

Health System Transformation: Value Based Purchasing

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Drivers of Health Care Payment Reform

- Persistent deficiency in quality of care
- Current system that fails to pay for quality
- Growing health care costs

Why Now?

The Patient Perspective

75% of Americans believe the US healthcare system must undergo fundamental change or be completely rebuilt

- 42% reported poorly coordinated, inefficient or unsafe care over the last two years
- 39% had serious problems accessing physicians
- What should government do?
 - Universal, adequate insurance coverage
 - Lower cost of prescription meds

- Commonwealth Fund, August, 2006

Why Now?

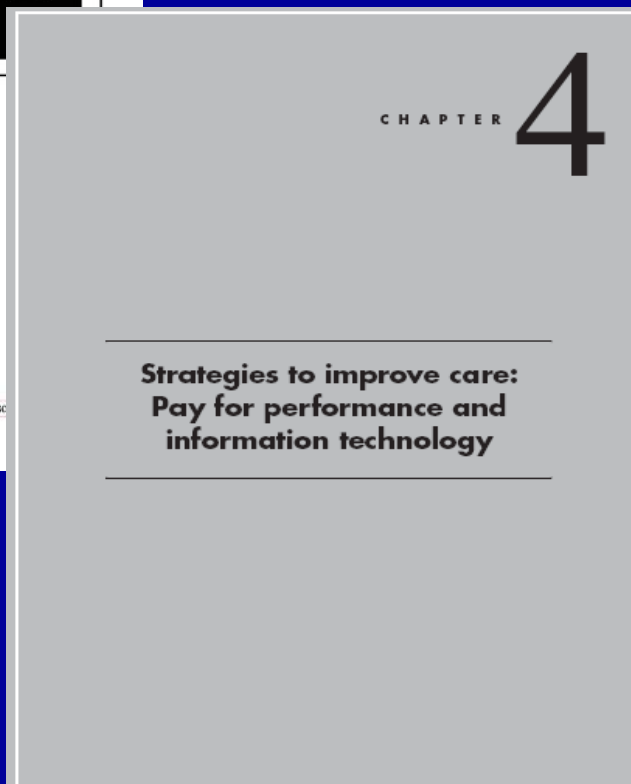
MedPAC Reports & Congress

Congressional Actions

Medicare Modernization Act (MMA) of 2003

Deficit Reduction Act (DRA) of 2005

Tax Relief and Health Care Act of 2006



MEDPAC Medicare Payment Advisory Commission

Why Now?

The Environment- The Challenges

- Healthcare expenditures 2.1 trillion
- Healthcare as 16.1% of GDP
- Increasing Demand and Diminished Supply
- Explosive Growth in Innovation
- Part B Growth
 - Complexity of service
 - Pharmaceuticals
 - Imaging
 - Office-based procedures

Key Definitions: Value Based Health Care

- **Value**- a fair return or equivalent in goods, services, or money for something exchanged
- **Quality**- Safe, Effective, Efficient, Timely, Equitable, Patient-Centered
- **Efficiency**-when a given level of “quality of care” is achieved at the lowest total cost
- **Access**- timely access to the right care at the right time in the right setting

Value Based Purchasing: Payment Methodologies

- Pay for Participation
- Pay for Reporting
- Pay for Care Coordination
- Pay for Process
- Pay for Outcomes

Legislative Action: Medicare Modernization Act

Is the first Medicare pay-for-reporting program
Section 501(b) Hospital P4R continues through
FY07

- ~ *0.4 % reduction in APU for FY '05, '06, '07*
- ~ *98% of eligible hospitals submitting data*
- ~ *Ten starter measures*
- ~ www.hospitalcompare.hhs.gov

Legislative Action: Deficit Reduction Act of 2005

“Hospital Value Based Purchasing Plan”

Section 5001(a): new requirements for the *Hospital Quality Data for Annual Payment Update Program* (originally mandated under MMA)

- ✓ Expansion of measures to 21 (includes HCAHPS)
- ✓ Reduction of APU of 2.0 percentage points if do not report

Section 5001(b): Authorizes CMS to develop a Hospital VBP Plan commencing FY 2009

Legislative Action: Tax Relief and Healthcare Act 2006

- Mandates Physician Quality Reporting System to begin in July, 2007 (P4R)
- Measures from Physician Voluntary Reporting Program- 2007 list
 - 66 measures
 - www.cms.hhs.gov/pvrp
- CMS is working on the process for July and more info will be available soon