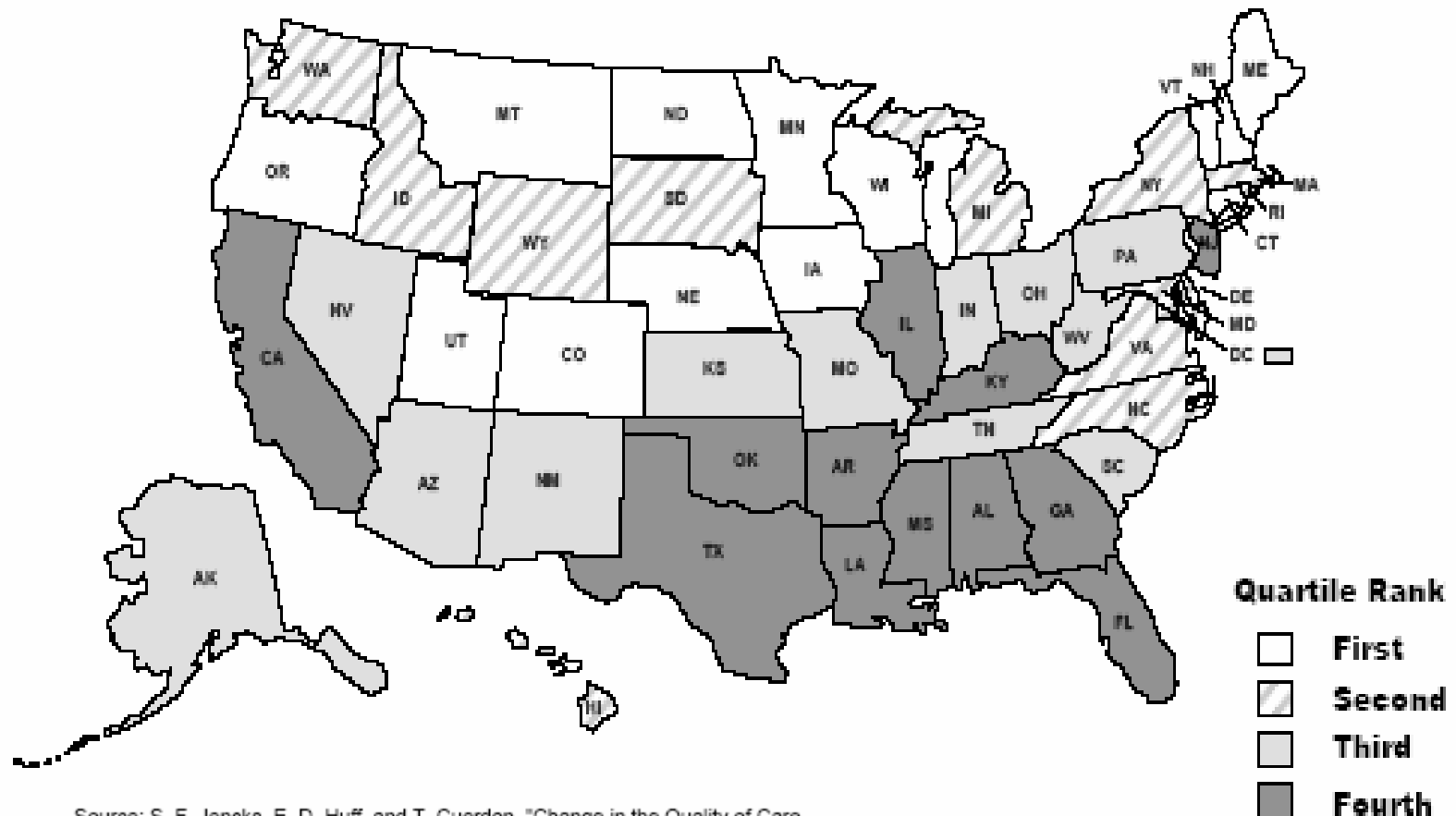


**Map 2.5. Inpatient Hospital Services per Medicare Enrollee**  
by Hospital Referral Region (1995)



# Practice Variation

## Performance on Medicare Quality Indicators, 2000-2001



Source: S. F. Jencks, E. D. Huff, and T. Cuerdon, "Change in the Quality of Care Delivered to Medicare Beneficiaries, 1998-1999 to 2000-2001," *Journal of the American Medical Association* 289 (Jan. 15, 2003): 305-312.

