

Value Based Purchasing Overview

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VIDANT HEALTH™

Government Intervention

“A good plan violently executed today is better than a perfect plan next week”

George Patton – General, US Army



Healthcare Reform

- Move Medicare to a purchaser of “value”
- Value = Quality (perceived & actual) / Cost
 - Link payment to quality
 - Create transparency for consumer and comparison (competition)
 - Joint Accountability for hospitals and providers



Healthcare Reform

Mechanism to Lower Costs

- Price controls
- Financial incentive & Penalty
- Improved Quality
- Transparency
- Shared accountability



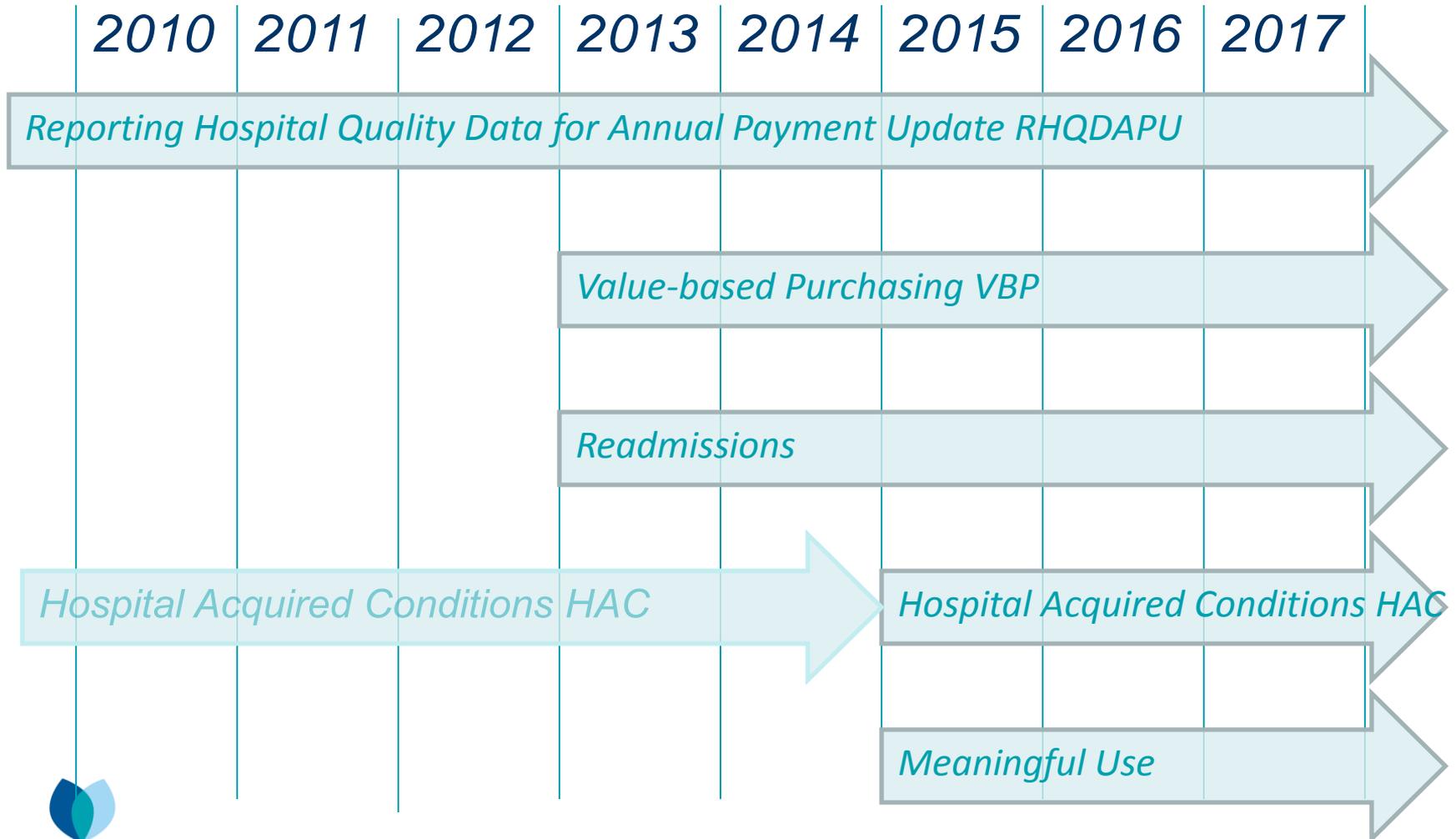
The Affordable Care Act

Includes provision for Medicare Value-based purchasing under Title 3

- 3001 Value Based Program for Hospital
- 3022 Medicare Shared Savings Program
- 3023 Pilot Bundled Payment Program
- 3025 Hospital Readmit Reduction
- 3027 Gain-Sharing
- 3502 Medical Homes

