Nursing Home Value-Based Purchasing Demonstration
Overview

- **Objective:** To improve the quality of care furnished to all Medicare beneficiaries in nursing homes.

- **Approach**
  - Assess nursing home performance based on selected performance measures.
  - Make annual payment awards to those nursing homes that achieve the best performance or the most improvement based on the measures.
  - Payment pool for each State will be determined based on Medicare savings that result from reductions in Medicare expenditures, primarily from reductions in hospitalizations.
Framework

• A three-year demonstration beginning in summer 2009.
• Demonstration states: Arizona, Mississippi, New York, and Wisconsin
• Nursing homes within these states are being solicited to participate in the demonstration
  – Solicitation letters have been mailed to nursing homes in these states.
  – Participation will be voluntary.
  – Nursing homes will be required to submit an application in order to be considered for the demonstration.
  – Application kits are posted at: www.nhvbp.com
  – Interested nursing homes will be randomly assigned either to the demonstration or to a comparison group after stratifying the nursing homes based on certain characteristics.
Features

• The demonstration has several significant features:
  – It includes all Medicare beneficiaries residing in nursing homes, including long-stay residents.
  – Both freestanding and hospital-based nursing homes are eligible to participate.
  – It rewards both levels of performance and improvement in performance over time, so that all participating nursing homes may qualify for a payment award, regardless of initial performance level.
  – It is designed to be budget neutral.
Budget Neutrality

• The NHVBP demonstration will be budget neutral
  – Within each State, a pool of Medicare savings must be generated before payments can be made.
• In each State, CMS will randomly assign nursing homes that apply to participate in the demonstration to either the demonstration or a comparison group.
  – About 50 nursing homes in each State will be assigned to each group.
  – The size of the payment pool in each state will be determined based on the estimated Medicare program savings achieved by demonstration homes in each state.
• Higher quality of care is expected to result in fewer avoidable hospitalizations, yielding savings to Medicare.
Performance Measures

• Each year of the demonstration, CMS will calculate a score for each nursing home based on performance on four domains:
  – Nurse staffing
  – Rates of potentially avoidable hospitalizations
  – Outcome on selected MDS-based quality measures
  – Results from State survey inspections
Staffing Performance Measures

- There is evidence that low staffing levels and high nursing staff turnover compromise the quality of care of nursing home residents.

- Staffing measures
  - Registered nurse/ Director of Nursing (RN/DON) hours per resident day;
  - Total licensed nursing hours (RN/DON/licensed practical nurse) per resident day
  - Certified Nurse Aide (CNA) hours per resident day; and
  - Nursing staff (RN, LPN, CNA) turnover rate

- Staffing measures will be adjusted for case mix differences.

- Staffing measures will be calculated from payroll data submitted by nursing homes.
  - Participating nursing homes will submit payroll data quarterly.
Potentially Avoidable Hospitalizations

- Previous studies suggest that careful management of certain kinds of conditions may reduce hospitalization of nursing home residents and that a substantial portion of hospital admissions of nursing home residents are potentially avoidable.

- Defined as hospitalizations with any of these diagnoses: CHF, respiratory infection, electrolyte imbalance, sepsis, urinary tract infection
  - Includes anemia for long-stay residents only

- Separate measures for short and long-stay residents.

- Includes transfers directly from the nursing home to the hospital and admissions to the hospital within three days after NH discharge.

- Scoring rules intended to minimize the incentive for homes to avoid appropriate hospitalizations.

- Hospitalization measure is risk-adjusted.
MDS-Based Quality Measures

• Use of MDS-based quality measures aligns payment incentives with achievement of better outcomes

• We will use a subset of already-developed and validated MDS-based quality measures (QMs).
  – The measures cover a broad range of functioning and health status in multiple care areas.
  – Measures selected based on reliability, extent to which measure is under the facility’s control, statistical performance, and policy considerations.

• Initially, MDS 2.0-based measures will be used. When MDS 3.0 is implemented, CMS will review this domain and consider revisions to the measures and point allocation method.

• Weighting of measures depends on types of residents at the facility.
MDS-Based Quality Measures (Continued)

• Chronic care (long-stay) residents: Use five of the QMs posted on Nursing Home Compare:
  – % of residents whose need for help with daily activities has increased;
  – % of residents whose ability to move in and around their room got worse;
  – % of high-risk residents who have pressure ulcers;
  – % of residents who have had a catheter left in their bladder; and
  – % of residents who were physically restrained.

• For each of these measures, the exclusion criteria, minimum required sample, and risk adjustment methodology would be the same as used in the publicly reported measures.

• Post-acute care (short-stay) Residents:
  – % of residents with improving level of Activities of Daily Living (ADL) functioning;
  – % of residents who improve status on mid-loss ADL functioning; and
  – % of residents experiencing failure to improve bladder incontinence.
State Survey Inspections

• Outcomes from State survey inspections
  – Health inspection surveys provide a broad perspective of the quality of care furnished by nursing homes.
  – They are an on-site, independent observation of nursing home quality.

