

Newsroom

Administration Implements New Health Reform Provision to Improve Care Quality, Lower Costs

Included in Affordable Care Act, Value-Based Purchasing Will Reward 3,500 Hospitals Based on Quality of Care for Patients

The Affordable Care Act includes a number of policies to help physicians, hospitals, and other caregivers improve the safety and quality of patient care and make health care more affordable. Starting in October 2012, Medicare will reward hospitals that provide high quality care for their patients through the new Hospital Value-Based Purchasing Program. This program marks the beginning of an historic change in how Medicare pays health care providers and facilities—for the first time, hospitals across the country will be paid for inpatient acute care services based on care quality, not just the quantity of the services they provide.

Additionally, this initiative helps support the goals of the [Partnership for Patients](#), a new public-private partnership that will help improve the quality, safety and affordability of health care for all Americans. The Partnership for Patients has the potential to save up to \$35 billion in U.S. health care costs, including up to \$10 billion for Medicare. Over the next ten years, the Partnership for Patients could reduce costs to Medicare by about \$50 billion and result in billions more in Medicaid savings.

The Need to Improve Hospital Quality

Hospital payments account for the largest share of Medicare spending, and Medicare is the largest single payer for hospital services. In 2009, more than 7 million Medicare beneficiaries experienced more than 12.4 million inpatient hospitalizations. One in seven Medicare patients will experience some “adverse” event such as a preventable illness or injury while in the hospital. One in three Medicare beneficiaries who leave the hospital today will be back in the hospital within a month. Every year, as many as 98,000 Americans die from errors in hospital care.

In addition to adding to the suffering of patients and their caregivers, these errors lead to significant unnecessary health care spending. Medicare spent an estimated \$4.4 billion in 2009 to care for patients who had been harmed in the hospital, and readmissions cost Medicare another \$26 billion.

How the New Program Will Improve Quality and Reduce Costs

Changing how Medicare pays for hospital inpatient acute care services is expected to foster higher quality care for all hospital patients. In FY 2013, the Hospital Value-Based Purchasing Program will distribute an estimated \$850 million to hospitals based on their overall performance on a set of quality measures that have been linked to improved clinical processes of care and patient satisfaction. This will be taken from what Medicare otherwise would have spent for hospital stays, and the size of the fund will gradually increase over time, resulting in a shift from payments based on volume to payments based on performance. This redirection will encourage care quality improvement, and which is intended to result

in significant, additional savings to Medicare, taxpayers, and enrollees over time.

The Hospital Value-Based Purchasing Program measures in FY 2013 focus on how closely hospitals follow best clinical practices and how well hospitals enhance patients' experiences of care. When hospitals follow these types of proven best practices, patients receive higher quality care and see better outcomes. And helping patients heal without complication can improve health and ultimately reduce health care costs.

Examples of the care processes included in the measures are:

- **How quickly do heart attack patients receive potentially life-saving surgery on their arteries?** Hospital Value-Based Purchasing will measure how quickly doctors perform procedures known as Percutaneous Coronary Interventions (PCIs), which are among the most effective ways to open blocked blood vessels that cause heart attacks. Doctors may perform PCI, or give medicine to open the blockage, and in some cases, may do both. Quick and effective PCI can prevent a heart attack from occurring, or can prevent a heart attack from worsening or recurring. This leads to better outcomes for patients and lower health care costs.
- **How often do surgery patients receive the right treatment at the right time to prevent blood clots?** Hospital Value-Based Purchasing will measure how often patients having certain kinds of surgery received treatment to prevent blood clots from forming in the 24-hour period before and after surgery. The right treatment at the right time can protect surgical patients from developing potentially fatal blood clots or suffering costly complications.
- **How often do patients with heart failure get the discharge instructions they need to care for themselves?** Heart failure patients are more likely to be readmitted to the hospital within 30 days than many other types of patients. One reason is that patients with heart failure usually leave the hospital with many new medications and treatment regimens. Knowing how best to care for themselves once they leave the hospital can keep heart failure patients at their healthiest, and can avoid the costly and stressful experience rehospitalization. Hospital Value-Based Purchasing will measure how often hospital staff provide heart failure patients with the information they need to manage their symptoms after their hospital stay.
- **How satisfied are patients with their experience of care at the hospital?** Positive patient experiences mean that patients feel comfortable and safe while in the hospital, and feel that they have the information they need to continue to heal after leaving the hospital. These measures reflect what thousands of patients have said on surveys about their perceptions of health care in thousands of hospitals across the country.

