

# Paying For Quality

Maryland HIMSS Spring Educational Session  
May 8, 2009



.....*Are We Finally There?*



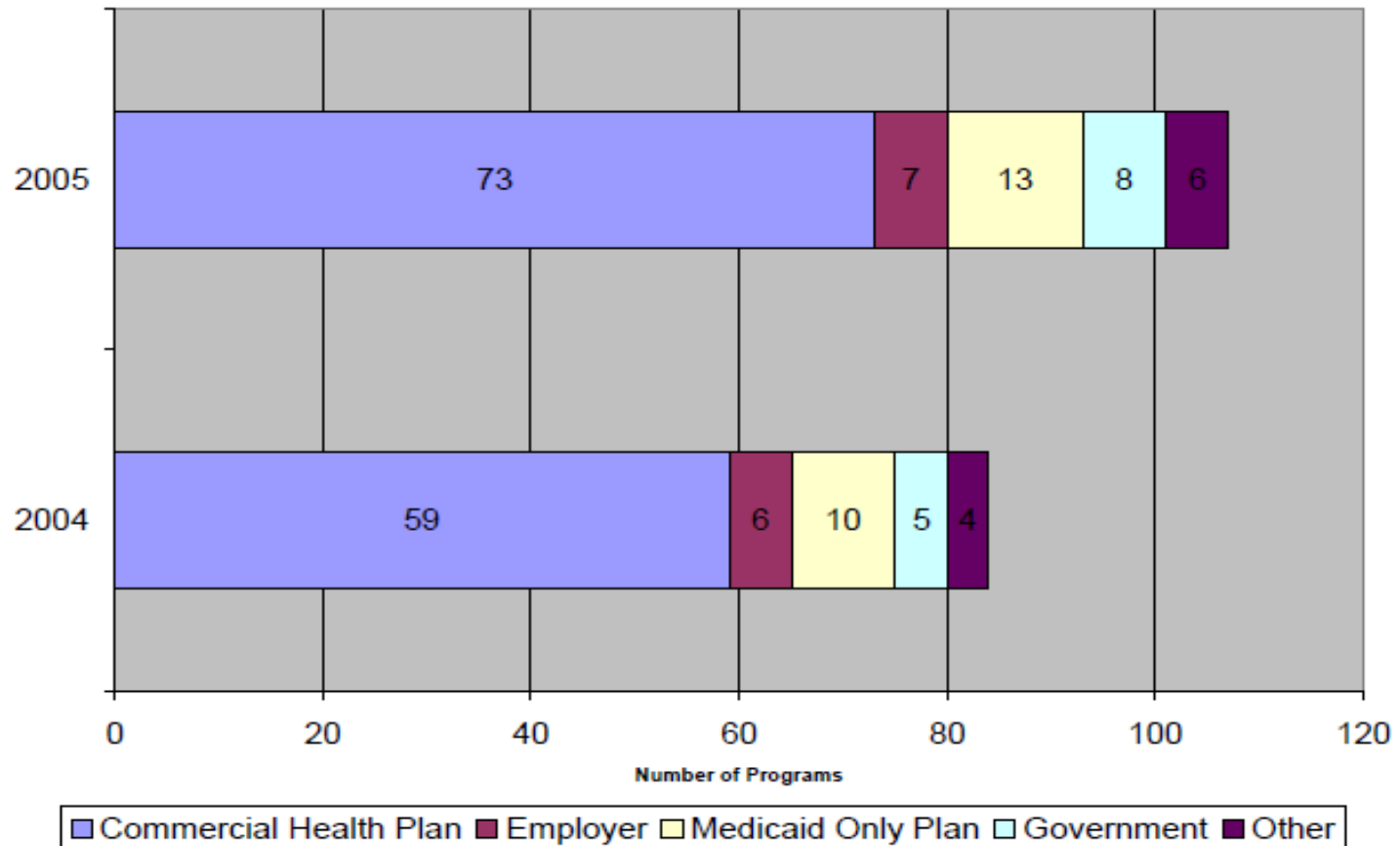
# Paying For Quality



- *If a physician make a large incision with an operating knife and cure it, or if he open a tumor (over the eye) with an operating knife, and saves the eye, he shall receive ten shekels in money.*
- *If a physician make a large incision with the operating knife, and kill him, or open a tumor with the operating knife, and cut out the eye, his hands shall be cut off.*

— *Code of Hammurabi, c. 1750 B.C.*

**Figure 1. Growth in Pay-for-Performance Programs by Sponsor Type**



Source: National Pay-for-Performance Survey, 2005, Med-Vantage.

# National Consensus on Healthcare Quality?



- Systemic Problem
- Needs External Fix
- Money Talks
- Higher Quality and Lower Cost



