

regional impact of the Medicare value-based purchasing program

Medicare’s value-based purchasing (VBP) program is an attempt to reward hospitals for exceptional performance or improvement against a set of quality measures. For FY13, these measures will include compliance with clinical processes of care and surveys of patient satisfaction. To fund incentives, Medicare payment for all discharges involving diagnosis-related groups (DRGs) under the inpatient prospective payment system (IPPS) will be reduced by 1 percent and then redistributed

to facilities based on their total performance score (TPS). For FY13, this reduction means that net payment returns will range from -1.0 percent for lowest performing hospitals to about 1.5 percent for best performing hospitals. (For detailed information on how TPS are calculated, see “Klein, E., and Shoemaker, P., “Value-Based Purchasing: A Preview of Quality Scoring and Incentive Payments,” *hfm*, January 2012).

HEADLINE

State	Median TPS	Median Return	State	Median TPS	Median Return
District of Columbia	22.00	-0.41%	Utah	38.00	0.02%
Maryland	28.00	-0.25%	Wisconsin	38.00	0.02%
Arizona	30.50	-0.18%	New Mexico	38.50	0.03%
North Dakota	30.50	-0.18%	Vermont	38.50	0.03%
West Virginia	31.00	-0.17%	Arkansas	39.00	0.04%
Delaware	32.00	-0.14%	Michigan	39.00	0.04%
Nevada	32.00	-0.14%	Virginia	39.00	0.04%
New York	32.00	-0.14%	Iowa	39.50	0.06%
Rhode Island	33.00	-0.12%	Kansas	40.00	0.07%
Connecticut	34.00	-0.09%	Massachusetts	40.00	0.07%
Montana	34.00	-0.09%	Oklahoma	40.00	0.07%
Wyoming	34.00	-0.09%	Indiana	41.00	0.10%
Oregon	34.50	-0.08%	Texas	41.00	0.10%
California	35.00	-0.06%	Alaska	42.00	0.13%
Hawaii	35.00	-0.06%	Louisiana	42.00	0.13%
Ohio	35.00	-0.06%	North Carolina	42.00	0.13%
Missouri	36.00	-0.04%	Tennessee	42.00	0.13%
Pennsylvania	36.00	-0.04%	Alabama	44.00	0.18%
Idaho	36.50	-0.02%	Florida	44.00	0.18%
Colorado	37.00	-0.01%	New Hampshire	44.00	0.18%
Illinois	37.00	-0.01%	Mississippi	45.50	0.22%
Minnesota	37.00	-0.01%	South Carolina	45.50	0.22%
New Jersey	37.00	-0.01%	Maine	47.00	0.26%
Washington	37.00	-0.01%	South Dakota	48.00	0.29%
Kentucky	37.50	0.00%	Nebraska	49.00	0.31%
Georgia	38.00	0.02%			

The Centers for Medicare & Medicaid Services has not yet released for industry review the data it will use to calculate hospitals' TPSs in the initial period of the program. Therefore, to analyze VBP's impact on individual hospitals, data were drawn from currently available files—allowing for a performance period of Oct. 1, 2009, through Sept. 30, 2010, and baseline period of Oct. 1, 2009, through Sept. 30, 2010. Each facility's projected TPS was then used to estimate the percentage payment adjustment, after factoring in the initial 1 percent deduction applied to all hospitals to fund the program.^a

Hospitals were then grouped by state, and the median TPS for each state was determined to identify any regional variations that might occur under the program.

