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MEMORANDUM

TO: RHCF Members

FROM: Patrick Cucinelli, Senior Financial Policy Analyst

DATE: March 27, 2009

SUBJECT: **CMS Value Based Purchasing Demonstration Project**

ROUTE TO: Administrator, CFO, Director of Nursing

ABSTRACT: CMS issues initial details on their nursing home value based purchasing demo.

Introduction

The Centers for Medicare and Medicaid Services (CMS) recently briefed NYAHSA on the initial details of their nursing home value based purchasing (NHVBP) demonstration project. CMS is currently pursuing a broad policy agenda geared towards re-focusing their reimbursement philosophy to include more quality incentives and pay-for-performance (P4P). The announcement of their NHVBP project is the latest in a series of such initiatives that include physicians, hospitals, and home care agencies (please refer to the [CMS P4P Web page](#) for more details on the range of CMS P4P projects currently underway).

As part of this agenda, CMS has announced their nursing home P4P demonstration project in a March 27th press release entitled: [Medicare to Test Pay Incentives to Improve Care in Nursing Homes – Four State Demonstration Launched](#). New York is included in the 4-state demo along with Arizona, Mississippi, and Wisconsin. For specific information on the NHVBP project, please go to www.nhvp.com.

Briefing Details

On March 25, NYAHSA participated in a teleconference briefing on the project conducted by CMS. Both NYAHSA clinical and financial staff participated and we identified several areas of concern.

Demonstration program highlights include:

- This is scheduled to be a 3-year project beginning in the summer of 2009;
- CMS is looking to identify 100 participating nursing homes in each of the 4 demo states; participation is on a voluntary basis;
- Out of the sample of 100 homes, approximately half will actually be eligible for incentive payment and half will be part of a control group that will receive no additional dollars. CMS will need a diverse enough sample such that control and non-control group homes can be profiled and matched to determine if there is any quality advantage derived from the incentive payment. When volunteering to participate in the study nursing homes will not know their group assignment;
- Long and short-term residents will be part of the study, and both *best performing* (top 20 percent) and *most improved* (top 20 percent) nursing homes will be rewarded with an incentive payment. Facilities can only receive payment for performance in one of the two categories. Those in the top decile will receive 1.2 times more than those in the second decile:
- The program is predicated on being budget neutral, with funding for the incentive payments to derive from cost savings resulting from lower rates of hospitalization. Within each state, a pool of Medicare savings must be generated before the incentive payments can be issued;
- The quality assessment is based upon four performance measures: 1.) nurse staffing (including contract staff) – 30 percent of the score; 2.) hospitalization rates – 30 percent; 3.) survey deficiencies – 20 percent (a finding of substandard quality of care will disqualify a facility from receiving payment); and 4.) minimum data set (MDS) outcomes – 20 percent. The MDS outcomes will be risk adjusted, with a distinct set of measures for long-stay and short-stay; and
- In order to determine performance on the staffing measure, a participating nursing home will be required to submit payroll data over an extended period of time. CMS believes that this is the only area in which the nursing home will incur any additional work. The rest of the data can be gathered from MDS and CMS claims files.

Again for additional details, including the formula used to estimate the payment pool, please refer to to: www.nhvbp.com.

Areas of Concern

While in principle NYAHSAs support efforts on both the state and federal level to improve quality and develop value-based purchasing programs, it is important to remember that this is still an emerging science. CMS is following the correct path here in terms of doing a limited demonstration program first.

Based upon the information presented in the briefing, we were able to raise some areas of concern, with the understanding that this is a demonstration project and working the bugs out of the system is inherent in any such endeavor. Among the areas of concern we raised are:

- There is a disconnect between what is being measured as quality for the incentive payment demo versus the [5-Star rating system](#);
- Considering that a volunteering nursing home has a roughly 50 percent probability of being assigned to the non-paid control group, this may be a disincentive for facilities to participate;
- The payment pool will be based upon the difference in growth in Medicare expenditures between the control and non-control groups. For a state like New York, with a wide variety of geographic regions, a wide variety in specialty services offered, and a significant range in Medicare rates among the 14 wage index regions, it may prove to be a considerable challenge for CMS to find a statistically valid number of matched control and non-control group participants among the 100 volunteers; and
- As in any effort of this nature, the validity of quality measures used and the process for risk adjustment is critical, and this is an area in which NYAHSa intends to draw upon its clinical and [MDS EQUIP™](#) data analysis expertise to carefully evaluate and monitor the demonstration project process.

Despite these concerns, NYAHSa would encourage our interested members to participate in the project. At this time there does not appear to be significant downside risk in participating, other than a facility could end up in the non-paid control group and still incur the added work of submitting their payroll information. Members should look for the application kit which CMS intends to distribute to all the nursing homes in the state over the coming weeks.

Please contact me at pcucinelli@nyahsa.org or call 518-449-2707 ext. 145 with any additional questions.