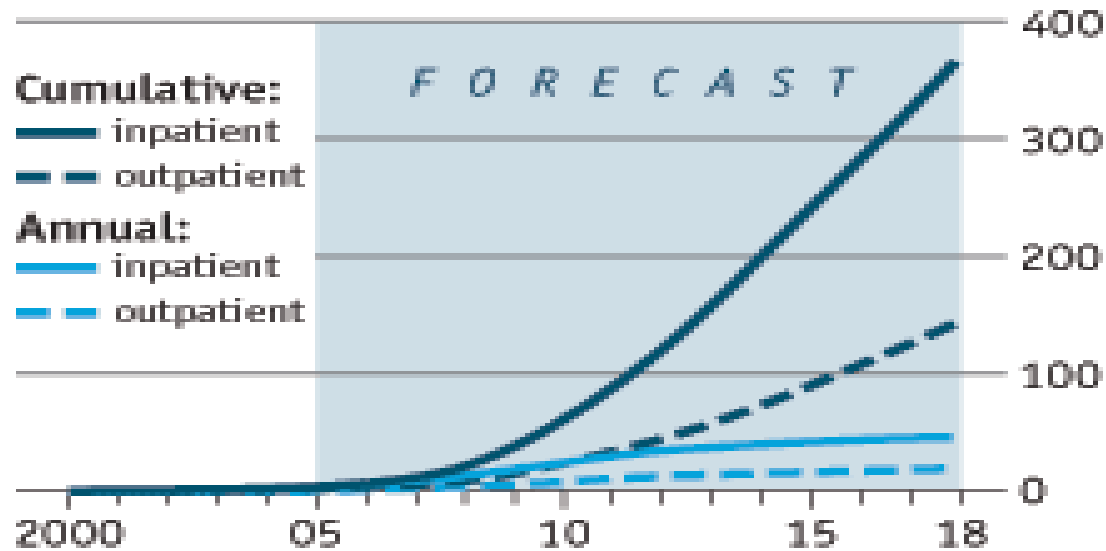
# Institute of Medicine (IOM)

- ***To ERR is Human: Building a Safer Healthcare System***
- ***Performance Measurement: Accelerating Improvement***
- ***Rewarding Provider Performance: Aligning Incentives in Medicare***
  - “Using payment incentives to reward quality and quality improvement can serve as a powerful stimulus to drive institutional and provider behavior toward better quality.”
  - “Pay-for-performance incentives alone would be insufficient without certain operating conditions ... such as the use of electronic health records, public reporting, beneficiary incentives, and education of boards of directors.”

# Persuasive

1

Net savings from digitising health systems  
US, \$bn

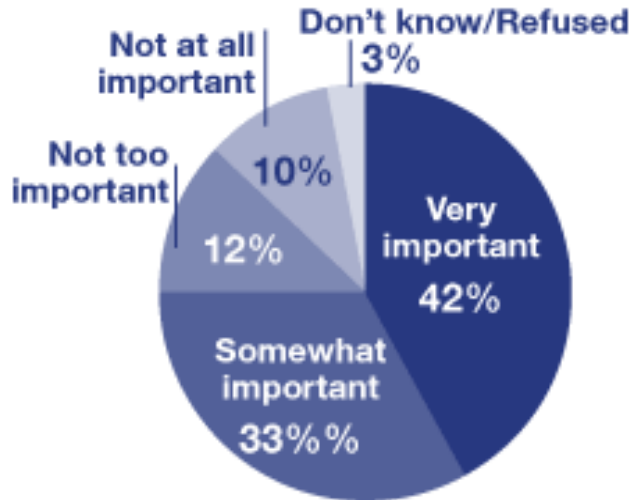


Sources: RAND Corporation

## THE IMPORTANCE AND COST OF GOING DIGITAL

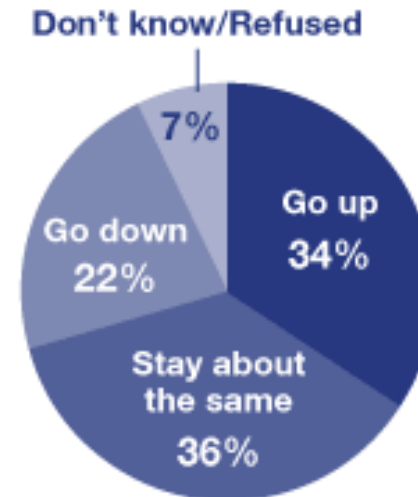
### Perceived Importance

How important do you think it is for the health care providers you see to use electronic or computer-based medical records instead of using paper-based records?



### Impact On Cost

If the U.S. adopted a system where medical records were kept electronically and could be shared online, do you think the overall cost of health care in the country would go up, go down or stay about the same?



Source: NPR/Kaiser Family Foundation/Harvard School of Public Health, *The Public and the Health Care Delivery System* (March 12-22, 2009)

# Dennis Quaid's Newborns Given Accidental Overdose

Medical Mistakes Are Not Uncommon in U.S. Hospitals

Nov. 21, 2007



59 comments

What should have been a blessed time for actor Dennis Quaid and his wife, Kimberly Buffington, turned into a time of anguish and anxiety, after their newborn twins nearly died from an accidental overdose of a blood-thinning drug.



Actor Dennis Quaid has his arms full as he takes his newborn twins, Thomas Boone and Zoe Grace, home after their first doctor checkup. (LIMELIGHTPICS.US)

Zoe Grace and Thomas Boone received a massive overdose of the blood-thinning drug Heparin — used to keep IV catheters from clotting — some time after their Nov. 12 birth at Cedars-Sinai Medical Center in Los Angeles. The incident was first reported by celebrity Web site TMZ.

TMZ reported Wednesday that while the babies are in stable condition, doctors are still concerned because they won't know for a week if the mistake will cause "long-term effects."

