



Peer Group 1 - 4 2009 Hospital Pay-for-Performance Program

Program Overview

The Blue Cross Blue Shield of Michigan Hospital Pay-for-Performance program rewards short-term acute care hospitals for achievements and improvements in quality and efficiency. In 2009, a top-performing peer group 1 – 4 hospital participating in the program can earn up to an additional 5 percent of its inpatient and outpatient operating payments.¹

One half of each hospital's P4P score is based on quality measures, including participation in selected initiatives. The other half is based on efficiency. Hospitals must also meet certain prequalifying conditions to be eligible to participate in the program.

Hospital performance is evaluated on a calendar-year basis. The amount a hospital earns, based on its 2009 performance, will be reflected in its BCBSM payments beginning July 1, 2010.

Program Prequalifying Conditions

Hospitals must meet certain prequalifying conditions to be eligible to participate in the P4P program. Hospitals do *not* earn payment for meeting the prequalifying conditions.

In 2009, a hospital must meet the following three prequalifying conditions:

1. Publicly report performance on all applicable quality indicators to the Hospital Quality Alliance, for publication on the CMS Hospital Compare website.

This prequalifying condition is applicable to the entire program. If a hospital fails to meet this condition, it forfeits its eligibility for the entire P4P program.

2. Demonstrate an active commitment to patient safety. The specific requirements of this prequalifying condition, which have been updated and simplified from the 2008 requirement, are described in detail in Attachment A.

¹ If a hospital's reimbursement arrangement is not consistent with the Second Amended and Restated BCBSM Participating Hospital Agreement, the amount it can earn under the P4P program is limited to 4 percent of its inpatient operating payments only.

This prequalifying condition applies only to the quality indicator component of the program. If a hospital fails to meet this condition it will forfeit its eligibility for payment for the quality indicators, but it will not be precluded from earning payment for the efficiency or CQI components of the program.

3. Maintain high performance on five intensive care unit ventilator bundle measures (These measures are described in Attachment B). High performance is defined as a performance rate of 95 percent or better on each measure.

If a hospital's performance falls below the established threshold, the hospital will be requested to file an action plan with a timeline for bringing performance back up to the established threshold. If a hospital fails to either file the action plan or meet the goals of the plan within the agreed timeframe, it will not be eligible for payment under the quality indicator component of the program. However, it will not be precluded from earning payment for the efficiency or CQI components of the program.

Quality

50 percent

One half of each hospital's P4P score is based on quality measures. This includes participation in selected collaborative quality initiatives and performance on specific quality indicators.

Collaborative Quality Initiatives – 5.0 percent - 16.5 percent

In 2009, hospitals will be evaluated on their active participation in the following CQIs.² (This list is unchanged from 2008.)

- Blue Cross Blue Shield of Michigan Cardiac Consortium
- Michigan Society of Cardiovascular and Thoracic Surgeons Quality Improvement Initiative
- Michigan Bariatric Surgery Collaborative
- Michigan Surgery Quality Collaborative
- Michigan Breast Oncology Initiative
- MHA Keystone project on hospital associated infections

Hospitals not eligible to participate in the Michigan Surgery Quality Collaborative will be asked to participate in the new Keystone Surgery initiative.

Note: Only hospitals not eligible for MSQC can earn credit for participation in the Keystone Surgery initiative.

² Active participation includes submitting data to the CQI coordinating center in a timely manner and regularly participating in CQI provider meetings.

Hospitals will earn four points for their participation in the Michigan Surgery Quality Collaborative.

Hospitals will earn 2.5 points for their participation in each of the remaining initiatives.

The weight of the CQI component is determined by the initiatives in which a hospital is eligible to participate. If a hospital is eligible for a specific initiative but chooses not to participate, it will forfeit the points allocated to that initiative.

Quality indicators – 33.5 percent - 45.0 percent

In 2009, the quality component of the P4P program is weighted from 33.5 to 45.0 percent. Hospitals will be evaluated on the following six quality indicators:

- Acute myocardial infarction - percutaneous coronary intervention, or PCI
- Acute myocardial infarction
- Heart failure
- Pneumonia
- Surgical infection prevention
- Central line associated blood stream infection rates

Most of these indicators will be scored on a “perfect care” basis. (The exceptions are the AMI/PCI indicator and the CLA-BSI indicator). This scoring methodology requires a hospital meet the requirements for all applicable measures for each patient. If one or more of the measures is not met and the measure was not contraindicated, the hospital will not receive credit for that patient.

Attachment C includes a list of the specific measures included within each quality indicator. Performance thresholds for each measure will be established and communicated to hospitals during the first quarter of 2009.