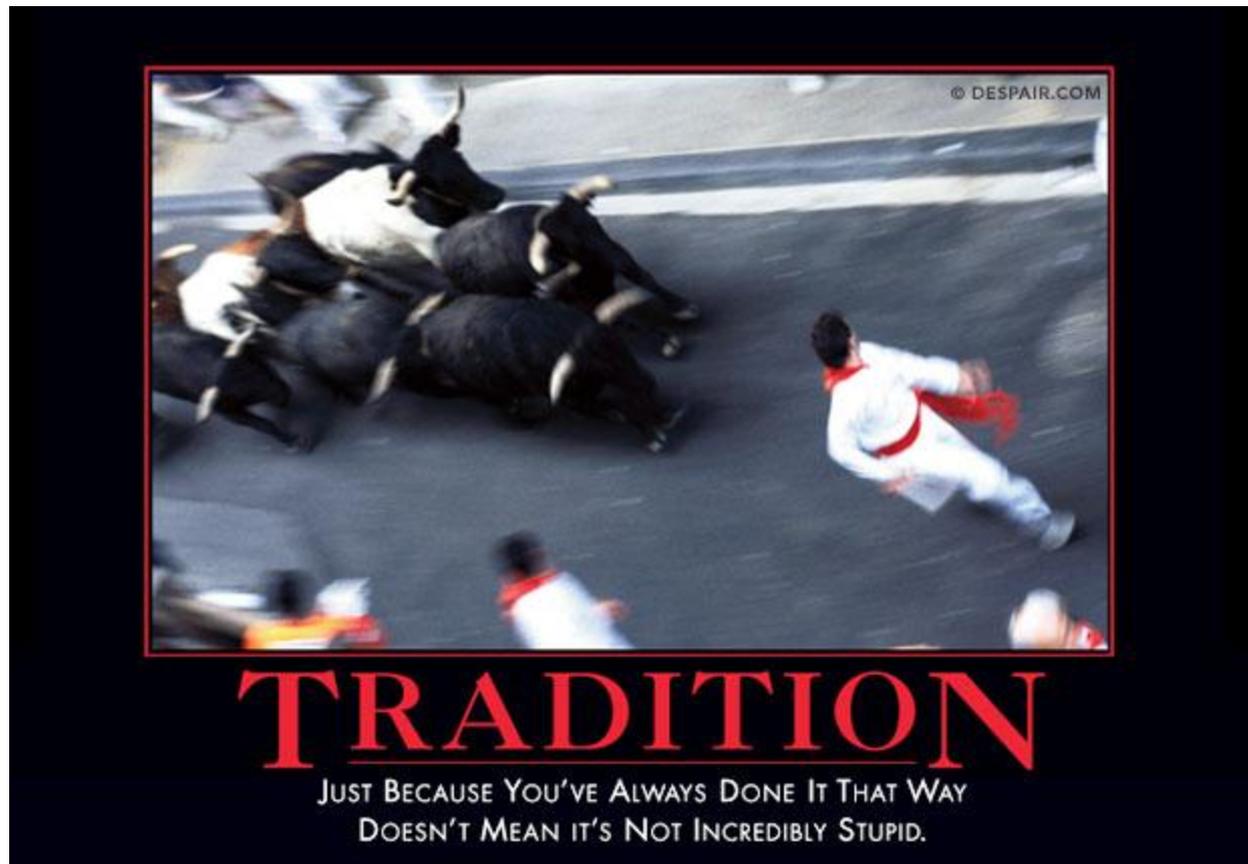


Inpatient Prospective Payment System (IPPS) Policies



Change

“Insanity: Doing the same thing over and over and expecting different results.”
- Albert Einstein



Value-Based Purchasing Key Elements

- Zero sum game
- Hospitals will lose reimbursement unless their performance is at benchmark levels
- Withhold of baseline DRG payment (not annual payment update) across all patients
- Percentage of withhold earned back based on performance



VBP Key Elements

- Measures selected from those now used for public reporting
 - Clinical measures (AMI, HF, PN, SCIP, infection control)
 - Patient satisfaction (HCAHPS)
- Subsequent expansion of measures – additional clinical area(s), outcome and efficiency measures
- Potential shift to EMR based measures as meaningful use measures evolve



Creating a VBP Score

- VBP score:
 - Performance on clinical measures contributes 70% of overall score
 - Performance on satisfaction measures contributes 30% of overall score