In a statement released to The Associated Press, Quaid's publicist, Cara

FONT SIZE A A A

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## Watch Video



**WATCH:** Losing Pounds to Gain Baby Weight



**WATCH:** New Treatments for Pancreatic Cancer



**WATCH:** What a Normal Portion Looks Like

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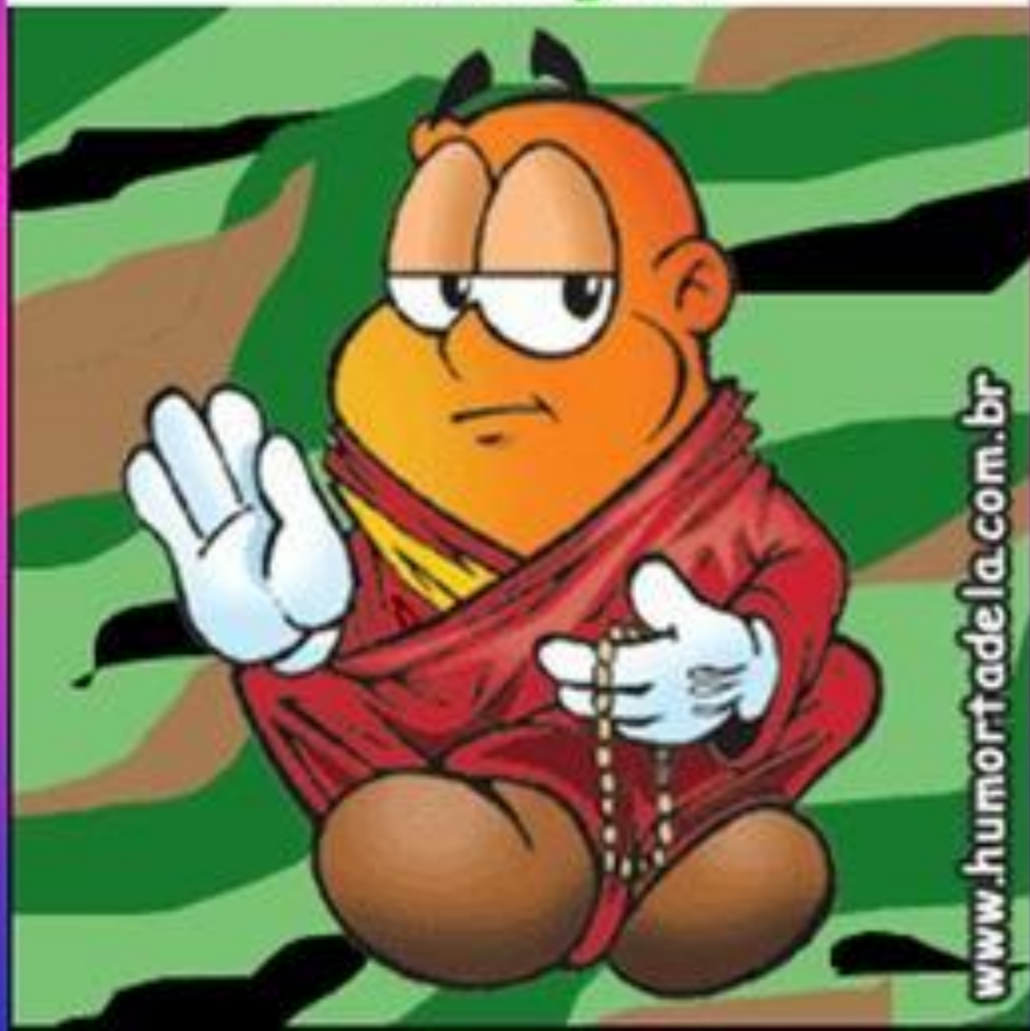
## GMA News



### Additives, Allergies and ADHD: Is There A Connection?

British studies have suggested food additives may contribute to kids' ADHD.

To err is human. To  
blame someone else for  
your problem, is  
strategic.





# CMS Value Based Purchasing (VBP)

**“Transform this program (Medicare) as we said time and time again from being nothing more than a passive Payor to an active purchaser of high quality healthcare for Medicare beneficiaries. We call this Value Based Purchasing.”**

*Herb Kuhn 2006  
Deputy Administrator CMS*



# CMS VBP Goal

***The right care for every person every time  
with care that is:***

- *safe*
- *effective*
- *timely*
- *patient-centered*
- *efficient*
- *equitable*

