

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Room 352-G
200 Independence Avenue, SW
Washington, DC 20201



Office of Media Affairs

MEDICARE NEWS

FOR IMMEDIATE RELEASE
January 7, 2011

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Affordable Care Act program to improve hospital care for patients

CMS hospital inpatient value-based purchasing program would promote high-quality health care in Medicare hospitals

The Centers for Medicare & Medicaid Services (CMS) today issued a proposed rule that would establish a new hospital value-based purchasing program that would reward hospitals for providing high quality, safe care for patients. Under the program, hospitals that perform well on quality measures relating both to clinical process of care and to patient experience of care, or those making improvements in their performance on those measures, would receive higher payments under the program.

“Today’s proposal is a huge leap forward in improving the quality and safety of America’s hospitals for both Medicare beneficiaries and all Americans,” said CMS Administrator Donald Berwick, M.D. “The hospital value-based purchasing program will reward hospitals for improving patients’ experiences of care, while making care safer by reducing medical mistakes.”

The hospital value-based purchasing program, which would apply beginning in FY 2013 to payments for discharges occurring on or after October 1, 2012, would make value-based incentive payments to acute care hospitals, based either on how well the hospitals perform on certain quality measures or how much the hospitals’ performance improves on certain quality measures from their performance during a baseline period. The higher a hospital’s performance or improvement during the performance period for a fiscal year, the higher the hospital’s value-based incentive payment for the fiscal year would be.

The program, which was required by the Affordable Care Act, would apply to Medicare payments under the Inpatient Prospective Payment System (IPPS) for inpatient stays in more

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than 3,000 acute care hospitals. The financial incentives would be funded by a reduction in the base operating DRG payments for each discharge, which under the statute will be 1% in FY 2013, rising to 2% by FY 2017. The hospital value-based purchasing program is one of multiple reforms that are dramatically changing how Medicare pays hospitals. Other changes that will increasingly tie payments to how effectively hospitals deliver quality care for patients include incentives for implementing electronic health records, and payment adjustments based on hospitals rates of hospital-acquired conditions and rates of readmissions.

It would be a permanent part of the IPPS and would make it possible for all hospitals paid under the IPPS to receive value-based incentive payments.

CMS has been collecting quality and patient experience information from acute care hospitals on a voluntary basis since 2004, the initial year of the Hospital Inpatient Quality Reporting (IQR) Program. The IQR program was authorized by section 501(b) of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, and amended by Section 5001(b) of the Deficit Reduction Act of 2005. In recent years, a vast majority of hospitals chose to participate in the program in order to be eligible for the full annual percentage increase each year, as a result of legislation requiring Medicare to reduce the annual percentage increase for hospitals that did not participate in the reporting program. More than 95 percent of eligible hospitals have participated successfully in this Hospital Inpatient Quality Reporting program, formerly called Reporting Hospital Quality Data for Annual Payment Update (RHQDAPU), receiving their full annual percentage increase each year since the program went into effect.

“The hospital value-based purchasing program proposal expands upon CMS’ long-standing pay-for-reporting program to reward hospitals not just for reporting data, but for the results of that data,” said Administrator Berwick. “Value-based purchasing repositions Medicare from an observer of nationwide hospital quality to a formidable force in shaping quality going forward.”

CMS will accept comments on the hospital value-based purchasing Program proposed rule until March 8, 2010, and will respond to them in a final rule to be issued next year.

The proposed rule was placed on display at the *Federal Register* today, and can be found under Special Filings at: www.ofr.gov/inspection.aspx#special. For more information, please see: www.cms.gov/hospitalqualityinits.

Note: More information about the proposed rule, including the measures CMS proposes to use in the program, as well as CMS’ proposed scoring methodology, is included in a Fact Sheet posted on our Web page at: www.cms.gov/apps/media/fact_sheets.asp.