# Pay-for-Performance in Five States: Lessons for the Nursing Home Sector

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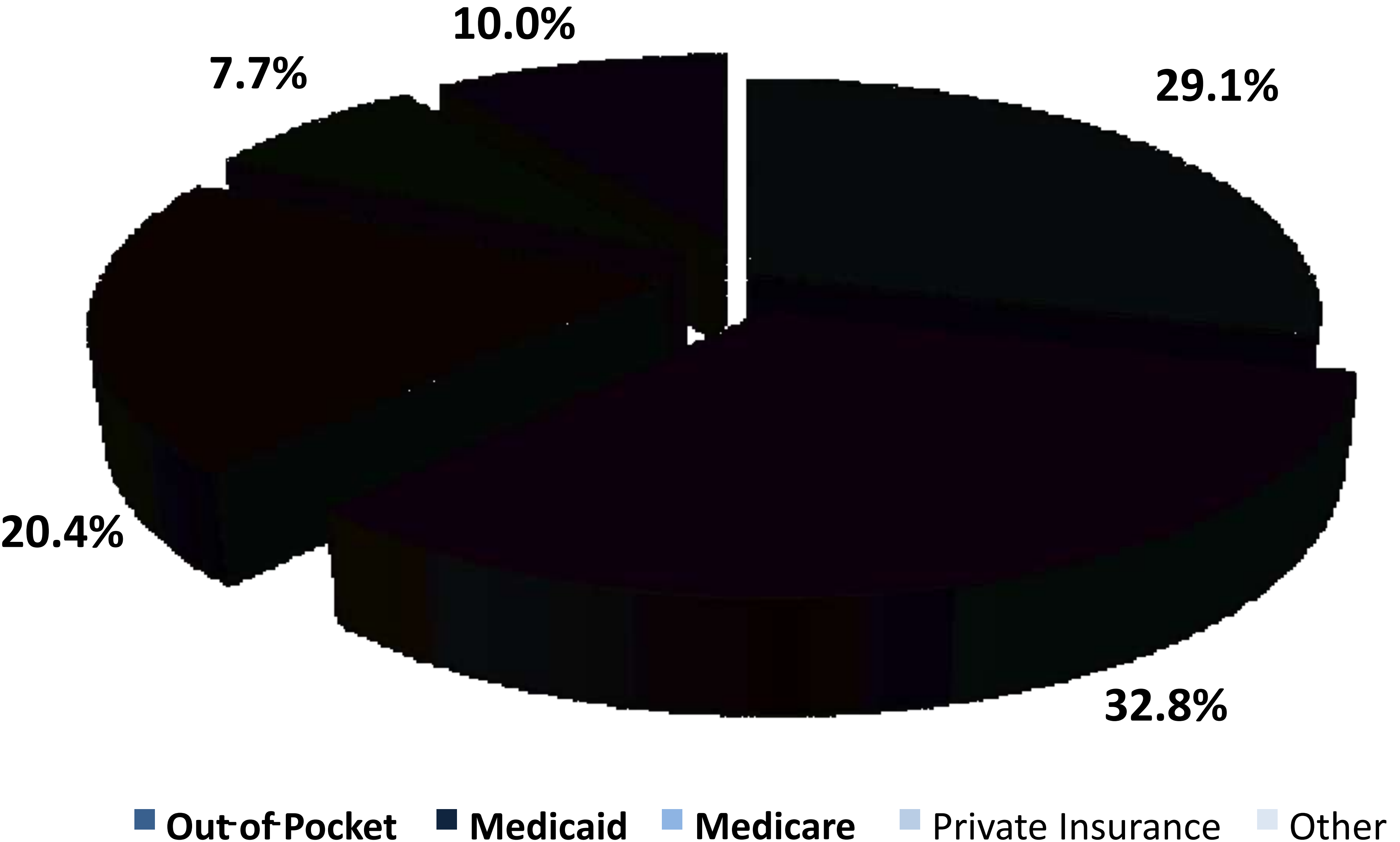
# Objectives

- **To Draw Lessons for the Successful Design and Implementation of Pay-for-Performance (P4P) by Examining Their Use in Five Diverse Medicaid Nursing Home Programs:**
  - Iowa
  - Minnesota
  - Oklahoma
  - Utah
  - Vermont

# Medicaid

- **Medicaid Program**
  - Jointly funded by the federal and state governments
  - State administration within broad federal parameters
- **Largest Federal Grant-in-Aid Program**
  - Total expenditures: ~$375 billion in FY 2009
  - 21.8% of total state expenditures
- **Medicaid Long-Term Care**
  - ~1/3 of Medicaid program spending
  - 70% directed toward institutional care for aged/disabled

# National Nursing Home Spending




Source: National Health Accounts, Centers for Medicare & Medicaid Services

# Two Paths to Aligning Incentives

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- **State Licensure and Federal Certifcation (i.e., the Regulatory Regime)**

- **Controls and Incentives Built into Medicaid Reimbursement (i.e., Financial Incentives)**

  ***Pay-for-performance (P4P) directs higher reimbursement to providers that achieve desired outcomes related to either absolute performance or improvement over time***

