June 2017

HOSPITAL VALUE-BASED PURCHASING

CMS Should Take Steps to Ensure Lower Quality Hospitals Do Not Qualify for Bonuses

GAO Highlights

Highlights of GAO-17-551, a report to congressional committees

Why GAO Did This Study

The HVBP program, enacted as part of the Patient Protection and Affordable Care Act (PPACA), evaluates hospital performance on quality and efficiency (Medicare spending per beneficiary) measures. Based on those results, CMS adjusts Medicare payments, leading to bonuses or penalties for hospitals. The first HVBP payment adjustments started in fiscal year 2013.

PPACA included a provision for GAO to assess the HVBP program's impact on Medicare quality and efficiency, including the effects on safety net, small rural, and small urban hospitals. This report addresses (1) hospitals' performance in quality and efficiency categories; (2) how hospitals' payment adjustments have changed over time; and (3) the effect, if any, of efficiency scores on payment adjustments.

GAO analyzed CMS documentation and data on performance scores and payment adjustments in each year for all hospitals participating in fiscal years 2013 through 2017. GAO also analyzed results for safety net, small rural, and small urban hospitals and interviewed CMS officials.

What GAO Recommends

So that lower quality hospitals do not receive bonuses, GAO recommends that CMS revise (1) the methodology used to calculate total performance scores and (2) its method of accounting for missing quality scores. In its written comments, HHS indicated that it would consider revising these two methodologies.

View GAO-17-551. For more information, contact James Cosgrove at (202) 512-7114 or cosgrovej@gao.gov.

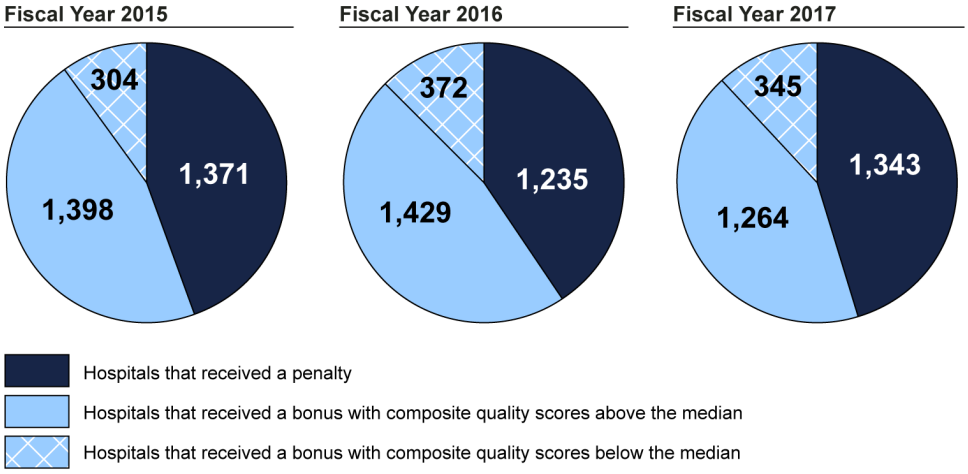
What GAO Found

The Hospital Value-based Purchasing (HVBP) program aims to improve quality of care and efficiency by creating financial incentives for about 3,000 participating hospitals. From fiscal years 2013 through 2017, performance on quality and efficiency measures varied by hospital type. Safety net hospitals—those that serve a high proportion of low-income patients—generally scored lower in quality compared to all participating hospitals. In contrast, small rural and small urban hospitals—those with 100 or fewer acute care beds—scored higher on efficiency compared to all hospitals.

Payment adjustments—bonuses or penalties, announced prior to each fiscal year—have varied over time for all hospitals. In four out of the five years of GAO's analysis, small rural and small urban hospitals were more likely to receive a bonus compared to all participating hospitals, while safety net hospitals were more likely to receive a penalty. While a majority of all hospitals received a bonus or a penalty of less than 0.5 percent each year, the percentage of hospitals receiving a bonus greater than 0.5 percent increased from 4 percent to 29 percent from fiscal year 2013 to 2017. In dollar terms, most hospitals had a bonus or penalty of less than $100,000 in fiscal year 2017.

Some hospitals with high efficiency scores received bonuses, despite having relatively low quality scores, which contradicts the Centers for Medicare & Medicaid Service's (CMS) stated intention to reward hospitals providing high-quality care at a lower cost. Further, among hospitals that were missing one or more quality scores, the efficiency score had a greater effect on the total performance score because of the methodology used by CMS. This methodology compensated for the missing scores by increasing the weights of all of the non-missing scores. Consequently, hospitals with missing scores were more likely to receive bonuses than hospitals with complete scores.

Bonus or Penalty Status of Hospitals Participating in the Hospital Value-based Purchasing Program, Fiscal Years 2015 through 2017



Source: GAO analysis of Centers for Medicare & Medicaid Services data. | GAO-17-551