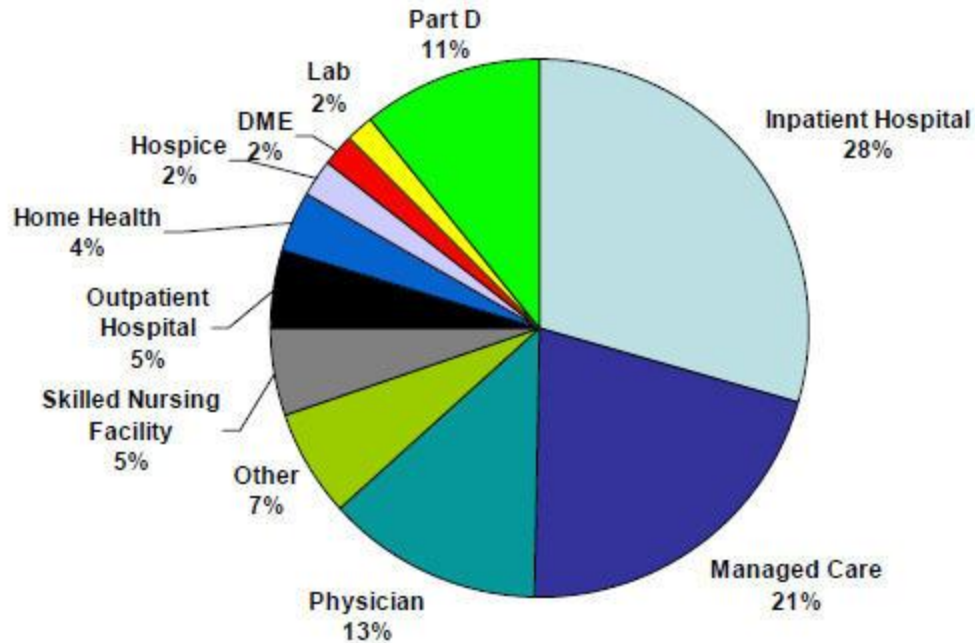


# CMS VBP Components

- **Quality Measurement**
  - Treatment Outcomes
  - Clinical Processes
  - Patient Satisfaction
- **Financial Incentives**
- **Public Reporting**
- **Structural Issues (HIT)**

## Almost All Settings Are Covered by Quality Measures

Percentage of 2008 Total Expenditures by Setting (\$450.5 B), includes Medicare Advantage



Source: 2008 Trustees' Report

*Note: The percentages are calculated based on total Medicare spending, including Medicare Advantage.*



# CMS Quality Measures 2008

## Number of Quality Measures by Setting, Current<sup>2</sup>

Hospital Inpatient	60
Physicians and other Professionals (PQRI)	153
Nursing Home	19
Home Health	12
ESRD	22
Part D	23
Medicare Advantage	59 <sup>3</sup>



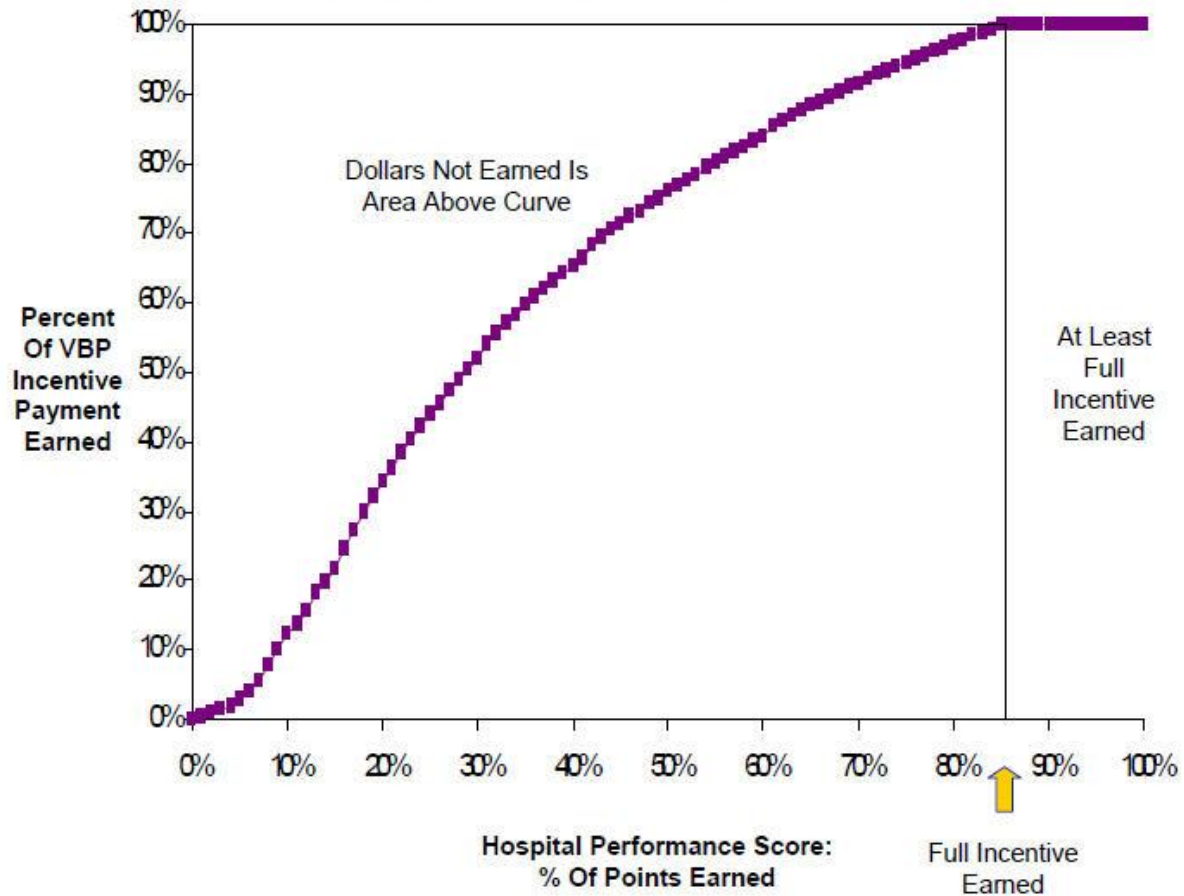
# CMS VBP “Programs”



- **RHQDAPU**
  - Inpatient Measures
  - HOP QDRP
  - HCAHPS
- **PQRI**
  
- **HAC**
- **NCA**

# CMS Performance Assessment Model

**Figure 1: Nonlinear Exchange Function for Translating Total Performance Score into Percent of VBP Incentive Payment Earned**