# Support for VBP

- President's Budget
  - FYs 2006-08
- Congressional Interest in P4P and Other Value-Based Purchasing Tools
  - Medicare Modernization Act, Deficit Reduction Act, and Tax Relief and Health Care Act provisions
- MedPAC Reports to Congress
  - P4P recommendations related to quality, efficiency, health information technology, and payment reform
- IOM Reports
  - P4P recommendations in *To Err Is Human* and *Crossing the Quality Chasm*
  - Recent report, *Rewarding Provider Performance: Aligning Incentives in Medicare*
- Private Sector
  - Private health plans
  - Employer coalitions

# VBP Demonstrations and Pilots

- Premier Hospital Quality Incentive Demonstration
- Physician Group Practice Demonstration
- Medicare Care Management Performance Demonstration
- Nursing Home Value-Based Purchasing Demonstration
- Home Health Pay-for-Performance Demonstration
- ESRD Bundled Payment Demonstration
- ESRD Disease Management Demonstration

# VBP Demonstrations and Pilots

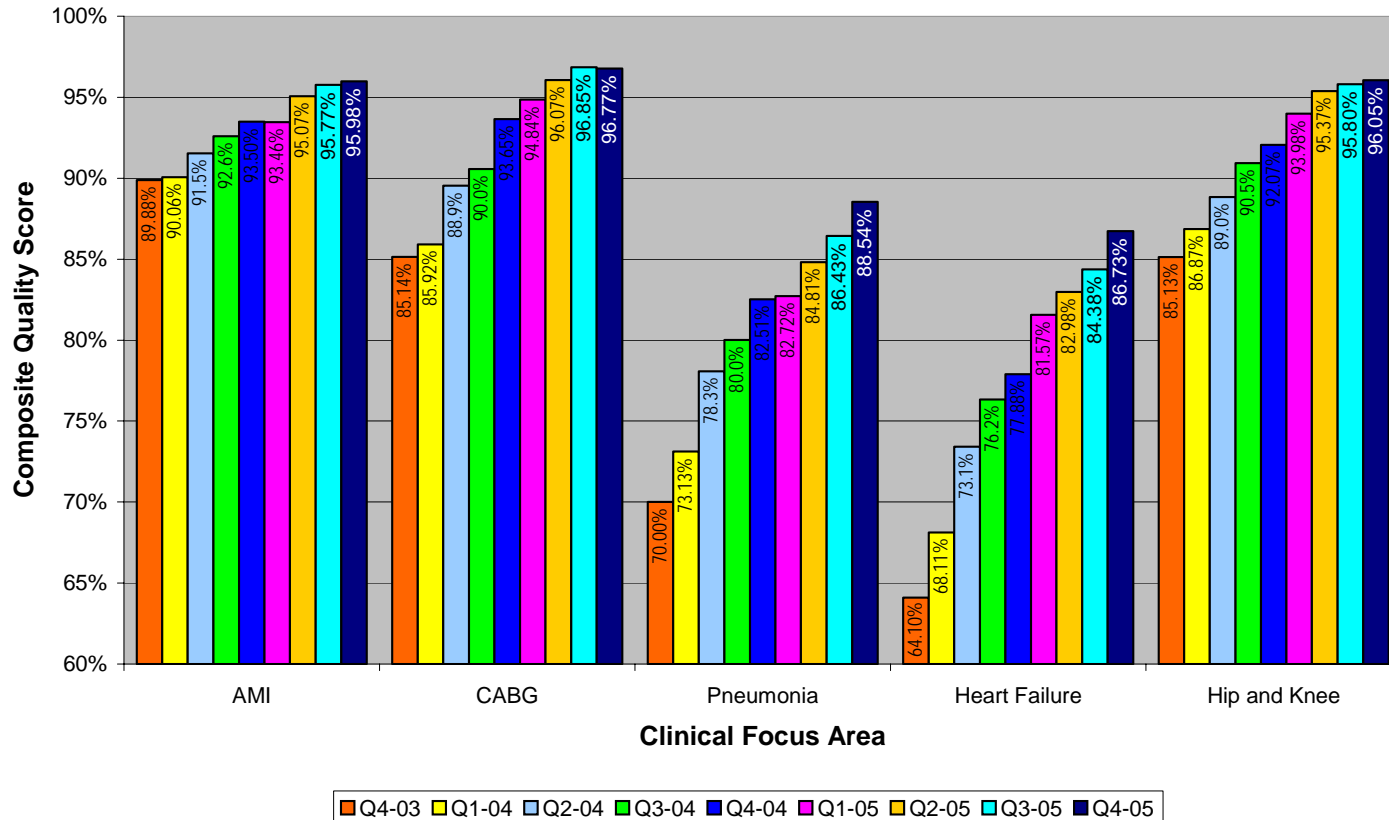
- Medicare Health Support Pilots
- Care Management for High-Cost Beneficiaries Demonstration
- Medicare Healthcare Quality Demonstration
- Gainsharing Demonstrations
- Better Quality Information (BQI) Pilots
- Electronic Health Records (EHR) Demo (TBA)

