The Financial and Compliance Impacts of Medicare Quality Metrics

A Focus On
Hospital Acquired Conditions (HAC)
and
Hospital Readmission Rates (HRR)
THE FINANCIAL AND COMPLIANCE IMPACTS OF MEDICARE QUALITY METRICS

I. Overview
II. Authorities
III. Financial Impact
IV. Compliance Considerations
V. Best Practices Policies & Procedures
VI. Medicare Appeal Issues
VII. Focused Process Improvement
VIII. Next Steps Action Plan
I. OVERVIEW

❑ Hospital Acquired Conditions (HAC)
  ❖ Conditions that patients acquire while receiving care for another condition in acute care setting.
  ❖ Began FY2015 and mandated by ACA to reduce hospital payments by 1 percent for hospitals that rank among the lowest-performing 25 percent.
I. OVERVIEW

- Hospital Acquired Conditions (HAC)
  - FY2015 had three measures:
    - Patient Safety Indicators (PSI) composite
    - Central Line Associated Bloodstream Infections (CLABSI)
    - Catheter Associated Urinary Tract Infections (CAUTI)
I. OVERVIEW

Hospital Acquired Conditions (HAC)

FY2015 had multiple measures in 2 Domains:

- Patient Safety Indicators (PSI) composite – 25%
  - PSI 3 Pressure Ulcer Rate
  - PSI 6 Latrogenic pneumothorax rate
  - PSI 7 Central venous catheter-blood stream infection rate
  - PSI 8 Postoperative hip fracture rate
  - PSI 12 Pulmonary embolism (PE) or deep vein thrombosis (DVT)
  - PSI 13 Postoperative sepsis rate
  - PSI 15 Accidental puncture and laceration rate
I. OVERVIEW

❑ Hospital Acquired Conditions (HAC)
  ❖ FY2015 had multiple measures in 2 Domains:
    ➢ Patient Safety Indicators (PSI) composite – 25%
    ➢ CDC NHSN measures—75% (weighted average)
      ✓ CLABSI SIR rate  Score 1-10
      ✓ CAUTI SIR rate  Score 1-10
OVERVIEW

❑ Hospital Acquired Conditions (HAC)
  ❖ FY2016 added measure:
    ➢ SSI – Colon Surgeries and Abdominal Hysterectomies
    ➢ One Weighted Score 1-10 for both measures
I. OVERVIEW

- Hospital Acquired Conditions (HAC)
  - FY2016 added measure:
    - SSI – Colon Surgeries and Abdominal Hysterectomies
  - FY2017 added measures:
    - Methicillin-resistant Staphylococcus Aureus (MRSA)
    - Clinical Documentation Improvement (CDI)
I. OVERVIEW

- Hospital Readmission Rates (HRR)
  - Hospital Readmissions Reduction Program (HRRP)
  - Reduces payments (up to 3%) to hospitals with excess readmissions.
  - Assess penalties based on hospital performance relative to other hospitals.
I. OVERVIEW

- Hospital Readmission Rates (HRR)
  - CMS uses excess readmission ratios (ERR) for each of six conditions/procedures:
    - Acute Myocardial Infarction (AMI)
    - Chronic Obstructive Pulmonary Disease (COPD)
    - Heart Failure (HF)
    - Pneumonia (PN)
    - Coronary Artery Bypass Graft (CABG) Surgery
    - Hip-Knee Replacement
I. OVERVIEW

- Hospital Value-Based Purchasing (HVBP)
  - Incentives to hospitals for past quality of care provided to Medicare beneficiaries.
    - 25% Patient Safety Indicators (CAUTI, CLABSI, SSI)
    - 25% Mortality Rates (AMI, HF, Pneumonia)
    - 25% Cost of Care (XVIII spending/beneficiary)
    - 25% Patient Experience Results (patient survey)
I. OVERVIEW

- Hospital Value-Based Purchasing (HVBP)
  - FY2017 Incentive (Penalty)
    - Up to 2% of DRG Operating Payments
  - FY2018 IPPS Rule
  - FY2019 Modifications
I. OVERVIEW

❑ Hospital Value-Based Purchasing (HVBP)
  ❖ FY2017 Incentive (Penalty)
  ❖ FY2018 IPPS Rule
    ➢ Removed PSI 90 (Patient Safety for selected indicators)
    ➢ Made changes for 2022 & 2023 (data capture sooner)
  ❖ FY2019 Modifications
I. OVERVIEW

- Hospital Value-Based Purchasing (HVBP)
  - FY2017 Incentive (Penalty)
  - FY2018 IPPS Rule
  - FY2019 Two Modifications to Domain Scoring
    - New weighting method for efficiency domain
    - New weighting method for cost reduction domain
I. OVERVIEW

❑ Similarities between HAC and HRR
  ❖ Direct impact on IPPS
    ➢ Incentive/Penalty payment components
  ❖ Compliance Implications
    ➢ UB Claims compliance (POA) for HAC
    ➢ Discharge Destination reporting for HRR
    ➢ Cost Reporting Compliance for HAC and HRR
I. OVERVIEW

☒ Differences between HAC and HRR

❖ HAC (PoA) clinical data accumulated and reported to MAC by the hospital. Hospital specific data.