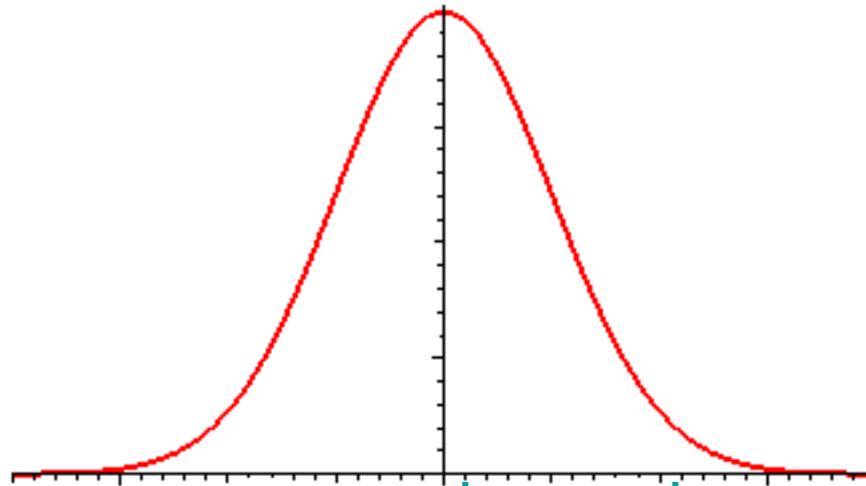
Attainment or Improvement

- Each measure scored on attainment **and** improvement, higher of the two is used in overall VBP score calculation
- Each measure may earn 0 to 10 points
- Additional 20 points may be awarded for all satisfaction being above a certain threshold – supplemental reward for doing well on all 8 satisfaction measures



Scoring on Attainment

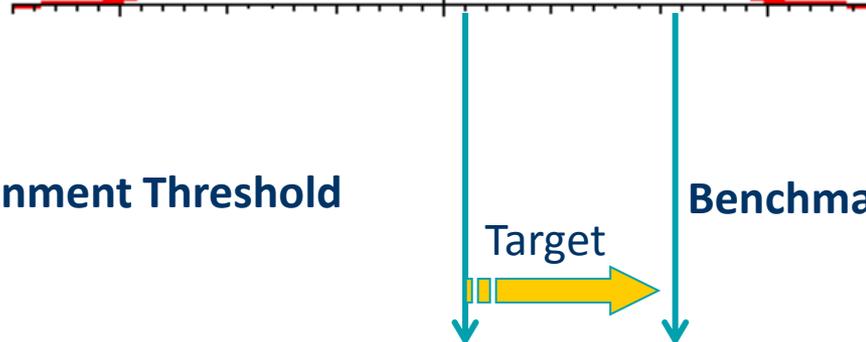
Baseline (e.g., 2008)