# VBP Payment Methodology

Table C-1: Example for DRG 498

	<u>Hospital B</u>	<u>Hospital A</u>
<b>Payment for DRG 498</b>	\$14,713.85	\$14,713.85
<b>At-Risk VBP Portion of DRG Payment (5%)</b>	\$735.69	\$735.69
<b>% of VBP Incentive Payment Earned</b>	100.0%	82.0%
<b>Hospital-Specific Earned VBP Portion</b>	\$735.69	\$603.27
<b>VBP Payment for DRG 498</b>	\$14,713.85	\$14,581.43

# How Does HAC Work

MS-DRG Assignment (For a single secondary diagnosis only)	POA (Secondary Diagnosis)	Average Payment* FY 2008
Principal Diagnosis of stroke without CC/MCC - MS-DRG 066		\$5,347.98
Principal Diagnosis of stroke with CC - MS-DRG 065  Secondary Diagnosis Dislocation of patella-open due to a fall (code 836.4 (CC))	Y	\$6,177.43
Principal Diagnosis of stroke without CC/MCC - MS-DRG 066  Secondary Diagnosis Dislocation of patella-open due to a fall (code 836.4 (CC))	N	\$5,347.98
	<b>Adjustment</b>	<b>- 12.69 %</b> <b>-\$ 829.45</b>



# VBP – Core Concept

**“The core concept is this. We ought to be paying for care that promotes health, prevents complications, and keeps healthcare costs down. It sounds pretty intuitive to everybody in this room, but it’s not the way that the healthcare payments usually work today. Instead, if patients experience complications or receive duplicative or ineffective treatments, we all end up paying much more”.**

*Herb Kuhn*

*Deputy Administrator CMS*



# HAC Future Issues

- **Risk Adjustment Methodologies**
- **Calculate Incidence Rates**
- **POA Coding Patterns**
- **ICD – 10 Adoption**
- **Add More HACs to the list**
- **Address NQF Never Events (NCDs)**



# National Coverage Determinations (NCD)

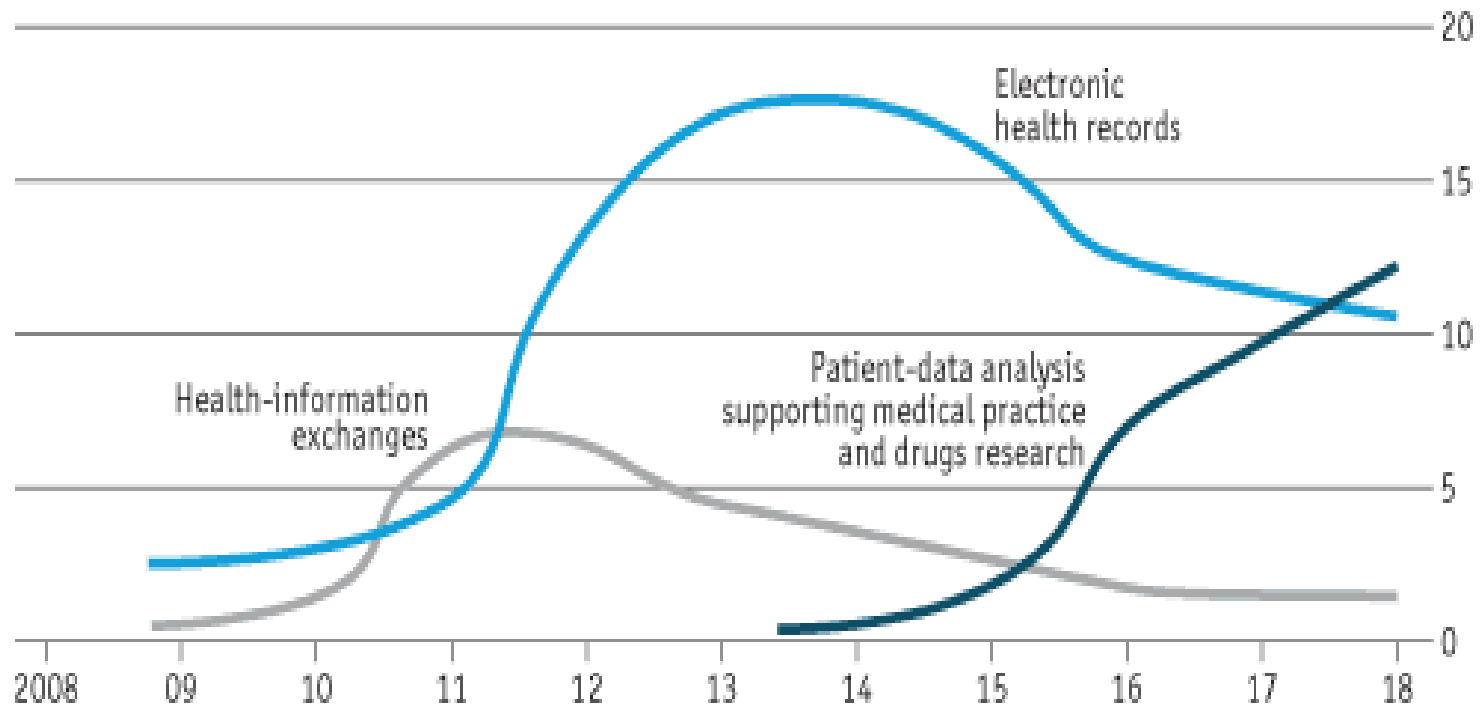
- **National Coverage Analysis (NCA) for NQF Never Events under NCD**
  - Surgery on Wrong Body Part
  - Surgery on Wrong Patient
  - Wrong Surgery Performed on a Patient
- **Objective of NCD**
  - No payment for these Never Events
  - Make these Reportable on CMS Hospital Compare Web Site
- **NCA Timelines**
  - Initial Announcement (August 19, 2008)
  - Proposed Decision Memorandum (Feb 1, 2009)
  - Final Rule (No Later than April 30, 2009)