Weight of the quality component and individual measures

For each hospital, the weight of the quality component is inversely determined by the weight of the collaborative quality initiative component. Together, these two components equal 50 percent. Hospitals with a higher CQI weighting will have a lower weight applied to their quality components. Conversely, hospitals with a lower CQI weighting will have a higher weight applied to their quality components. An example of the inverse relationship between these two components is illustrated in the following table:

Relationship of CQI and Quality Program Weights

CQI	Quality	Total
5.0%	45.0%	50%
10.0%	40.0%	50%
16.5%	33.5%	50%

Within the quality component, all six quality indicators are weighted equally. For example, if the quality component is weighted at 45 percent, each of the six indicators is worth one-sixth of the total, or 7.5 percent. Similarly, if a hospital's quality component is weighted at 33.5 percent, each of the six indicators is worth 5.6 percent.

If a hospital does not provide the services associated with a particular quality indicator, or has an insufficient number of cases, it will not be scored on that indicator and its weight will be reallocated across the remaining quality indicators.

Efficiency

50 percent

One half of each hospital's P4P score is based on efficiency. Beginning in 2009 the focus of this component will transition from being entirely determined by hospitals' inpatient cost per case (compared to the statewide mean), to overall payment trends. The component will be driven by a comparison of BCBSM's hospital payment trend to a national hospital benchmark, the Milliman Health Cost Index. This index shows the percent change in year-to-year payment trends for payors similar to BCBSM.

The calculation of hospital efficiency scores is also significantly changed. An efficiency reward pool will be created each year based on the payment trend comparison. Hospital efficiency scores will then be calculated so the entire amount of the reward pool is distributed to hospitals through their P4P rates. In some cases, hospitals may earn an overall efficiency score that exceeds 100 percent. The creation and distribution of the reward pool are described in detail, below.

The transition to the payment trend measure will be completed over a three year period. During this time, BCBSM will develop a hospital reporting mechanism to identify potential opportunities for reducing payment trends. BCBSM is also committed to strengthening the alignment between its physician and hospital incentive measures to help maximize the success of the P4P goals.

Statewide P4P Efficiency Reward Pool

Each year, a P4P efficiency reward pool will be calculated. The amount of the reward pool will be determined by the following:

1. A baseline reward level. This amount will be equal to 75 percent of the value of the efficiency component. Stated another way, this is equal to the amount BCBSM would pay out if every hospital earned a *total* efficiency score of 75 percent.³
2. An additional payment for improved payment trends. Once the pmpm measure has been in place for two years, the reward pool will be increased by an additional 25 percent if BCBSM payment trends are equal to the national benchmark or better, *and* BCBSM payment trends have decreased compared to the prior measurement period. This will increase the efficiency reward pool to 100 percent of the total value of the efficiency component.

This additional 25 percent will be effective with the 2011 measurement year (payment effective July 2012). The level of improvement needed to earn this additional 25 percent will be communicated to hospitals in 2009.

3. Adjustments based on gain or loss sharing. The value of the reward pool will be adjusted up or down, based on the following:
 - If the BCBSM payment trend is within 0.25 point of the national trend, performance will be considered to have met the benchmark. No gain or loss adjustments will be made to the reward pool.
 - If the BCBSM trend is more than 0.25 point lower than the national trend, performance will be considered better than benchmark. The difference in payout BCBSM would have experienced if its trend had been equal to the benchmark will be considered a net gain to BCBSM, and the reward pool will be *increased* by 50 percent of this net gain.
 - If the BCBSM trend is more than 0.25 point lower than the national trend, this will trigger an additional payment to hospitals. The amount of the net gain will be the difference in payout BCBSM would experience if its trend had been equal to the national benchmark. The reward pool will be *increased* by 50 percent of the net gain.
 - If the BCBSM trend is more than 0.25 point higher than the national trend, performance will be considered worse than the benchmark. The difference in payout BCBSM would have experienced if its trend had been equal to the benchmark will be considered a net loss to BCBSM. The reward pool will be *decreased* by 50 percent of this net loss.

In the first two years, BCBSM will limit the downward adjustments to the reward pool that may result from the loss share calculation. In the first year, the loss share calculation will be based on a difference from the benchmark of no more than 0.50 point. In the second year, the loss share calculation will be based on a difference of no more than 0.75 point.

Distribution of the P4P efficiency reward pool

³ Under the old efficiency model, which is based solely on inpatient cost-per-case compared to the statewide mean, hospitals earn approximately 67 percent of the total value of the efficiency component.