Attainment Threshold

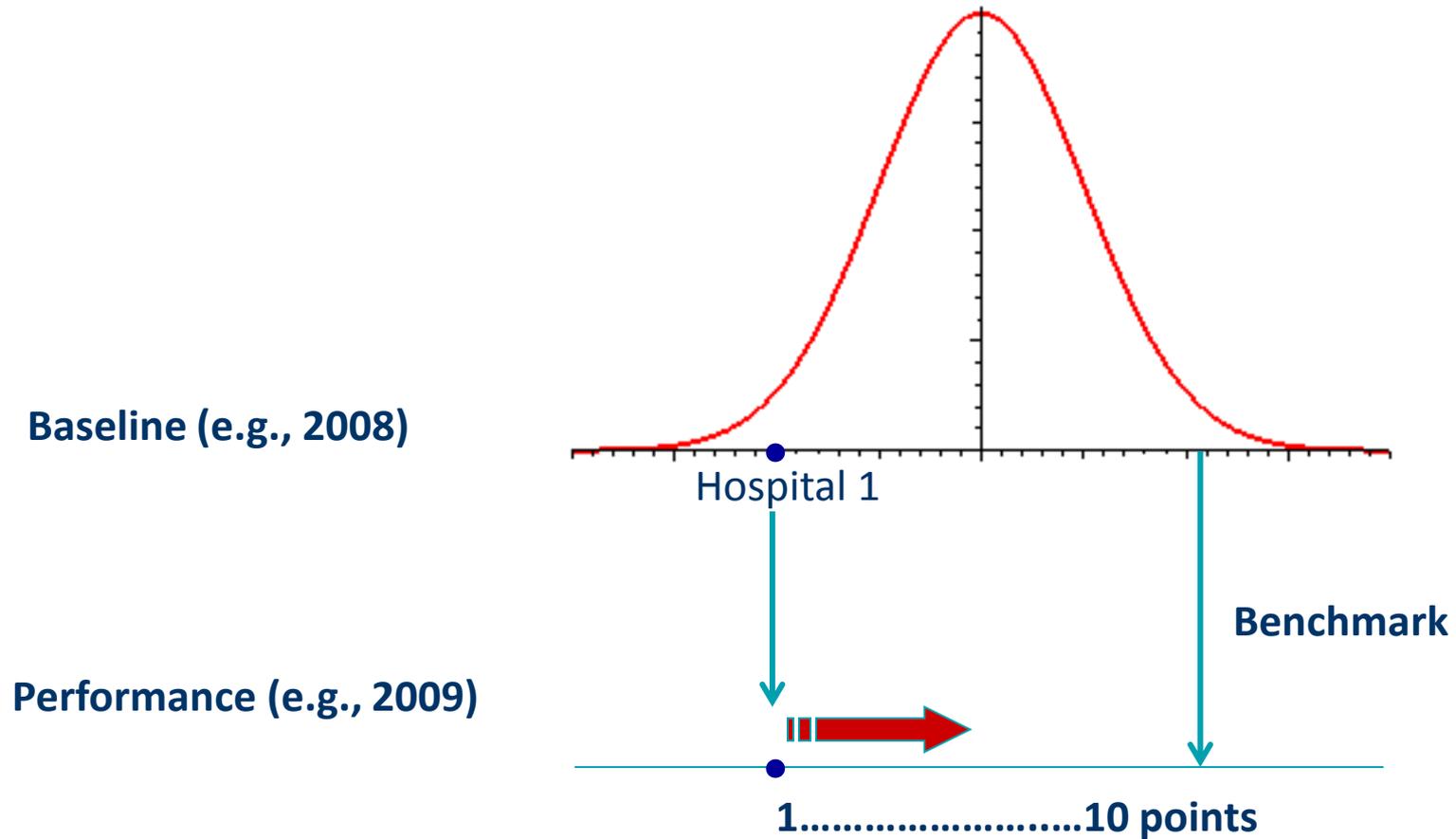
Benchmark

Performance (e.g., 2009)



1.....10 points

Scoring on Improvement



Converting Scores into Payment

- Separate clinical and satisfaction score calculated
- Combined with 70/30 weight into overall VBP score
- Exchange function determines percentage of Medicare MS-DRG withhold earned back