• Survey deficiencies are used in two ways: as a performance measure and as a screening measure.
  – Screening measure: Facilities with substandard quality of care deficiency are ineligible for an incentive payment for the year.
  – Performance measure:
    • Deficiencies are assigned values, based on scope and severity
    • Also consider number of revisits required to correct deficiencies
    • Similar to system used in CMS 5-Star Rating system, except that only the most recent survey is considered.
Other Potential Performance Measures (Developmental Measures)

• There are several promising performance measures that require further development work but that may be possible to include beginning in the second year of the demonstration.
  – Resident Experience with Care surveys
    • Use of survey
    • Resident satisfaction (e.g., based on Nursing Home CAHPS)
  – Staff immunization rate
• CMS plans to continue conducting research on these and other measures for possible future application.
Scoring Rules

• Weights for performance measures
  – Staffing: 30 points (10 point for RN staffing, 5 points for licensed staffing, 5 points for CNA staffing, 10 points for turnover)
  – Potentially avoidable hospitalizations: 30 points
  – Survey deficiencies: 20 points
  – Resident outcomes: 20 points

• A continuous scoring system is used, with points based on facility relative performance within the state (i.e., based on facility percentile).
  – This method was selected because it avoids the “cliff effect” and is considered fairer.
  – Points allocated proportionately based on facility rank within the State (i.e., best performer receives maximum number of points for the measure, worst performer receives zero points)
Measuring Medicare Savings

- Size of the performance payments depends on the Medicare savings generated by demonstration participants in each State.
  - CMS anticipates that certain hospitalizations may be reduced as a result of improvements in quality of care.
  - Result is a pool of savings to the Medicare program that can be used to fund performance payments
  - Similar to approach used in CMS Physician Group Practice and Home Health P4P demonstrations.
- Medicare savings will be calculated based on the difference in the change in Medicare expenditures between demonstration and comparison groups.
  - Use comparison group to estimate what certain risk-adjusted Medicare expenditures (for certain Medicare expenditures) for demonstration nursing homes would have been in the absence of the demonstration.
  - Calculate difference between actual and predicted expenditures for demonstration group in each State.
Determining the Size of the Payment Pool

• Apply a shared-savings approach to estimated Medicare savings:
  – Threshold: The amount that exceeds 2.3% of total Medicare expenditures is considered Medicare savings.
  – Amounts above the threshold are divided, with 80% used to fund performance payments and 20% retained by CMS.
  – The size of the performance pool cannot exceed 5% of total Medicare expenditures. Any savings above this cap will be retained by CMS.
  – If no Medicare program savings are achieved, no incentive payments are made to any facilities, regardless of performance.

• Methodology ensures that no nursing home faces payment reductions as a result of participating in the demonstration while maintaining budget neutrality.
Eligibility for Performance Payments

• Performance payments will be based on the overall performance score rather than the scores on individual performance measures or categories of measures.

• Eligibility for incentive payments
  – Facilities in the top 20% in terms of overall performance (across all measures) qualify for an incentive payment, as do those in the top 20% in terms of improvement relative to the baseline period.
  – Overall performance must be at least at the 40th percentile (ensures that no performance payments are made to nursing homes with overall poor performance).
  – Nursing homes with hospitalization rates above the comparison group median or significantly higher than base year rate will be ineligible for a performance payment. (This ensures that qualifying nursing homes contribute to savings).
Allocation of Performance Payments

• Top 10% in terms of performance or improvement receive a higher incentive payment that is 1.2 times higher than the next 10%.

• Payment pool is allocated equally between top performers and improvers.

• Payments weighted based on nursing home size

• Nursing homes cannot receive incentive payments for both performance level and improvement.
NHVBP Application Process

• One-page cover sheet
  – Mail signed form to Abt Associates

• Data collection form
  – Email Excel spreadsheet or mail CD to Abt

• Data elements
  – General facility information
  – Resident census information
  – Payroll data
  – Agency staff information
  – Developmental measures:
    • Staff immunizations
    • Use of resident care experience surveys
Timeframe

- Applications must be sent by May 1, 2009.
- Technical assistance is available to all applicants.
  - Email NHVBP@cms.hhs.gov
- Award letters will be sent to nursing homes selected for the demonstration around June 1, 2009.
  - Includes Special Terms and Conditions
- Awardees must send acceptance reply to CMS within 30 days of date of award letter.
Data Submission Requirements: Payroll Data

• Payroll data will be the source for nursing home staffing and turnover measures.

• Participating nursing homes will submit payroll data quarterly.

• Staffing measures calculated from payroll data will be used due to their accuracy and potential to be audited.
Payroll Data Elements

• Medicare Provider Number

• Employee identification number
  – Unique to the employee at the facility.
  – Should not include SSN or any other personally identifiable information.
  – Should not change if the employee is promoted.
  – May change if the employee leaves the facility but is rehired at some later date.

• Employee start date
  – Date the employee started employment with the facility in her/his most current position

• Employee job category
  – Regardless of classification used by the facility, each nursing staff employee needs to be categorized into one of: 1) DON, 2) RN, 3) LPN, or 4) CNA.
Payroll Data Elements

• Pay period dates
  – Pay period **start date** is the first day of the pay period being reported.
  – Pay period **end date** is the last day of the pay period being reported.
  – Pay periods could be 7 days, 14 days, bi-monthly, or monthly in length.
  – Consecutive pay periods should not overlap.

• Employee hours reported
  – Number of hours actually worked at the facility (can be any number, including fractions).
  – Nonproductive hours for sick, vacation, holidays, disability, administrative, etc. (can be any number, including fractions).
Conclusions

- The NHVBP demonstration has several noteworthy features:
  - It includes all Medicare beneficiaries.
  - The performance measures reflect various dimensions of quality.
  - By rewarding both the level of performance and improvement, all demonstration nursing homes can potentially qualify for a performance award.

- For more information on the demonstration, go to

  [www.nhvbp.com](http://www.nhvbp.com)