❖ HRR claims data accumulated and reported to the hospital by the MAC. Comparisons to other hospitals.
II. MEDICARE AUTHORITIES

- Affordable Care Act (ACA)
  - Inpatient Quality Reporting (IQR)
    Under Sec. 1886(b)(3)(B)(viii) of the ACA, subsection (d) hospitals are required to report data on measures selected by the Secretary for a fiscal year in order to receive the full annual percentage increase that would otherwise apply to the standardized amount applicable to discharges occurring in that fiscal year.
II. MEDICARE AUTHORITIES

- Affordable Care Act (ACA)
  - Hospital Acquired Conditions--Sec. 1886(p)

  The Act establishes an incentive to hospitals to reduce the incidence of hospital-acquired conditions by requiring the Secretary to make an adjustment to payments to applicable hospitals effective beginning October 1, 2014. This 1-percent payment reduction applies to a hospital whose ranking is in the top quartile of all applicable hospitals, relative to the national average, of conditions acquired during the applicable period and on all of the hospital’s discharges for the specified fiscal year.
II. MEDICARE AUTHORITIES

☑ Affordable Care Act (ACA)

❖ Hospital Readmission Rates—Sec. 1886(q)

The HRR requires reduction to a hospital’s base operating DRG payment to account for excess readmissions of selected applicable conditions.
II. MEDICARE AUTHORITIES

❖ HRR–3025; Sec. 1886(q), continued

For FY2018 the reduction is based on a hospital’s risk-adjusted readmission rate during a 3-year period.

✓ Specify applicable time period

✓ Specify the calculation of aggregate payments for excess readmissions for FY2018

✓ Propose changes to the payment adjustment factor (21st Century Cures Act for FY2019)

✓ Update Extraordinary Circumstances Exception policy
II. MEDICARE AUTHORITIES

❑ Affordable Care Act (ACA)

❖ Hospital Value Based Purchasing—Sec. 1886(o)

The Act requires the Secretary to establish a Hospital VBP Program under which value-based incentive payments are made in a fiscal year to hospitals based on their performance on measures established for a performance period for such fiscal year.
III. FINANCIAL IMPACTS

- Up to 1% all DRG payments reduced for HAC
- Up to 3% of patient claims reduced for HRR
- Up to 2% all DRG payments reduced for HVBP

Where to find out the impact?

- Cost Report W/S E, Part A (Medicare PS&R)
  - Ln 70.99 – HAC Adjustment
  - Ln 70.94 – HRR Adjustment
  - Ln 70.93 – HVBP Adjustment
### III. FINANCIAL IMPACTS

<table>
<thead>
<tr>
<th>Case</th>
<th>FYE</th>
<th>DRG$</th>
<th>HAC</th>
<th>HRR</th>
<th>HVBP</th>
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<td>1</td>
<td>8/31/16</td>
<td>$140M</td>
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<td>($60k)</td>
<td>($540k)</td>
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<td>$6M</td>
<td>$66k</td>
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<td>$30M</td>
<td>$230k</td>
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III. FINANCIAL IMPACTS

QUIZ

How is the following phrase applicable?

“Medicare Giveth and Taketh Away”
III. FINANCIAL IMPACTS

ANSWER

“Medicare Giveth and Taketh Away”

The quality metrics include both incentive and penalty payment components.
III. FINANCIAL IMPACTS

Kaiser Health News (KHN) reported on 3/1/19:
“Medicare Trims Payments to 800 Hospitals, Citing Patient Safety Incidents”

• Hospital Acquired Conditions:
  • 110 hospitals being penalized for 5th straight year
  • 1,756 hospitals penalized at least once in 5 years
  • Patient complication/injury in 9 of 100 stays in 2016
III. FINANCIAL IMPACTS

- A 2018 Study published in the Journal for Healthcare Quality found 768 hospitals were penalized for HAC in 2017.

- However, only 40.6% had scores that were statistically different from the threshold penalty score.
III. FINANCIAL IMPACTS

A 2018 study found a decline in hospitals penalized by quality metrics, however the dollar level was up 20.4% in 2017 vs 2016 at approximately $1.4 billion and remained level in 2018.
### III. FINANCIAL IMPACTS

#### Number of Hospitals Penalized

<table>
<thead>
<tr>
<th>Quality Program</th>
<th>FY 2018</th>
<th>FY 2017</th>
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</thead>
<tbody>
<tr>
<td>HAC</td>
<td>751</td>
<td>769</td>
</tr>
<tr>
<td>HRR</td>
<td>2,573</td>
<td>2,597</td>
</tr>
<tr>
<td>HVBP</td>
<td>1,211</td>
<td>1,343</td>
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IV. COMPLIANCE IMPLICATIONS

QUIZ

Why is compliance important?