# Premier Hospital Quality Incentive Demonstration

- Authority
  - CMS' demonstration authority
- Purpose
  - To determine if financial incentives and public recognition are effective in improving quality of care
- Timing
  - Initial 3-year project ended September 2006
  - Recently extended for additional 3 years
- Target
  - Approximately 250 hospitals
- Compensation
  - Bonus payment model for quality attainment in five clinical conditions

# Premier Hospital Quality Incentive Demonstration

**CMS/Premier HQID Project Participants Composite Quality Score:  
Trend of Quarterly Median (5th Decile) by Clinical Focus Area  
October 1, 2003 - December 31, 2005 (Year 1 Final Data, Year 2 and Q4-05 Preliminary)**



# Physician Group Practice Demonstration

- Authority
  - Benefits Improvement and Protection Act (BIPA) Section 412
- Purpose
  - To provide physicians with the opportunity to demonstrate that improving care in a proactive and coordinated manner is cost effective
- Timing
  - 3-year project began April 2005
- Target
  - 10 large physician groups
- Compensation
  - Shared savings based on quality measures



# Physician Group Practice Demonstration

- Preliminary Results
  - Heart failure management
    - Billings Clinic
      - Prevention of 160 admissions from January-August 2006
      - Savings of approximately \$1M
    - Park Nicollet
      - Prevention of over 40 readmissions per month
  - Diabetes control
    - Billings Clinic
      - 20% increase in dilated eye exams from July 2004 to June 2006
      - 33% increase in well-controlled cholesterol from July 2005 to June 2006
    - Park Nicollet
      - 79% increase in results of 5 diabetes measures over
      - 9 months

# CMS' VBP Programs

- Hospital Quality Initiative: Inpatient & Outpatient
- Hospital VBP Plan & Report to Congress
- Hospital-Acquired Conditions & Present on Admission Indicator
- Physician Voluntary Reporting Program
- Physician Quality Reporting Initiative
- Physician Resource Use
- Home Health Care Pay for Reporting
- Ambulatory Surgical Centers Pay for Reporting
- Medicaid – State Partnerships

# Value-Driven Health Care

- Executive Order 13410
  - Promoting Quality and Efficient Health Care in Government Administered or Sponsored Health Care Programs
  - Directs Federal Agencies to:
    - Encourage adoption of health information technology standards for interoperability
    - Increase transparency in healthcare quality measurements
    - Increase transparency in healthcare pricing information
    - Promote quality and efficiency of care, which may include pay for performance

# Value-Driven Health Care

- CMS' Posting of Quality and Cost Information
  - Quality
    - Compare Websites for Hospitals, Nursing Homes, Home Health Agencies, and Dialysis Facilities
  - Payments
    - Hospital inpatient -- June 1, 2006
    - Ambulatory surgical centers -- August 21, 2006
    - Hospital outpatient -- late 2006
    - Physician practice -- late 2006
- Available at: <http://www.medicare.gov>

# Horizon Scanning and Opportunities for Participation

- IOM Payment Incentives Report
  - Three-part series: *Pathways to Quality Health Care*
- MedPAC
  - Ongoing studies and recommendations regarding value-based purchasing tools
- Congress
  - VBP legislation in new Congress?
- CMS Proposed Regulations
  - Seeking public comment on the VBP building blocks
- CMS Demonstrations and Pilots
  - Periodic evaluations and opportunities to participate

# Horizon Scanning and Opportunities for Participation

- CMS Implementation of MMA, DRA, and TRHCA provisions
  - Demos, P4R programs, VBP planning
- Measure Development
  - Foundation of VBP
- Value-Driven Health Care Initiative
  - Expanding nationwide
- Quality Alliances and Quality Alliance Steering Committee
  - AQA Alliance and HQA adoption of measure sets and oversight of transparency initiative

*Thank You*

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