

# **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](http://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 40<sup>th</sup> 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](mailto: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.nhvb.com](http://www.nhvb.com)