



# Nursing Home Pay-for-Performance Demonstration Draft Design

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Solving problems, guiding decisions – worldwide



# Nursing Home Pay-for-Performance Demonstration

- Principles

- Beneficiaries: All Medicare beneficiaries residing in nursing homes
- Participating facilities: Hospital-based and freestanding facilities
- Incentive payments based on level of performance and improvement over time

- Objectives

- Promote quality
- Facilitate sharing of best practices
- Provide information to guide national policies

# Demonstration Design

- Demonstration expected to include a few hundred facilities from 3-4 states and to begin in late 2006 or early 2007.
- Medicare savings as a result of quality improvements will be reinvested into the incentive payment pool.
- Demonstration will permit evaluation of impact of performance-based incentives on quality of care.

# Reasons for Participating in the Demonstration

- Participation is voluntary.
- Why participate in the demonstration?
  - Earn incentive payment
  - Public recognition of high performers
  - Potential to influence national policy

# Coordination Between CMS and State Medicaid Agencies

- CMS is interested in coordinating with state Medicaid programs.
- We are soliciting feedback on potential ways to establish partnerships between CMS and state Medicaid agencies.

# Key Design Questions

- How should nursing home quality performance be measured?
- How should the incentive pool be determined?
- How should performance be linked to the incentive payment?

# Potential Performance Measures

- MDS-based measures
- Outcomes from state survey inspections
- Staffing levels and stability
- Rate of avoidable hospitalizations
- Other measures
  - Process measures
  - Quality of life measures
  - Resident satisfaction

# MDS-Based Measures

- Potential measures

- Use a subset of the MDS quality measures that are posted on Nursing Home Compare.
- MDS post-acute care measures
- Resident immunization rates

- Selection criteria

- Validity and reliability
- Statistical performance
- Measures of change in resident condition over time (e.g., worsening of ADL) are desirable



# Facility Staffing

- Staffing level
  - Nursing hours per resident day (licensed, CNA).
  - Award points based on whether facility achieved the staffing targets identified in CMS Staffing Study.
  - Adjust for case mix differences.
- Staffing stability
  - Reward facilities with high retention and/or low turnover
- Source data
  - Collected directly from participating facilities.

# Outcomes from State Survey Inspections

- Facilities with serious deficiencies would be disqualified from receiving any incentive payment.
- Other survey outcome measures may be considered.

# Rate of Potentially Avoidable Hospitalizations

- Providing higher quality can reduce rate of certain types of hospitalizations
- Measure using hospitalizations for ambulatory care conditions (e.g., respiratory infection, urinary tract infection, congestive heart failure).
- Focus on rate rather than costs.
- Risk adjustment is recommended to deal with differences in baseline health status.
- May be appropriate to calculate separately for short and long-stay residents.

# Other Potential Performance Measures

- Several other types of performance measures are under consideration:
  - Process measures
  - Resident satisfaction
  - Quality of life measures
- New measures may be added in year 2 as new data and methods become available.

# Determining Facility Performance Score

- How much should each type of measure contribute to the overall quality performance score?
- Option: Equal weights for the major types of measures.  
As an example:
  - MDS-based measures: 30 points
  - Staffing patterns: 30 points
  - Avoidable hospitalizations: 30 points
- Measuring improvement
  - Based on change in overall performance score

# Linking Payment Rate to Incentive Payment

- Reward high quality facilities and those with significant improvement.
  - Incentive payments intended as a reward for outstanding performance.
  - Part of incentive payment pool should be reserved for facilities that improved quality significantly.
- Distribute incentive payments based on number of resident days.

# Determine Size of the Incentive Pool

- Demonstration must be budget neutral.
- Improving quality can reduce overall expenditures.
- Shared savings model used to determine size of incentive pool
  - Based on reduction in Medicare expenditures achieved by demonstration facilities.
  - Compare Medicare expenditures for demonstration and comparison facilities
  - Calculations made at the state level
  - If Medicare savings are achieved, these are used to fund the incentive pool

# Measuring Medicare Expenditures

- Exclude Medicare Advantage enrollees.
- Use risk adjustment model (e.g., DCG Hierarchical Condition Categories).
- Include expenditures from period in nursing home and some period (7-30 days) after discharge.



# Wrap-Up

- Draft Design will be revised based on feedback from the Open Door meeting and the project's Technical Expert Panel.
- We welcome your comments and questions about the pay-for-performance demonstration.