# Nursing Home P4P

- **Nine State P4P Programs in Medicaid**
  - Account for 20% of nursing facilities
  - Account for 16.7% of residents nationwide
  - Vary considerably in measures and financial incentives
- **NH Value-Based Purchasing Demonstration**

# Why Study Nursing Homes?

- **Nursing Homes Offer an Environment Particularly Conducive to Implementing P4P**
  - Care is delivered through a relatively straightforward organizational structure, in a single setting, and under controlled conditions
  - Unlike in other settings, a single payer (Medicaid) dominates most nursing homes' revenue streams

# Methods

- **IA, MN, OK, UT, VT**
  - Ensures variability in the Medicaid nursing home P4P programs studied; for example, complex v. simple systems
- **In-Depth Interviews**
  - 11 interviews; 12/16/10 to 1/7/11
  - Those most knowledgeable about each state's P4P program
  - Interview transcripts coded to identify recurring themes
- **Archival Sources**
  - State administrative codes, statutes, and other documents
  - Used to cross-validate informant responses and to provide historical background

# P4P in Iowa

- Payments based on composite quality score (0 to 100)
- Domains: quality of life, quality of care, access, and efficiency
- Potential payouts vary with score: 0 (0 to 50) to 5% (91 to 100)
- Prospective payments: $1.25 to $6.25 per patient day
- Can't participate if receive a severe deficiency (H level+)
- Retroactive lump sum payments, can be reduced or forfeited

# P4P in Minnesota

- Payments based on composite quality score (0 to 100)
- Elements: 24 clinical quality indicators, staff retention, staff level, pool staff, survey deficiencies, satisfaction/quality of life
- Potential payouts vary: 0 (0-40 points) to 2.4% (100 points)
- Average incentive payments were 1% in Year 1, 0.13% in Year 2
- Has a competitive grant program that provides payments up to 5% of base rate for 1 to 3 years for innovative projects

# P4P in Oklahoma

- Initially, facilities receive a 1% incentive payment for executing their P4P contract
- Facilities can then earn up to a total of 10 points on the basis of 10 quality indicators. For every two points earned, facilities receive an additional 1% of the base rate
- Originally, facilities received a point on each of these measures if scores exceeded the median score. Beginning in 2010, however, thresholds were established for each measure
- Payouts can range from 1 to 5% or $1.09 to $5.45 extra per patient day

# P4P in Utah

- Must implement: a quality improvement plan and means to measure it; a contract with a third party to conduct a satisfaction survey; and a plan for and progress toward  for culture change
- Potential payouts range from $3,000 to $30,000 per year
- Can’t participate if receive a severe deficiency (IJ-level); can receive only a 50% payout if receive a substandard deficiency (F through L)
- State has a separate program to incentivize capital improvements targeted at quality of care and life (e.g., lifts, bathing systems)

# P4P in Vermont

- Rewards "top five" facilities with a total of up to $500,000/year
- Focused primarily on workforce
- To receive an award a facility must
  - Conduct a self-assessment
  - Implement/expand an existing best practice
  - Participate in state's Gold Star Employer Program designed to enhance recruitment and retention of caregivers
  - Be deficiency-free on most recent health and fire inspections
- If >five facilities qualify, winners determined by cost efficiency

# Lessons

- Participation
- Financing
- Measurement
- Administration
- Development

# Participation

- Obtain stakeholder input, both initially and on an ongoing basis

- Establish workgroups and taskforces, include:
  - Nursing home industry representatives
  - Rate setting, survey/certification, other state staff
  - Consumer advocates, ombudsmen
  - Other interested parties

# Financing

- Consider using “new” dollars to fund P4P rather than reallocating existing dollars
- Consider devoting a portion of a planned rate increase toward P4P
- Consider funding P4P through provider taxes, which enables states to draw in additional federal dollars without concomitant increases in state expenditures

# Measurement

- Incorporating too many quality dimensions can dilute program effectiveness
- With experience, the number of dimensions can be expanded as the program matures
- Commonly incorporated dimensions include:
  - Staffing; Survey/Certification Performance
  - Clinical Quality Indicators; Person-Centered Care

# Administration

- Maintain simplicity early on to facilitate acceptance and help build support; greater complexity can be added over time
- Focus on minimizing administrative burdens and data collection requirements
- Permit providers to use existing data reporting systems where possible

# Development

- Phase-in P4P slowly over time
  - Measurement
  - Public reporting
  - Financial incentives

- Build in sufficient levels of flexibility to provide opportunities to adjust the program
  - The ability to take advantage of new knowledge is integral to improving program effectiveness

# Limitations

- Potential lack of generalizability to other states
- Potential bias inherent in the particular subjects selected/no sampling frame
- Sacrifice of breadth for depth

# Conclusion

- Recognize that there is no single P4P design that has been found to achieve the best outcomes
- Should begin by bringing key stakeholders together to determine underlying philosophy and principles
- Then canvass the possibilities in terms of quality domains and measures and other key decision points
- After implementation, monitor for unintended consequences and conduct annual assessments of program successes and potential areas for improvement