



**THE PREMIER HOSPITAL QUALITY INCENTIVE DEMONSTRATION:
REWARDING SUPERIOR QUALITY CARE**

**CENTERS FOR MEDICARE & MEDICAID SERVICES
FACT SHEET
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Quality health care for people with Medicare is a high priority for President Bush, the Department of Health and Human Services (HHS), and the Centers for Medicare & Medicaid Services (CMS). In November 2001, HHS Secretary Tommy G. Thompson announced the Quality Initiative, his commitment to assure quality health care for all Americans through published consumer information coupled with health care quality improvement support through Medicare's Quality Improvement Organizations.

The CMS Hospital Quality Initiative, launched in 2003, uses a variety of tools to stimulate and support a significant improvement in the quality of hospital care. The initiative aims to refine and standardize hospital data, data transmission, and performance measures in order to construct a single robust, prioritized and standard quality measure set for hospitals. The ultimate goal is that all private and public purchasers, oversight and accrediting entities, payers and providers of hospital care would use the same measures in their public reporting activities. Among the tools we will use to achieve this objective are collaborations with providers, purchasers and consumers, technical support from Quality Improvement Organizations, research and development of standardized measures, and commitment to assuring compliance with our conditions of participation.

Overview

The Premier Hospital Quality Incentive Demonstration is part of the CMS Hospital Quality Initiative. The Premier Hospital Quality Incentive Demonstration is a three-year project that will recognize and provide financial rewards to hospitals that demonstrate high quality performance in a number of areas of acute care. The demonstration involves a CMS partnership with Premier Inc., a nationwide organization of not-for-profit hospitals, and will reward participating top performing hospitals by increasing their payment for Medicare patients. Participating hospitals' performance under the demonstration will be posted at www.cms.hhs.gov for health care professionals.

CMS is pursuing a vision to improve the quality of health care by expanding the information available about quality of care and through direct incentives to reward the delivery of superior quality care. Through the Premier Hospital Quality Incentive Demonstration, CMS aims to see a significant improvement in the quality of inpatient care by awarding bonus payments to hospitals for high quality in several clinical areas, and by reporting extensive quality data on the CMS web site. Premier was selected for

the demonstration because, through its database of hospitals in the Premier Perspective system, it has the ability to track and report quality data for 34 quality measures for each of its hospitals. This capability to immediately provide such a broad set of quality data makes the Premier database operationally unique and enables a rapid test of the concept of incentives for high performance in several areas of quality.

Quality of Care Measures

Under the demonstration, top performing hospitals will receive bonuses based on their performance on evidence-based quality measures for inpatients with: heart attack, heart failure, pneumonia, coronary artery bypass graft, and hip and knee replacements. The quality measures proposed for the demonstration have an extensive record of validation through research, and are based on work by the Quality Improvement Organizations (QIOs), the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), the Agency for Healthcare Research and Quality (AHRQ), the National Quality Forum (NQF), the Premier system and other CMS collaborators.

Hospital Scores

Hospitals will be scored on the quality measures related to each condition measured in the demonstration. Composite quality scores will be calculated annually for each demonstration hospital by “rolling-up” individual measures into an overall quality score for each clinical condition. CMS will categorize the distribution of hospital quality scores into deciles to identify top performers for each condition.

Financial Awards

CMS will identify hospitals in the demonstration with the highest clinical quality performance for each of the five clinical areas. Hospitals in the top 20% of quality for those clinical areas will be given a financial payment as a reward for the quality of their care. Hospitals in the top decile of hospitals for a given diagnosis will be provided a 2% bonus of their Medicare payments for the measured condition, while hospitals in the second decile will be paid a 1% bonus. The cost of the bonuses to Medicare will be about \$7 million a year, or \$21 million over three years.

Improvement Over Baseline

In year three, hospitals that do not achieve performance improvements above demonstration baseline will have adjusted payments. The demonstration baseline will be clinical thresholds set at the year one cut-off scores for the lower 9th and 10th decile hospitals. Hospitals will receive 1% lower DRG payment for clinical conditions that score below the 9th decile baseline level and 2% less if they score below the 10th decile baseline level.

Public Reporting

Hospitals participating in Premier Hospital Quality Incentive Demonstration will report previously collected quality data currently available in the Premier Perspective database

to provide a historical reference on these quality indicators. This data will be published at www.cms.hhs.gov in early 2004. An interim report on the demonstration will be posted in mid 2004. The first year results will be reported in early 2005 recognizing those hospitals with the highest quality and noting those hospitals that received bonus awards.

Hospital Participation

Participation in the demonstration is voluntary and open to hospitals in the Premier Perspective system as of March 31, 2003. A total of 278 hospitals will be included in the demonstration. CMS will use the Premier demonstration as a pilot test of this concept, and may develop a request for additional proposals for this concept once we obtain results from the evaluation of the Premier demonstration.