The efficiency reward pool will be paid out in full each year. The amount a hospital earns is based on two measures:

1. Hospital specific standardized inpatient cost per case – 30 points
2. BCBSM per-member-per-month hospital payment trend – 20 points

1. Hospital specific standardized cost per case

A portion of the efficiency reward pool will be distributed based on hospitals’ individual standardized cost per case relative to the statewide mean. In 2009, performance on this measure will determine 30 of the 50 points allocated to efficiency. The following table shows how many points a hospital will earn, based on its position to the statewide mean:

Hospital standardized inpatient cost per case relative to statewide mean	Efficiency amount earned
More than 0.5 standard deviation below	30 points
Within 0.5 standard deviation, inclusive	25 points
More than 0.5 standard deviation above	15 points
More than one standard deviation above	0 points

Calculation of a hospital’s score on this measure will be made after the close of the 2009 measurement period, using the most recently available payment data available.

2. BCBSM per-member-per-month hospital payment trends

The amount of the efficiency reward pool not earned under the cost-per-case measure will be distributed under the payment trend measure. Therefore, hospital scores on the payment trend measure are driven by the size of the reward pool.

In 2009 all hospitals will earn the same score on the payment trend measure. If the reward pool is relatively large, hospitals may earn a score that exceeds 100%. The score will be then be applied to the 20 points allocated to the payment trend measure. An example of the scoring methodology is shown below.

Note: If a hospital’s reimbursement arrangement does not comply with the second amended and restated BCBSM Participating Hospital Agreement, its efficiency score will be capped at 100%.

Scoring of the pmpm measure

Hospitals' score on the payment trend measure will be determined by the size of the reward pool to be distributed. The following table illustrates this calculation, which is based on the following assumptions:⁴

- Hospitals earn a statewide efficiency reward pool of \$75 million.
- Hospitals earn \$35 million statewide under the cost per case measure. This leaves \$40 million to be distributed under the payment trend measure.
- The payment trend measure is weighted at 20 points. If the measure is scored at 100%, this would equate to \$30 million in BCBSM payments. However, the statewide score is set at a level above 100% so the full \$40 million remaining in the reward pool is distributed.

Calculation of statewide pmpm score

Total value of efficiency reward pool:	\$75 million
Less the amount earned statewide under the cost-per-case measure	(\$35 million)
Amount to be distributed under pmpm measure	\$40 million
Total value of the pmpm measure in 2009	\$30 million
Statewide score on the pmpm measure (\$40 million ÷ \$30 million)	133%

The following example shows how a 133% score on the payment trend measure is then used to calculate a hospital's total P4P score and payment rate. The example assumes the hospital earned 90 percent on the quality and CQI component of the program and 100 percent on the cost-per-case measure.

	Hospital Score Factor		Component Weight		P4P Score
Quality + CQI	90%	x	50	=	0.45
Cost-per-case	100%	x	30	=	0.30
Pmpm	133%	x	20	=	0.27
Total					102%

This hospital's total P4P rate would be 102% x 5.0% = 5.1%.

PMPM Implementation Period

⁴ All dollar values provided in this example are hypothetical and provided for illustrative purposes only.

The pmpm payment measure is being implemented over a three year period. During this period:

- The relative weight of the cost per case measure will decrease, and the relative weight of the pmpm measure will increase.
- The measurement period for comparing BCBSM and national payment trends will increase from one year to three years.
- The ability to earn additional the 25 percent of the reward pool will be implemented (in year 3).
- The limit on the potential downward adjustments to the reward pool (described above) will be phased out.
- Hospital scores on the payment trend measure will transition from a uniform statewide score to hospital-specific scores.

These transitions are summarized in the following table:

PMPM Measure Implementation Timetable

	Year 1	Year 2	Year 3
Program measurement year	2009	2010	2011
Payment effective date	July 2010	July 2011	July 2012
Weight of cost-per-case	30 points	20 points	15 points
Weight of pmpm	20 points	30 points	35 points
PMPM Measurement period	One year 2008 - 2009	Two years 2008 - 2010	Three years 2008 - 2011
Reward pool – additional 25%	No	No	Yes
Reward pool loss share calculation	Limited to 0.50 point from benchmark	Limited to 0.75 point from benchmark	Not applicable
Reward pool gain share calculation	Unlimited	Unlimited	Unlimited
Payment trend scores	Statewide	Statewide	Hospital specific

A prequalifying condition of the 2009 Hospital P4P program requires hospitals to demonstrate an active commitment to patient safety within their facility. This prequalifying condition applies only to the quality component of the program. If a hospital fails to meet the condition it will forfeit its eligibility for payment under the quality component, but it will not be precluded from earning payment for the efficiency or CQI components of the program.