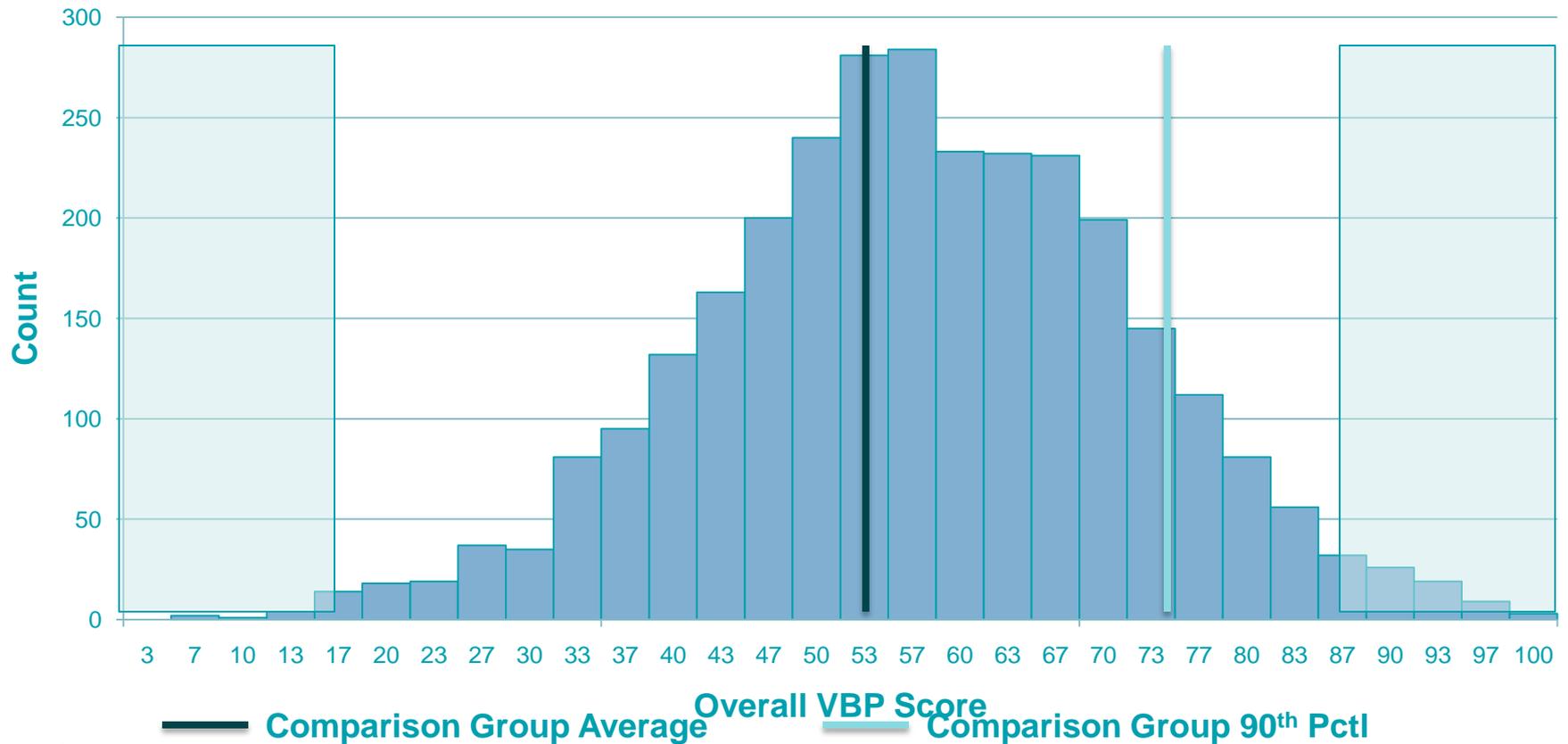
Reimbursement at Stake

- Reductions apply to all MS-DRGs
- Incentive pool to be phased-in
 - 1.0% in FY2013
 - 1.25% in FY2014
 - 1.5% in FY2015
 - 1.75% in FY2016
 - 2.0% in FY2017
- Hospitals earn back part of the withheld payments based on performance



