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## **Nursing Home Value-Based Purchasing Demonstration**

### **Background:**

The Nursing Home Value-Based Purchasing (NHVBP) Demonstration is part of the Centers for Medicare & Medicaid Services (CMS) initiative to improve the quality and efficiency of care furnished to Medicare beneficiaries. Under this demonstration, CMS will offer financial incentives to nursing homes that meet certain conditions for providing high quality care. The demonstration will be open to free-standing and hospital-based facilities and will include beneficiaries who are on a Part A stay as well as those with Part B coverage only. The demonstration will be conducted in 3 states: Arizona, New York and Wisconsin.

### **Basic Approach:**

Each year of the demonstration, CMS will assess each participating nursing home's quality performance based on four domains: staffing, appropriate hospitalizations, minimum data set (MDS) outcomes, and survey deficiencies. CMS will award points to each nursing home based on how they perform on the measures within each of the domains. These points will be summed to produce an overall quality score. For each State, nursing homes with scores in the top 20 percent and homes that are in the top 20 percent in terms of improvement in their scores will be eligible for a share of that State's savings pool.

### **Financing:**

The demonstration will be budget neutral to Medicare. We anticipate that potentially avoidable hospitalizations may be reduced as a result of improvements in quality of care. The reduction in hospitalizations and subsequent skilled nursing facility stays is expected to result in savings to Medicare. These savings would be used to fund a savings pool for each state from which payment awards would be made.

Within each state, CMS selected demonstration participants from among applicant nursing homes. Then CMS selected a control group of nursing homes that matched the characteristics of the demonstration group. After each year, CMS will compare total risk-adjusted Medicare expenditures between the demonstration and control groups in each

state. The actual savings pool for each state will be determined based on the difference in the growth of risk-adjusted Medicare expenditures between the two groups.

Status:

The demonstration began July 1, 2009 with the following number of participants:

Arizona: 41

New York: 79

Wisconsin: 62