# ARRA (HITECH)

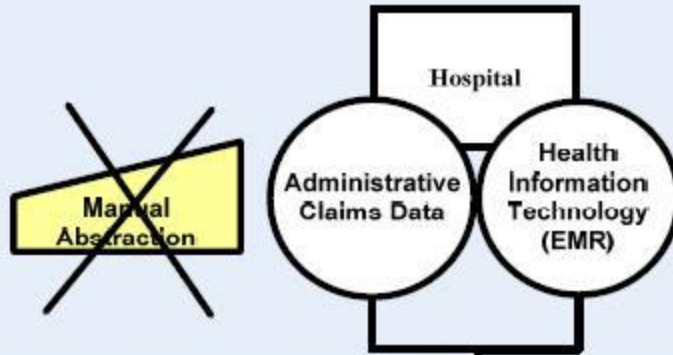
## As easy as one, two, three

2

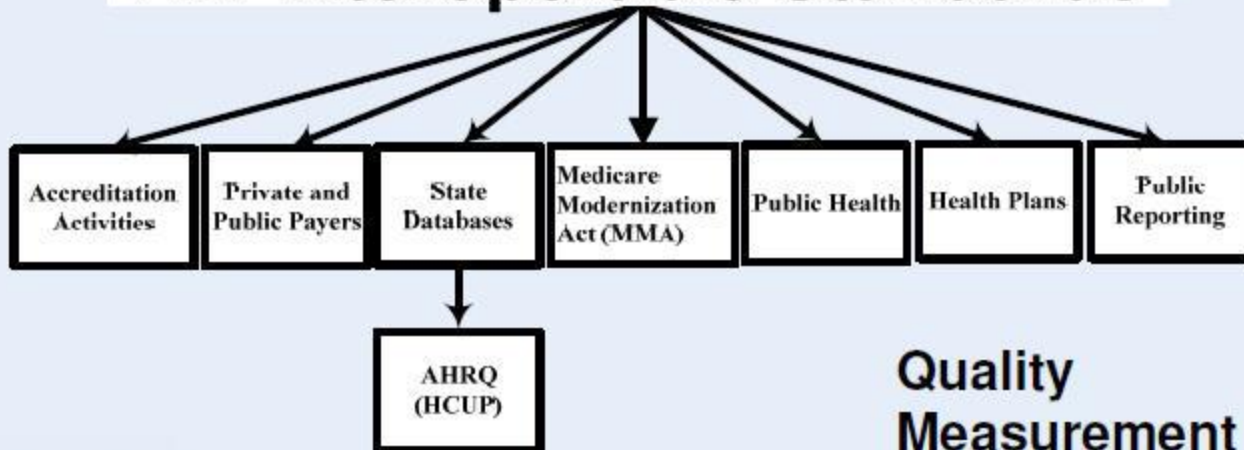
America's forecast investment in health information technology, \$bn