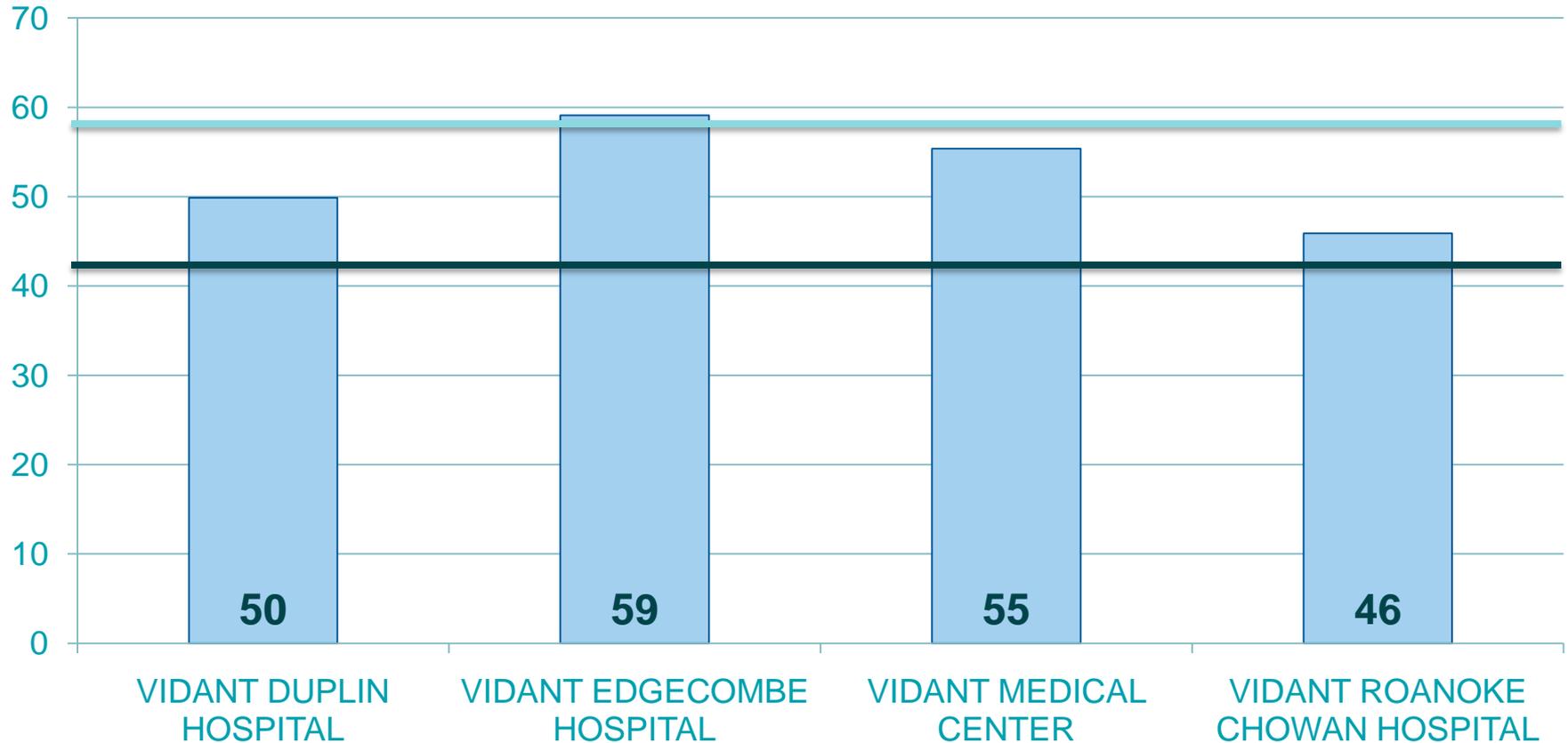
VBP National Comparison Group

VBP Score Distribution National Comparison Group



Clinical Process of Care Domain Score

Weighted Clinical Process of Care Domain Score



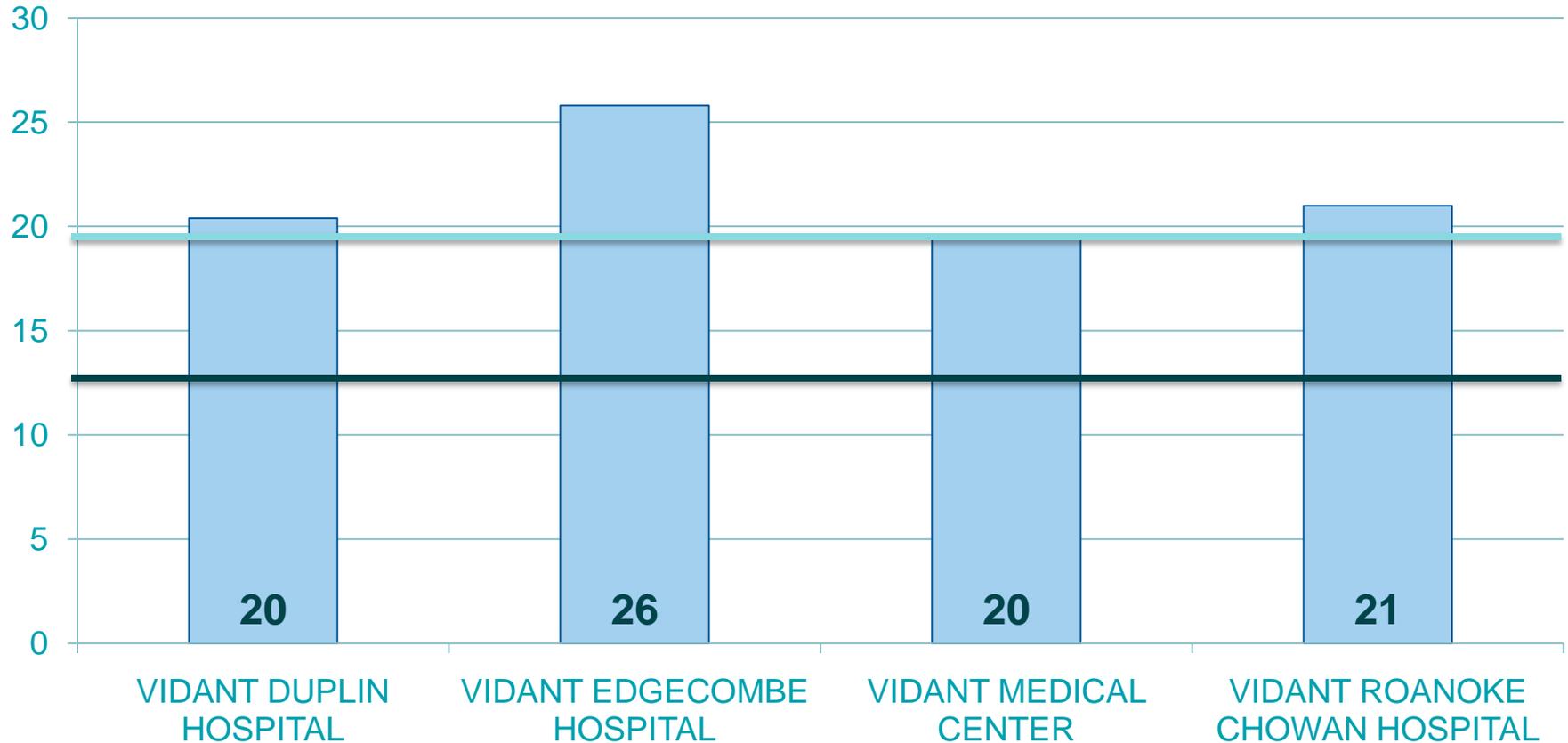
— Comparison Group Average

— Comparison Group 90th Pctl



Patient Experience of Care Domain Score

Weighted Patient Experience of Care Domain Score



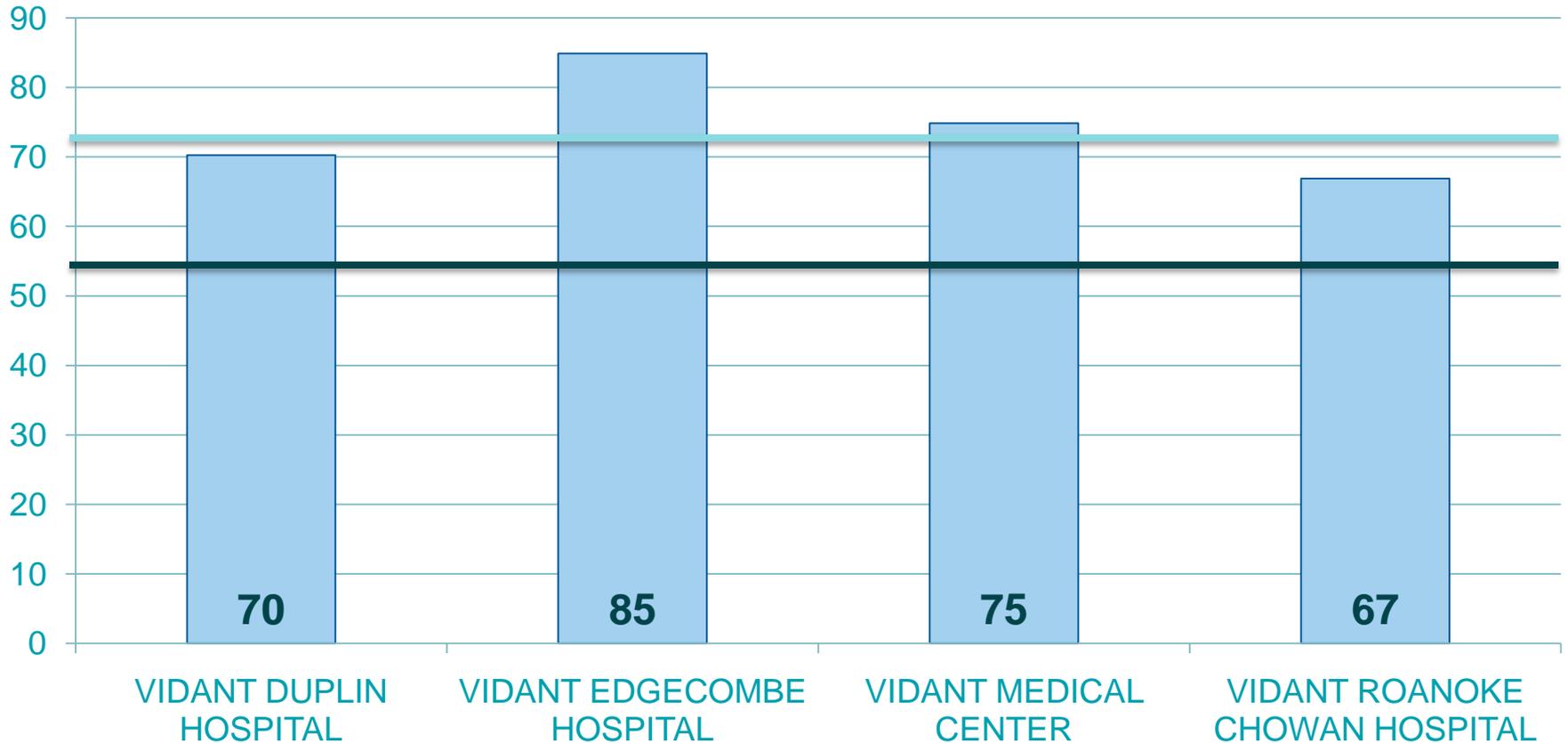
— Comparison Group Average

— Comparison Group 90th Pctl



Total Performance Score

Total Performance Score



— Comparison Group Average

— Comparison Group 90th Pctl



Summary

- Most hospitals in the system are performing
 - Well above average
 - At levels that would earn the full incentive back
 - There is time to improve your chances of receiving the full incentive
- Hospitals at the 90th percentile still have significant growth opportunities to get to earning the full incentive