The specific requirements of this prequalifying condition are as follows:

Hospitals must demonstrate an active commitment to patient safety within their facility by fully complying with the following three requirements:

1. Conducting regular patient safety walk-rounds with hospital leadership.
2. Assessing and improving patient safety performance by fully meeting one of the following options:
 - Completing and submitting the National Quality Forum Safe Practices section of the Leapfrog Hospital Survey
 - Completing the Joint Commission Periodic Performance Review of National Patient Safety Goals
 - Participating in a federally-qualified patient safety organization
 - Complying with the Agency for Healthcare Research Patient Safety indicators
3. Ensuring results of the patient safety assessment and improvement activities are shared with the hospital's governing body and incorporated into a board-approved, multidisciplinary patient safety plan that is regularly reviewed and updated.

As a prequalifying condition, hospitals are required to report on the five ICU ventilator bundle measures listed below and achieve a performance rate of 95 percent or better on each measure. If a hospital's performance falls below 95 percent, the hospital will be requested to file an action plan with a timeline for bringing performance up to the established threshold.

- **Assess weaning:** The proportion of ventilator patients receiving care in the ICU, without contraindications, who have had a trial of spontaneous breathing, or the measurement of a rapid-shallow breathing index to determine the patient's readiness to have mechanical ventilation removed
- **Follow commands:** The proportion of ventilator patients receiving care in the ICU, without contraindications, given an opportunity to follow simple commands.
- **Head of bed greater than 30 degrees:** The proportion of ventilator patients receiving care in the ICU, without contraindications, who have the heads of their beds elevated to 30 degrees or higher to reduce the risk of acquiring ventilator-associated pneumonia
- **DVT prophylaxis:** The proportion of ventilator patients receiving care in the ICU who receive chemical or mechanical prophylaxis as a means of reducing the risk of deep vein thrombosis
- **Stress Ulcer Disease prophylaxis:** The proportion of ventilator patients receiving care in the ICU who receive SUD prophylaxis as a means of reducing the risk of stress-related gastrointestinal hemorrhage

Hospitals are evaluated on their performance on six quality indicators, shown below with their individual measures. Each of these measures is based on national standards, such as core measures from the Centers for Medicare & Medicaid Services and The Joint Commission (JCAHO).

The indicators for AMI, heart failure, pneumonia and surgical infection prevention will be scored as “perfect care” indicators. This scoring methodology requires a hospital to meet the requirements for all applicable measures for each patient. If one or more of the measures is not met, and the measure was not contraindicated, the hospital will not receive credit for that patient.

- **Acute myocardial infarction** (scored as a “perfect care” measure)
 - Aspirin at arrival (AMI-1)
 - Aspirin prescribed at discharge (AMI-2)
 - Angiotensin converting enzyme inhibitors or angiotensin receptor blockers for LVSD (AMI-3)
 - Beta blocker prescribed at discharge (AMI-5)
- **Heart failure** (scored as a “perfect care” measure)
 - Assessment of left ventricular function (HF-2)
 - Left ventricular ejection fraction less than 40 percent prescribed ACEI or ARB at discharge (HF-4)
 - Discharge instructions (HF-1)
- **Pneumonia** (scored as a “perfect care” measure)
 - Initial antibiotic selection (for non-ICU patients) consistent with current recommendations (PN-6b)
 - Pneumococcal vaccine (screening or administration) prior to discharge (PN-2)

- **Surgical infection prevention for select surgeries** (scored as a “perfect care” measure)
 - Prophylactic antibiotic received within one hour prior to surgical incision (SCIP-INF-1a)
 - Prophylactic antibiotics discontinued within the appropriate time after surgery (SCIP-INF-3a)

NOTE: SIP measures are scored for the following select surgeries:

- coronary artery bypass graft and other cardiac surgery
- hip and knee arthroplasty
- colon surgery
- hysterectomy

- **Acute myocardial infarction–percutaneous coronary intervention**

- Timing of the procedure (percent of patients receiving the procedure within 90 minutes), scored on a statewide basis (AMI-8a)
- Percent of patients eligible for the procedure who actually receive it

- **Central line-associated bloodstream infections per 1000 central line days**

This is a statewide measure that compares the number of central line-associated bloodstream infections (adult ICUs) in Michigan to the national rate. Rates are calculated as follows:

$$\frac{\text{Number of central line-associated BSIs}}{\text{Number of central line days}} \times 1000$$

This measure is consistent with the National Healthcare Safety Network system from the Centers for Disease Control and Prevention. The national rate use in the comparison is provided by NHSP.