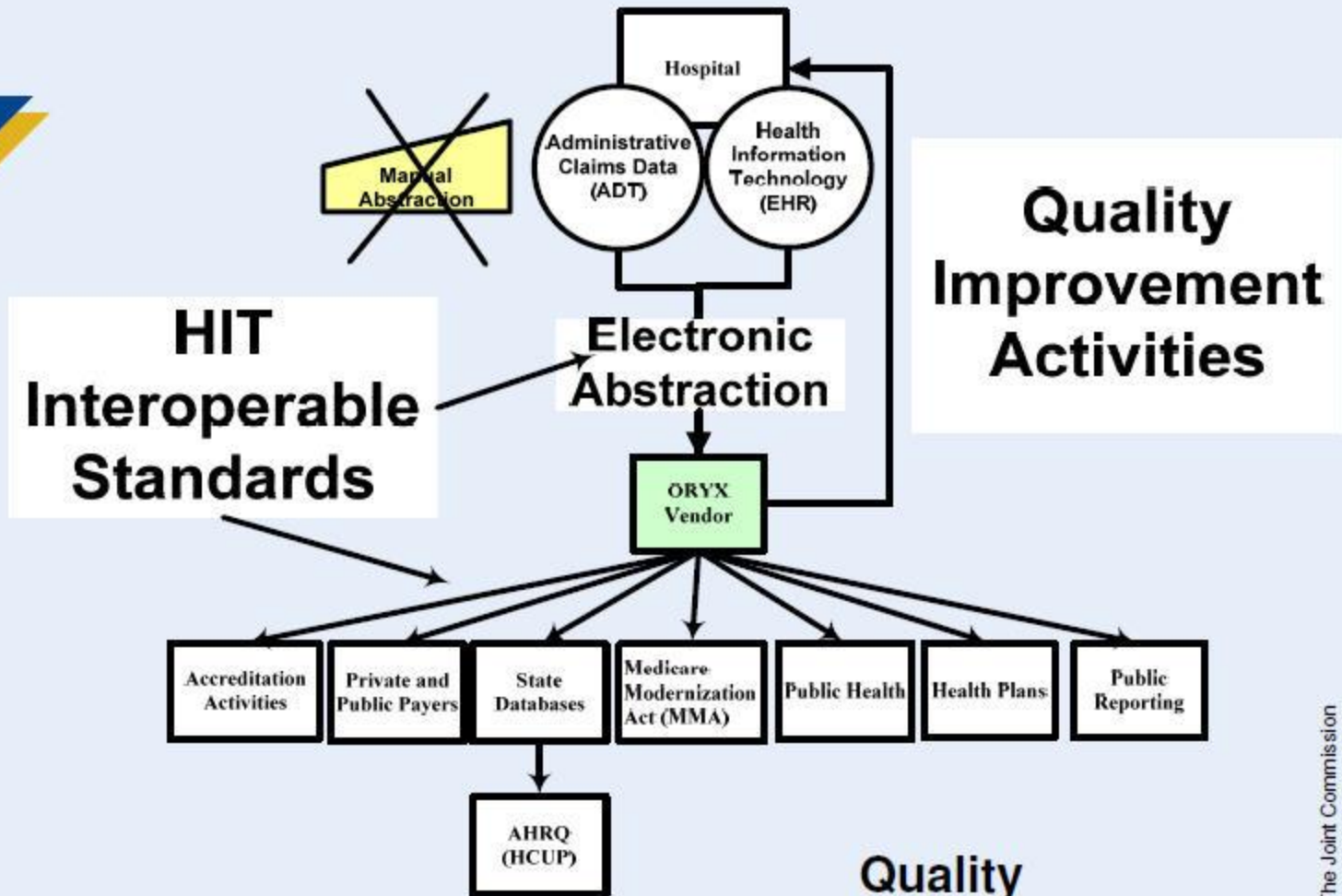
Source: CSC Healthcare



# Electronic Abstraction and Transmission via HIT Interoperable Standards



Quality Measurement ??  
Circa 2010-2015



**Quality Measurement ??**  
**Circa 2010-2015**



# Maryland QBR Vision

**“The Maryland System, under the authority of the HSCRC and the Maryland Health Care Commission (MHCC), is unique in its ability to affect access to appropriate high quality care at reasonable cost. This Initiative, when fully implemented, will represent one of the broadest quality-based reimbursement systems in the nation.”**

