Performance Plan Yields Improvement

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Hospitals are reporting consistent quality improvements across five clinical areas as part of a Medicare pay-for-performance demonstration, officials at the Centers for Medicare and Medicaid Services have announced.

In the second year of the demonstration project, the average improvement across the more than 250 participating hospitals was 6.7%, according to the CMS. Agency officials also reported a total gain of 11.8% over the 2-year period.

"The results today provide more solid evidence that pay for performance is working to improve the quality of health care at our nation's hospitals," Herb Kuhn, CMS acting deputy administrator, said during a teleconference to announce the second-year results of the Premier Hospital Quality Improvement Demonstration.

The program was launched in October 2003 by the CMS and the Premier Inc. health care alliance to test whether providing incentives to hospitals would help to speed quality gains. Under the demonstration, the CMS provides financial incentives to the top 20% of high-scoring hospitals in each of five clinical areas—acute myocardial infarction, heart failure, coronary artery bypass graft, pneumonia, and hip and knee replacement. Performance in the five clinical areas is measured by more than 30 nationally recognized quality standards.

Hospitals in the top 10% receive a 2% incentive payment, while hospitals in the next 10% receive a 1% payment. Any hospital that ranks in the top half in each clinical area is recognized on the CMS Web site. In the third year of the program—from October 2006 to September 2007—hospitals that fail to improve over baseline could face penalties.

In the second year of the program, the CMS paid more than $8.6 million to 115 high-performing hospitals.

Data from the second year showed that hospitals improved in acute myocardial infarction (87.5% to 94.4%); coronary artery bypass graft (84.8% to 93.8%); heart failure (64.5% to 82.4%); pneumonia (69.3% to 85.8%); and hip and knee replacement (84.6% to 93.4%).

"This demonstration is really helping us to understand what's needed to improve our health care system," Mr. Kuhn said.

As part of the Deficit Reduction Act of 2005, the CMS is required to propose a program design for a value-based purchasing system for hospitals for potential implementation in fiscal year 2009. That report to Congress is expected sometime this summer.

In the meantime, the CMS is seeking input from health care providers, consumers, and purchasers. ■

More information about the hospital demonstration program is available online at www.cms.hhs.gov/HospitalQualityInits.