hfma
healthcare financial management association

October 17, 2012

Marilyn Tavenner
Acting Administrator
Centers for Medicare & Medicaid Services
Department of Health and Human Services
Hubert H. Humphrey Building
200 Independence Avenue, SW, Room 310G
Washington, DC 20201

Re: Hospital Value-Based Purchasing—HCAHPS Domain Weighting and Readmission Reduction Program—Readmissions Measures Risk Adjustment

Dear Ms. Tavenner:

The Healthcare Financial Management Association (HFMA) would like to thank the Centers for Medicare & Medicaid Services (CMS) for the opportunity to proactively comment on the weighting of the HCAHPS domain within the CMS Hospital Value-Based Purchasing Program and continued issues with the risk adjustment mechanism for the Hospital Readmissions Reduction Program.

HFMA is a professional organization of more than 39,000 individuals involved in various aspects of healthcare financial management. HFMA is committed to helping its members improve the management of healthcare delivery systems, comply with the numerous rules and regulations that govern the industry, and further the principles of administrative simplification.

Background

In 2008, HFMA convened a group of healthcare stakeholders representing payers, providers, employers, and patients to define the key principles that a reformed payment system must achieve. The group came to consensus around five key principles, which are discussed briefly below:[1]

- **Quality:** Payments should encourage and reward high-quality care and discourage medical errors and ineffective care. Wherever possible, payments should reward positive outcomes, rather than adherence to processes. In the absence of outcome measures, payment systems should reward the use of accepted practice and evidence-based processes and protocols that

[1] Healthcare Financial Management Association, *Healthcare Payment Reform – From Principles to Action*, September 2008

meet or exceed standards of quality and safety to promote optimal outcomes. Payers should not be responsible for payment to cover costs directly related to serious preventable medical errors.

- **Alignment:** Payments should align incentives among all stakeholders to maximize the efficiency and coordination of health services based on accepted practice and evidence-based delivery models and protocols. Payment systems should stimulate and reward healthful behavioral choices and selection of value-based services by consumers related to prevention, primary care, acute care, and chronic disease management. Care decisions should be made through a shared decision-making process in which patients' values and preferences are identified and respected.

- **Fairness/Sustainability:** Payment systems should balance the needs and concerns of all stakeholders. Payments should recognize appropriate total costs for the efficient delivery of healthcare services that are necessary and consistent with evidence-based care, high-quality/low-cost provider benchmarks, and the advancement of medical science. Payment systems should accommodate payers' and purchasers' needs to allocate funds in a predictable, manageable fashion. In addition, consumers should have financial incentive to select high-quality, efficient care without being discouraged from seeking necessary and appropriate services. Finally, the payment system should be sustainable, providing a stable funding stream in the face of competing claims on public and private capital.

- **Simplification:** Payment processes should be simplified, standard, and transparent. All parties should use payment methodologies, standardized at the national level, to reduce complexity. The payment methodologies should be transparent to those affected by them, and comply with privacy, security, and antitrust laws and regulations.

- **Societal Benefit:** The resources needed to support broad societal benefits (i.e. medical education and research, indigent care) should be paid for explicitly. Similarly, payment systems should reward innovators who develop technologies, services, processes, and procedures that enhance safe, high-quality, and efficient care.

Introduction

HFMA has long supported the development of "value-based reimbursement " and commends CMS for their efforts to implement Value-Based Purchasing and the Readmissions Reductions Program. We believe that both programs are key stepping stones in transitioning to payment systems that align economic incentives across the care continuum to support the delivery of high-quality, cost-efficient care for not only Medicare beneficiaries, but all Americans. HFMA is helping its members make this transition through its Value Project (link below). This research is focused on spreading best practices of high-quality, low-cost providers across HFMA's membership.

Unfortunately, HFMA is concerned that the Hospital Value-Based Purchasing Program and Readmissions Reduction Program do not sufficiently address the key principles enumerated above. As they are currently constructed, both programs:

- Miss an opportunity to align incentives for quality and cost-effectiveness across the continuum of care. Specifically, corresponding programs for all physicians will not be in place until 2017 (assuming that readmissions will be a component of the physician value modifier). Please see our comment letter (link included below) on the Proposed 2013 IPPS rule for further details.
- The relative HCAHPS weighting in the Value-Based Purchasing Program and insufficient risk adjustment, due to lack of variables that take into account community economic factors, in the Readmissions Reduction Program jeopardize both fairness and sustainability and societal benefit by potentially arbitrarily penalizing hospitals for the relative affluence of the community the facility serves. HFMA has addressed the risk adjustment issue for the Readmissions Reduction Program (RRP) in the 2013 IPPS Proposed Rule and multiple comment letters focused on the RRP (links below). Please see the comments below for further discussion of the HCAHPS weighting.