1. No one looks good in an orange jump suit.
2. Financial penalties and recoupment could adversely effect your year-end bonus.
3. Compliance problems are costly to the hospital: financially; resource consumption; management attention; and public image.
IV. COMPLIANCE IMPLICATIONS

- Medical Necessity
- False Claims Act
  - Cost Report (PS&R data)
  - UB Claims
    - Discharge Destination
    - Conditions Present on Admission (POA)
IV. COMPLIANCE IMPLICATIONS

Compliance Conundrum

- Hospitals that do the best job of reporting get hit with the largest penalty payments!
IV. COMPLIANCE IMPLICATIONS

Vanguard Healthcare Agrees to Pay More Than $18 million to Resolve FCA Lawsuit

--DoJ announced settlement, February 27, 2019

Substandard care deemed worthless

- Failed to administer medications as prescribed
- Failed to provide appropriate wound care
- Failed to implement standard infection control
- Failed to take measures to prevent pressure ulcers
- Used unnecessary physical restraints
V. BEST PRACTICES, POLICIES AND PROCEDURES

QUIZ

What is Process Improvement?

1. When someone does it your way.
2. A project to add to an over burdened staff.
3. Designing and implementing policies and procedures that increase productivity, reduce work and cost, minimize risk, improve outcomes, eliminate duplication or waste, and enhance documentation.
V. BEST PRACTICES, POLICIES AND PROCEDURES

- Clinical Documentation
  - Policies & Procedures
  - Education & Training
  - Best Practices
V. BEST PRACTICES, POLICIES AND PROCEDURES

❑ Clinical Documentation

❖ Hierarchical Condition Categories (HCCs)

➢ The risk-adjusted methodology for Medicare and are used by all commercial Medicare Advantage plans. Based on the illness burden of each patient.

➢ Used to calculate the cost/beneficiary under the HVBP

“The role of HCCs in a value-based payment system.” October 2017, HFM Journal, pages 45-51
V. BEST PRACTICES, POLICIES AND PROCEDURES

❑ Get Educated and Take Action

❖ Process Metrics
➢ Measure frequency regardless of outcome
➢ Patients with chest pain getting EKG within 30 mins.

❖ Outcome Metrics
➢ Measure frequency of specific outcomes
➢ Survival rate of patients with certain conditions
VI. Medicare Appeal Issue


2. Protest Quality Penalties in Cost Reports

3. Preserve Appeal Rights (Group Appeals)
VI. Medicare Appeal Issue

- Penalties are Arbitrary and Capricious
  - Industry Studies and Data
  - Hospital Specific Data and Penalties

- HRR “Double Dip” Penalty
VI. Medicare Appeal Issue

Growing evidence of faulty metrics

- JAMA study (Dec 2017) found growing mortality rates among HF and PN patients after HRR.

- Health Affairs study (Jan 2019) found reductions in readmissions may be due to changes in coding.
VI. Medicare Appeal Issue

- A 2018 Study published in the Journal for Healthcare Quality found 768 hospitals were penalized for HAC in 2017.

- However, only 40.6% had scores that were statistically different from the threshold penalty score.
VII. FOCUSED PROCESS IMPROVEMENT (FPI)

- Narrowing the target of process improvement so the greatest benefit can be achieved for the hospital.
  
  - Selected clinical outcomes measurements
VII. FOCUSED PROCESS IMPROVEMENT (FPI)

❖ Create FPI Teams
❖ Work Plans and Timetables
❖ Targeted Outcomes
❖ Milestones and Deliverables
❖ Management Buy-in
❖ Design & Implement P&P
❖ Education & Monitoring
VIII. NEXT STEPS ACTION PLAN

QUIZ

What needs to be done now?

1. Prepare and mail resume.
2. Apply to graduate school or retire (depending on personal circumstances)
3. Sell, merge or close the hospital asap.
4. Learn all you can about Quality Metrics and Value Purchasing so you can be a Change Agent.
VIII. NEXT STEPS ACTION PLAN

- Identify Financial Impact
- Communicate with Management
- Coordinate with Government Reporting
- Coordinate with Compliance Department
- Best Practices/FPI Team Facilitation
  - “Who ya gonna call?”
Medicare Quality Metrics Modifications

CMS has been making modifications to the quality metrics system which makes comparisons from year to year impossible. This will adversely affect the ability of CMS to promote the success, if any, of the program.
Medicare quality metrics are under siege by the healthcare industry. Hospitals, physicians and payors. Also, public groups and Congress.

“As value-based efforts lag, push for price regulation gains momentum.”

--Modern Healthcare, February 25, 2019
“MedPAC recommends consolidating Medicare quality programs.”

--Modern Healthcare, January 21, 2019

➢ Unanimously recommended combining hospital quality initiatives into one program: Hospital Value Incentive Program
➢ Boost acute care hospital payment 2% to fund incentives
➢ Eliminate inpatient quality reporting program (obsolete)
END NOTES

For questions and/or more information contact:

Lance S. Loria, CPA, LFACHE, FAAMA
Managing Director
LORIA ASSOCIATES, LLC
281-455-6956 or lanceloria@aol.com