Report to the Legislature

Hospitals Safety Net Assessment
Quality Incentive Payments Methodology

Engrossed Second Substitute House Bill 2956, Section 14 (19)

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Background

In April 2010, the legislature passed ESSB 2956 establishing a hospital safety net assessment. The legislation provides increased payments to hospitals. The legislation also establishes a quality incentive program, tying a small part of the increases provided in state fiscal year 2013 to performance on quality measures. As stated in the legislation:

The department, in collaboration with the health care authority, the department of health, the department of labor and industries, the Washington state hospital association, the Puget Sound health alliance, and the forum, a collaboration of health carriers, physicians, and hospitals in Washington state, shall design a system of hospital quality incentive payments. The design of the system shall be submitted to the relevant policy and fiscal committees of the legislature by December 15, 2010.…

….. for state fiscal year 2013 and each fiscal year thereafter, assessments may be increased to support an additional one percent increase in inpatient hospital rates for noncritical access hospitals that meet the quality incentive benchmarks established under this section.

Time Line for Quality Incentive Program

In order to enact a rate increase for qualifying hospitals on July 1, 2012, the Medicaid Purchasing Administration must begin measuring hospitals' performance during calendar year 2011. The following time line shows the process needed:

September to December 2010	Medicaid Purchasing Administration development of quality incentive program metrics
December 2010	Medicaid Purchasing Administration reports to the Legislature
January 2011	Medicaid Purchasing Administration announces performance metrics and hospitals begin collecting performance data
January 2012	Medicaid Purchasing Administration uses calendar year 2011 hospital scores to determine which hospitals qualify for payment increases

Winter 2012	Medicaid Purchasing Administration incorporates the payment increases into its calculations of assessment amounts needed for state fiscal year 2013
July 1, 2012	Medicaid Purchasing Administration increases payments to qualifying hospitals

Development of Performance Metrics

In order to develop a set of performance metrics for use in this program, the Medicaid Purchasing Administration worked in collaboration with the Washington State Hospital Association and consulted with other key partners as referenced in the statue. Much of the development work was paving new ground. Pay-for-performance models have been used by Medicare and private payers, but there are not any other states with a well-developed Medicaid pay-for-performance process. The workgroup was guided in its work by the advice from clinical experts including the chief medical officer from the Medicaid Purchasing Administration and chief medical officers and physician leaders from several key hospitals. The Washington State Hospital Association convened several sub groups of clinical experts, and drafts were circulated to relevant groups for comment.

The clinical experts were asked to identify quality measures which were evidence based, important to Medicaid patients, and where measurement would improve performance and reduce costs. Based on the principles outlined in the legislation, the work group reviewed nationally approved measures which hospitals are already currently collecting or reporting. While hospitals report many measures to Medicare, many of these measures relate to the elderly, such as outcome and performance measures for pneumonia, heart failure, and heart attack. The work group decided it needed to focus instead on measures relevant for the Medicaid population, mainly women and children.

The work group focused on five specific areas of performance improvementt:

- Reducing hospital acquired infections,
- Improving the hospital discharge process (potentially leading to a reduction in re-hospitalization),
- Safer deliveries,
- Reducing avoidable emergency room use, and
- For psychiatric hospitals and units, reducing the number of antipsychotic medications at discharge.

Based on the recommendations of the work group, the Medicaid Purchasing Administration will

use the following measures for calendar year 2011. The measures represent a combination of actions that should occur with greater frequency to improve quality, and actions that should be stopped or minimized to improve quality.

The four measures where ***higher*** scores are better are:

- Health care worker influenza immunization rates (acute care general, pediatric, rehabilitation and psychiatric hospitals). Flu immunizations protect patients in the hospital from developing a hospital acquired infection and help increase the number of vaccinated persons in communities.
- Percent of patients who received patient discharge information (acute care general and rehabilitation hospitals), as measured by a post-discharge survey. Improving discharge instructions is needed for smooth, informed transitions as patients leave the hospital and should help reduce hospital readmissions.
- Approved actions to reduce preventable emergency room visits (acute care general and pediatric hospitals). The agency will require hospitals to develop data on avoidable emergency room use and develop actions to enhance patient education and foster development of alternative treatment locations.
- Percent of patients discharged on multiple antipsychotic medications with appropriate justification (psychiatric units and hospitals). This emphasis on justification for multiple antipsychotic medications reduces medication complications for patients and supports the state's efforts in reducing pharmaceutical costs.

The one measure where ***lower*** scores is better is:

- Percent of normal deliveries induced prior to 39 weeks (acute care general hospitals with obstetrics). Elimination of early elective deliveries will promote safe deliveries for Medicaid mothers and babies, since evidence shows increased complications for the baby such as adverse respiratory outcomes, mechanical ventilation, sepsis, and hypoglycemia for elective deliveries prior to 39 weeks. Using this metric supports work already underway through a state funded initiative and sets the stage for work in future years on other delivery measures such as decreasing cesarean section rates.

These measures will help drive performance improvement at hospitals for Medicaid patients. The incentive of a one percent increase in hospital payment will focus hospital attention on these key areas.

Methodology

To determine which hospitals receive the one percent increase in inpatient payments, the Medicaid Purchasing Administration will use the multiple measures described in the proceeding section. Definitions for each set of measures, except emergency room visits, are based on the definitions used by the National Quality Forum, an organization overseeing national quality

reporting efforts. On measures where hospitals are already reporting data to another entity, that data serves as the basis for this program. On other measures, hospitals will report their data to the Medicaid Purchasing Administration through the Washington State Hospital Association's quality reporting system. The Medicaid Purchasing Administration has the authority to audit the data at the hospital.

For each of the applicable measures, the agency will award a point score to the hospital, with points ranging from zero to ten. Scores will be averaged across the measures. Any hospital with more than five points on average will receive the one percent payment increase.

The agency has developed an incentive system to reward both high levels of performance as well as improved performance. Hospitals that perform better on a measure will earn more points than hospitals that perform less well. At the same time, the agency has selected specific performance thresholds for each measure. The pre-set thresholds have been set at levels that realistically raise current performance levels.

This system makes it possible for all Washington hospitals to achieve high levels, while fostering a collaborative environment among the hospitals. Since hospitals are not directly competing with each other but all competing against a pre-set score, hospitals should be willing to share best practices and work with each other on improvements.

Future Work

The Medicaid Purchasing Administration will monitor carefully how the quality incentive program works in its first year. If the assessment extends beyond state fiscal year 2013, this process will be refined over time. New measures and new thresholds will be set each year after evaluation of the prior year's results.