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Value-Based Purchasing Program

In prior comment letters (links included below) HFMA has expressed concern over the HCAHPS component of the Value-Based Purchasing (VBP) Program.

HCAHPS Weighting: We are deeply concerned about the current weighting of the HCAHPS domain. HFMA strongly believes providers should focus on improving patient communication, satisfaction, and overall experience and we encourage our members to actively do so.

HFMA has commented in our prior letters on issues of acuity and regional differences which CMS has yet to address. In summary, there currently is little understanding of how acuity and regional differences impact HCAHPS scores. We remain strongly concerned that without an understanding of how these factors ultimately impact HCAHPS scores the Hospital VBP program will arbitrarily penalize some providers while rewarding others for factors beyond their control.

Regarding community economic factors, a study published September 10th in the *Archives of Internal Medicine*[2] found that safety net hospitals not only tend to have lower HCAHPS scores but have made less progress improving those scores than non-safety net hospitals. Unfortunately, the study does not address causality (i.e., is HCAHPS underperformance attributable to the safety net hospital staff and the manner in which care is delivered or is it attributable to some characteristic of the patient population?).

Much like differences in acuity and region, we continue to be concerned about this lack of understanding of causality related to community economic factors. Given this lack of definitive knowledge, weighting HCAHPS at 30 percent runs the risk of arbitrarily reallocating funds from one class of hospitals to another for a measure that is beyond the class of hospital's ability to influence.

HFMA strongly recommends CMS:

[2] Patient Experience in Safety-Net Hospitals: Implications for Improving Care and Value-Based Purchasing; Paula Chatterjee, MPH; Karen E. Joynt, MD, MPH; E. John Orav, PhD; Ashish K. Jha, MD, MPH; *Arch Intern Med.* 2012;172(16):1-7. doi:10.1001/archinternmed.2012.3158.

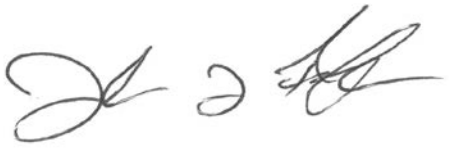
- ***Reduce the current HCAHPS weighting to 10 percent until a better understanding of how acuity, regional differences, and community economic factors influence HCAHPS scores.***
- ***Immediately conduct a patient level study correlating HCAHPS scores to patient acuity, region, and community economic factors to better understand the relationship between these variables and HCAHPS scores. Based on this study, we strongly urge you to include an analysis of how these factors impact readmissions rates as we discussed in our 2013 IPPS Proposed rule comment letter.***

Without understanding how HCAHPS scores are impacted by these factors, CMS runs the risk of inappropriately penalizing facilities that provide higher acuity services to a sicker patient population, disadvantaging hospitals in one region over another, or most concerning, further weakening safety net hospitals. Not only will safety net hospitals serve the lion's share of newly insured, but also provide one of the only significant sources of employment with relatively high wages and health insurance benefits in the communities they serve.

HFMA looks forward to any opportunity to provide assistance or comments to support CMS's efforts to refine and improve the Hospital Value-Based Purchasing Program. As an organization, we take pride in our long history of providing balanced, objective financial technical expertise to Congress, CMS, and advisory groups.

We are at your service to help CMS gain a balanced perspective on this complex issue. If you have additional questions, you may reach me or Richard Gundling, Vice President of HFMA's Washington, DC, office, at (202) 296-2920. The Association and I look forward to working with you.

Sincerely,



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CC: James Poyner, Shaheen Halim

About HFMA

The Healthcare Financial Management Association (HFMA) provides the resources healthcare organizations need to achieve sound fiscal health in order to provide excellent patient care. With more than 39,000 members, HFMA is the nation's leading membership organization of healthcare finance executives and leaders. HFMA helps its members achieve results by providing education, analysis, and guidance, and creating practical tools and solutions that optimize financial management. The organization is a respected and innovative thought leader on top trends and challenges facing the

healthcare finance industry. From addressing capital access to improved patient care to technology advancement, HFMA is the indispensable resource for healthcare finance.

HFMA Value Project
http://www.hfma.org/valueproject/

Links to Comment Letters

Value-Based Purchasing:
http://www.hfma.org/Templates/InteriorMaster.aspx?id=25623

2013 Proposed IPPS Rule:
http://www.hfma.org/templates/InteriorMaster.aspx?id=33424

Readmissions Comment Letters:
http://www.hfma.org/templates/InteriorMaster.aspx?id=30797
http://www.hfma.org/Templates/InteriorMaster.aspx?id=27497