A full list of the measures is available [here](#).

Hospitals will be scored based on their performance on each measure relative to other hospitals and on how their performance on each measure has improved over time. The higher of these scores on each measure will be used in determining incentive payments. By rewarding the higher of achievement or improvement on measures, Hospital Value-Based Purchasing gives hospitals the financial incentive to continually improve how they deliver care. In the future, CMS plans to add additional outcomes measures that focus on improved patient outcomes and prevention of hospital-acquired conditions. Measures that have reached very high compliance scores would likely be replaced, continuing to raise the quality bar.

Hospitals will continue to receive payments for care provided to Medicare patients based on the Medicare Inpatient Prospective Payment System, but those payments will be reduced across the board by 1 percent starting in fiscal year 2013 to create the funding for the new value-based payments. In federal fiscal year 2013, this amount is estimated to be \$850 million, which will then be used for incentive payments.

The measures for FY 2013 have been endorsed by national bodies of experts, including the National Quality Forum. CMS already posts information about how well America's hospitals are doing on a number of measures on the [Hospital Compare](#) website, which can be found at www.HealthCare.gov. All measures adopted for use in the Hospital Value-Based Purchasing Program are also included on *Hospital Compare*.

Other Tools Medicare Is Using to Motivate Quality Improvement

The Hospital Value-Based Purchasing initiative is just one part of a wide-ranging effort by the Obama Administration to improve the quality of health care for all Americans, using important new tools provided by the Affordable Care Act. The National Quality Strategy will serve as a tool to better coordinate quality initiatives. The Partnership for Patients is bringing together hospitals, doctors, nurses, pharmacists, employers, unions, and State and Federal government committed to keeping patients from getting injured or sicker in the health care system and improving transitions between care settings. CMS intends to invest up to \$1 billion to help drive these changes through the Partnership. In addition, proposed rules allowing Medicare to pay new Accountable Care Organizations (ACOs) to improve coordination of patient care are also expected to result in better care and lower costs.

Through the Affordable Care Act, Medicare will link hospital payments with improving patient care in other ways. Beginning in 2013, hospitals will receive a payment reduction if they have excess 30-day readmissions for patients with heart attacks, heart failure, and pneumonia. By 2015, most hospitals will face reductions in their Medicare payments if they do not meaningfully use information technology to deliver better, safer, more coordinated care. In addition, beginning in 2015, hospitals with high rates of certain hospital acquired conditions will receive further payment reductions from Medicare.

The Affordable Care Act also created the Center for Medicare and Medicaid Innovation to explore new approaches to the way we pay for and deliver care to patients so that we have better results both in terms of the quality of care and the affordability of coverage. The Innovation Center will rigorously and rapidly assess the progress of its programs and work with caregivers, insurers, and employers to replicate successful innovations in communities across the country.

CMS will also continue to be an active partner with other organizations that share our commitment to improving hospital quality, including the Hospital Quality Alliance and the National Priorities Partnership. CMS will continue to administer the Quality Improvement Organization (QIO) Program in a manner that focuses on improving the quality of hospital care.

To read a press release about the new Hospital Value-Based Purchasing Program, please visit <http://www.hhs.gov/news/press/2011pres/04/20110429a.html>. To learn more about Hospital Value-Based Purchasing, please visit www.cms.gov/HospitalQualityInits.

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