Summary

Penalizes hospitals for hospital-acquired conditions (HACs)

- Beginning in FY 2015, the law subtracts 1% of payments from hospitals with the highest rates of HACs

Bases part of hospital payment on Value-based Purchasing

- Starting in FY 2013, hospitals will be paid in accordance with their VBP program scores

Penalizes hospitals for readmissions

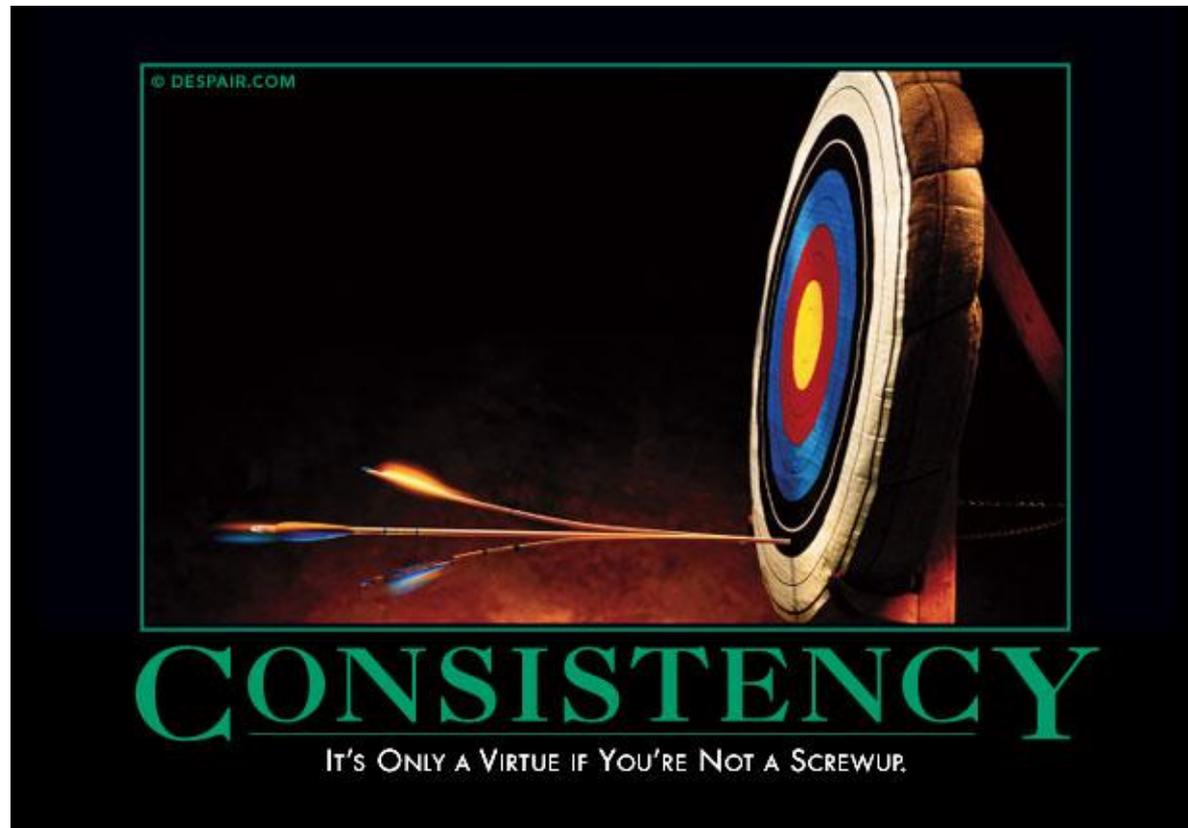
- Beginning FY 2013, hospitals will be financially penalized for “excess” readmissions



Consistency & Speed (Flash to Bang)

“The man who comes up with the means for doing or producing almost anything better, faster or more economically has his future and his fortune at his fingertips.”

- J. Paul Getty



CONSISTENCY

IT'S ONLY A VIRTUE IF YOU'RE NOT A SCREWUP.



VBP Success is a Trailing Indicator

- Value Based Purchasing is a trailing indicator of excellence in planning, process improvement and performance
- At VMC, we have been focusing our work on those value based measurements for more than five years
- It is a race (topping your personal best & performing against the field)!



Questions

“We should all be concerned with the future
as we will spend the rest of our lives there”

Charles Kettering