*HSCRC Web Site*



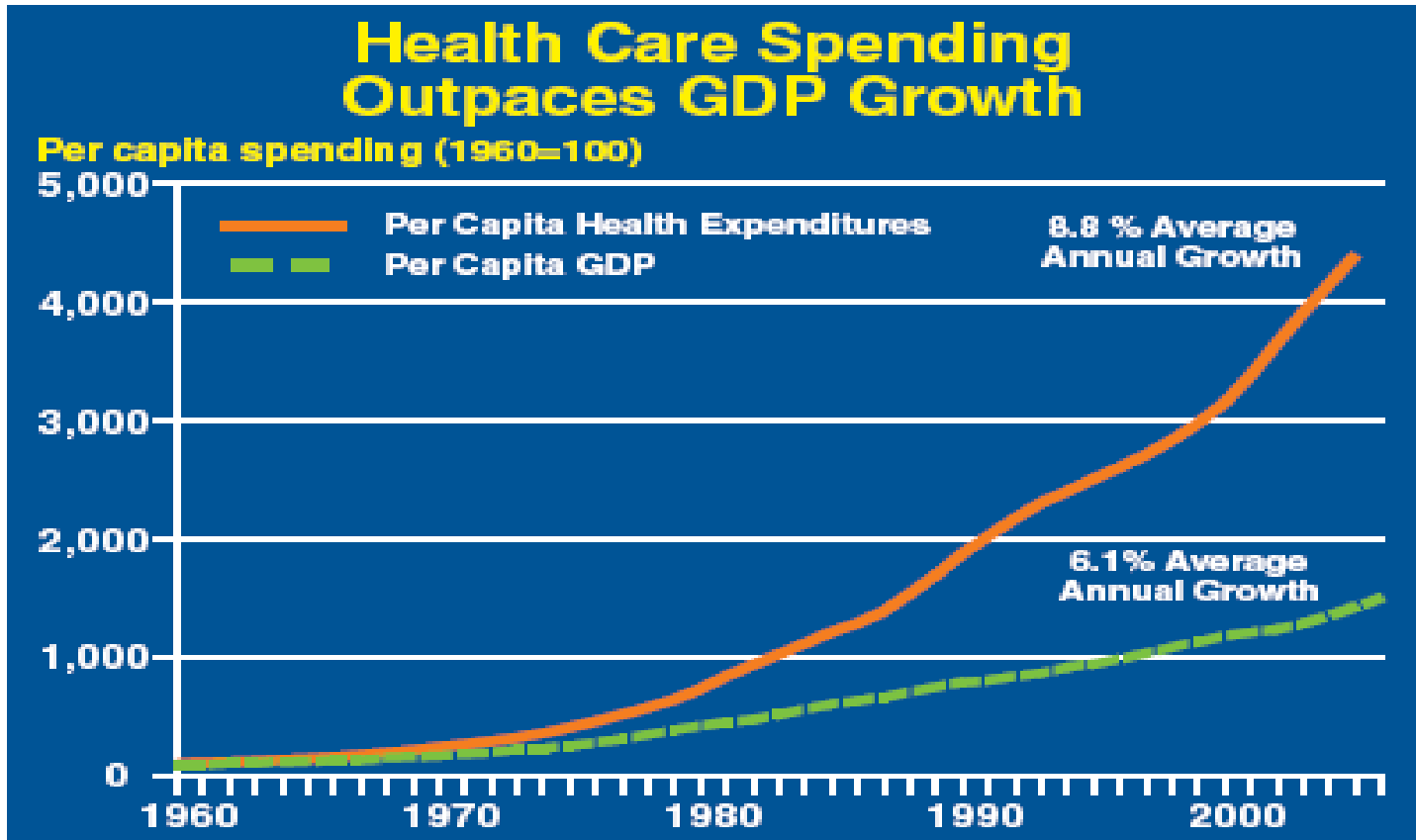
# HSCRC QBR Project Status

- **Statewide Implementation FY 2010**
- **Establish “At Risk” Funding Amount**
- **Define Initial Measure Set**
- **Define Incentive Rewards for a Minimum of 5 Measures submission**
- **Establish “Opportunity Model” for Scoring**
- **Full Harmonization with CMS & TJC**
- **Public Reporting**

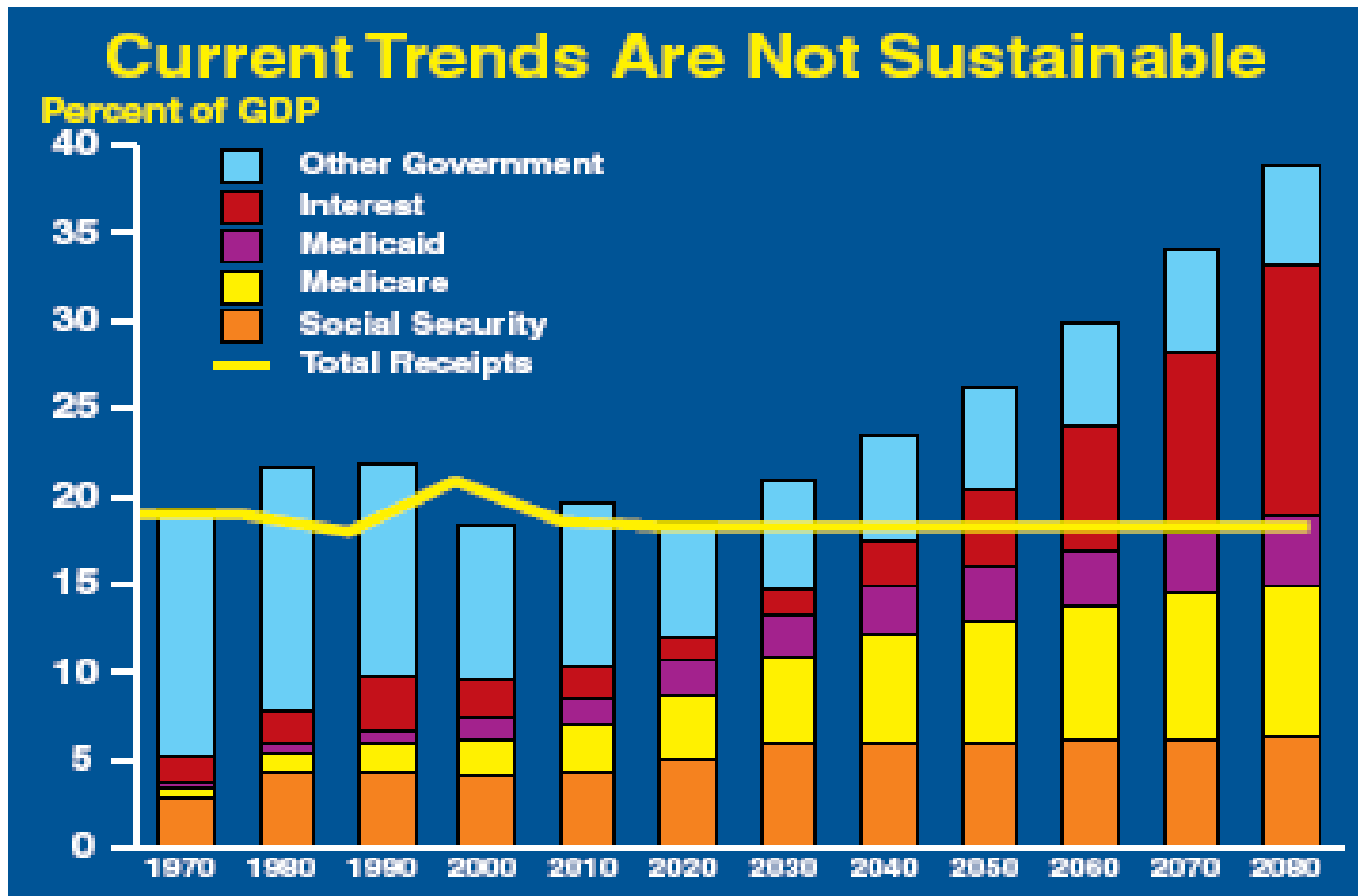




# The Next Crisis



# Medicare is the Problem





# Questions?

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HEALTHCARE BUSINESS INTELLIGENCE

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