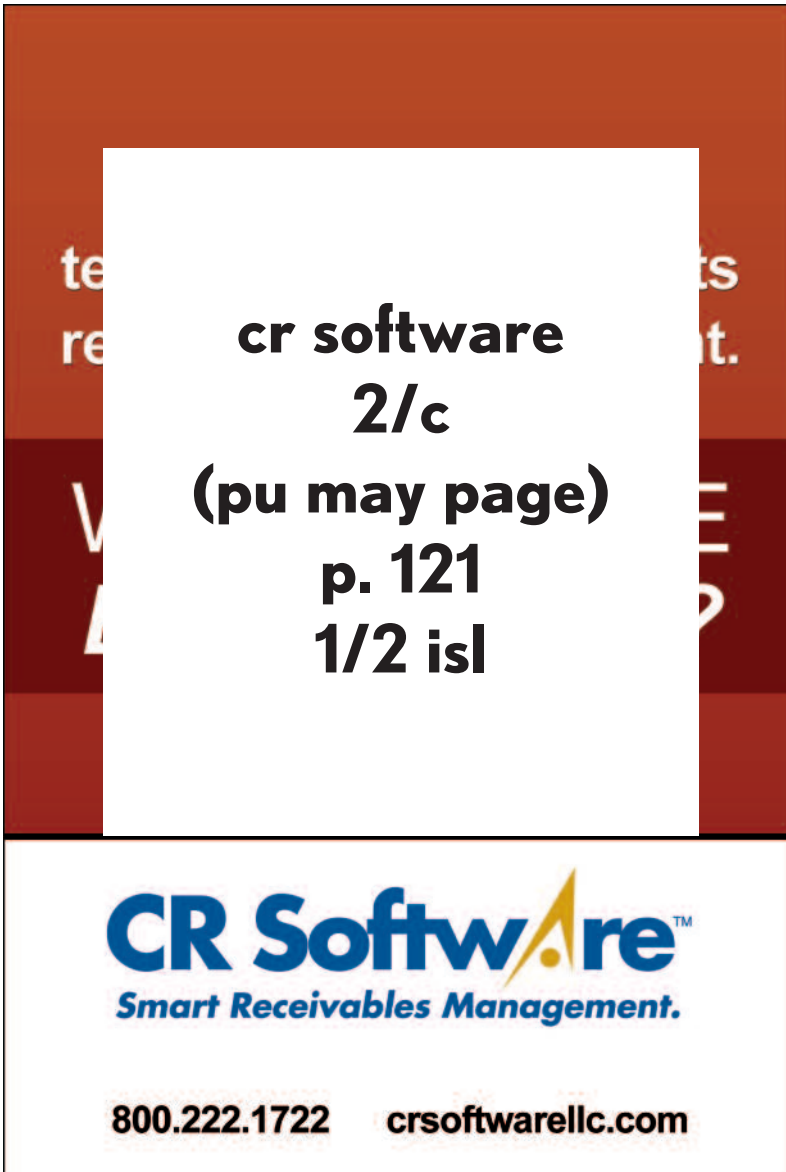
This analysis made it immediately apparent that hospitals in the Northeast could face declining Medicare payment under the new program, with the median payment adjustments for the District of Columbia, Maryland, Delaware, New York, Rhode Island, and Connecticut making up six of the 10 lowest median scores nationwide. Pennsylvania and New Jersey also showed negative median payment levels.

Southern states appear to have the greatest advantage, with North Carolina, Tennessee, Alabama, Florida, Mississippi, and South Carolina being among the top 10 states exhibiting the highest median adjustments. Louisiana, Arkansas, and Georgia also showed positive median scores.

Monitoring the impact of VBP will become increasingly important as the 1 percent reduction in DRG payment that funds the program is raised to 2 percent over the next several years and as the quality measurements used are continually changed. Because hospital TPSs will likely be scrutinized by numerous media outlets, hospital leaders should be prepared to answer questions

that may be presented—and even to take advantage of possible public relations opportunities. Hospitals in lower performing states could look to their states' hospital associations and local HFMA chapters to help identify common issues among member hospitals where improvements may be possible. ●

This analysis was developed by American Hospital Directory, Louisville, Ky. For more information, contact William Shoemaker at wshoemaker@ahd.com.



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a. Before receiving the TPS adjustment, all facilities start with a 1 percent reduction in payment.