Hospital Value-Based Purchasing (VBP) Program

**Inpatient Value, Incentives, and Quality Reporting (VIQR)
Outreach and Education Support Contractor**

**Part 2: FY 2024 Hospital VBP Program's Percentage Payment
Summary Report Calculations
Question and Answer Summary Document**

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Subject-matter experts researched and answered the following questions after the live webinar. The questions may have been edited for grammar.

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Question 1: **Is there a specific reason why the exchange function slope is so much higher than fiscal year (FY) 2021, the last time the program was scored? It is 4.745 compared to 3.208.**

The Hospital Value-Based Purchasing (VBP) is funded through a reduction from participating hospitals' Diagnosis-Related Group (DRG) payments for the applicable fiscal year. The money that is withheld is redistributed to hospitals based on their Total Performance Scores (TPS), as required by statute, and the actual amount earned by hospitals will depend on the actual range and distribution of all eligible/participating hospitals' TPSs. Changes in hospitals' TPS values from year to year can impact the slope of the exchange function used. A hospital may earn back a value-based incentive payment percentage that is less than, equal to, or more than the applicable reduction for that program year.

The exchange function slope is used to translate a hospital's TPS into the value-based incentive payment percentage earned by that hospital. CMS used the linear exchange function to calculate the value-based incentive payment percentage. Each year CMS calculates the slope of the linear exchange function for the applicable program year. With this slope, the estimated total value-based incentive payments to all participating hospitals for fiscal year FY 2024 will equal 2.0 percent of the estimated total base operating MS-DRG payment amounts for all hospitals for FY 2024. The exchange function slope was calculated by using all eligible and included hospitals' TPS values, those hospitals' Estimated Total Annual Base Operating MS-DRG Payment Amount, and the 2.00 percent withhold for FY 2024. The below steps illustrate how CMS calculated the FY 2024 exchange function slope:

Step 1: Each eligible and included hospitals' TPS ÷ 100

Step 2: Each eligible and included hospitals' Estimated Total Annual Base Operating MS-DRG Payment Amount 2.00 percent

Step 3: Individual Results from Step 1 x Individual Results from Step 2

Step 4: Sum Results of Step 3 to form an aggregate value (denominator)

Step 5: Sum Results of Step 2 to form an aggregate value (numerator)

Step 6: Result from Step 5 (numerator) ÷ Result from Step 4 (denominator)

Question 2: **When does the payment reduction actually happen? Can you elaborate on the reporting period versus the payment year?**

Payment adjustments occur during FY 2024 which runs from October 1, 2023, through September 30, 2024. Baseline period means the time during which data are collected for the purpose of calculating hospital performance on measures to establish the achievement thresholds for each measure with respect to a fiscal year. Performance period means the time during which data are collected for the purpose of calculating hospital performance on measures with respect to a fiscal year. The baseline and performance periods can be found on QualityNet. Generally speaking, other than the measures in the Clinical Care domain, the baseline period is one year, and performance periods are one year and occur two years before the fiscal year.

Question 3: **Our TPS score for FY 2024 is much lower than the last calculated TPS score (FY 2021). However, we are close to the national TPS score, which we also noticed is much lower. Is there a reason for this lower national rate and change in calculation?**

There were no changes to the measure specifications or the scoring methodology between FY 2021 and FY 2024 so variation in the TPS values is due to changes in performance. The national TPS represents the mean of all eligible hospitals that were not subject to any exclusion reasons. As you note above, CMS did not calculate TPS values during FY 2022 or FY 2023 due to the ongoing impact of the COVID-19 Public Health Emergency. It is possible the impact of COVID-19 has impacted measure performance. CMS is continuing to analyze this impact.

Question 4: **Where does the performance period rate come from?**

The performance period rate is derived from the data collected during the specific time frame known as the performance period. This period is the duration when relevant data are gathered to assess a hospital's performance on various measures. The performance period rate reflects how well a hospital is performing on a particular measure during that specific timeframe. It serves as a basis for evaluating the hospital's performance and determining the allocation of achievement and improvement points, which are used in programs like the Hospital VBP Program to incentivize and reward hospitals for delivering high-quality care.

Question 5: **Can you verify what the actual exchange function slope is for FY 2024?**

The exchange function slope can be located on the initial page of the Percentage Payment Summary Report, and its value is 4.7452715513.

Question 6: **Is the maximum incentive payment adjustment 2.0 percent?**

The Hospital VBP Program is a budget neutral program funded through a reduction of 2.00 percent from hospitals' base operating MS-DRG payments. This creates the pool of money which is then redistributed to hospitals as either a bonus or penalty depending on their TPS. The exact amount a hospital earns varies. This variation is based on the overall range and distribution of TPS scores across all the participating hospitals for a given fiscal year.

Depending on how well they perform and where their TPSs stand, they can earn a value-based incentive payment percentage. This percentage can range from just covering the withheld amount for the fiscal year to actually receiving a positive increase in their base operating MS-DRG payments. In simpler terms, hospitals that excel might end up with more money, while those with lower scores might just recover the withheld funds or potentially see a reduction in their payments.

Question 7: **I have a hospital that was deemed ineligible due to submission issues. Can I calculate the slope? I have been asked to estimate the impact.**

If your hospital is excluded from the program, your report will state "Hospital VBP Ineligible" on the first page. Additionally, data for your hospital will not be publicly reported in the program's tables on the Provider Data Catalog (PDC) website. Excluded hospitals will not have their payments adjusted, will not be subject to the 2.00 percent withhold, and will not have the opportunity to receive incentive payments. Hospitals that are excluded for any of the exclusion reasons will not have their payments reduced by 2.00 percent and they will not have the opportunity to receive incentive payments. The exchange function slope is 4.7452715513.

A hospital has the option to independently compute its TPS using the data found in their PPSR. The TPS is calculated by adding up the scores from the weighted Clinical Outcomes domain, weighted Person and Community Engagement domain, weighted Safety domain, and weighted Efficiency and Cost Reduction domain.

To qualify for a TPS, CMS mandates scores from a minimum of three out of the four domains. If certain domains are excluded, their weights are proportionally distributed to the remaining domains using the Proportionate Weighting of Domains Formula. There are two tools available to aid in the TPS calculation, the *How to Read Your Fiscal Year 2024 Hospital Value-Based Purchasing (VBP) Program Percentage Payment Summary Report (PPSR)* document and the FY 2024 scoring quick reference guide. The latter guide outlines CMS's assessment criteria and point allocation based on performance standards. The step-by-step process condenses the scoring methods employed for determining the TPS within a hospital's PPSR.

Question 8: **Are the mortality measures risk adjusted?**

The *FY 2024 Hospital-Specific Report User Guide for the Hospital VBP Program Mortality and Complication Measures* document provides step-by-step instructions for replicating the mortality and survival results in your Hospital-Specific- Report (HSR) workbook for the Hospital VBP Program's 30-day mortality measures. The guide uses mock data, except for the national rate and risk factor coefficients, to help hospitals understand the calculation steps. Follow these steps with your hospital's data to verify the results in your HSR Excel workbook file. The document is on the CMS QualityNet website: https://qualitynet.cms.gov/inpatient/measures/hvbp-mortality-complication/resources

Question 9: **Where does it say on my summary report that my facility has a payment reduction?**

If your hospital is eligible for the FY 2024 program year, the payment reduction will appear as the Value-Based Incentive Payment Percentage on the first page of the report. The Value-Based Incentive Payment Percentage is the portion of the base operating MS-DRG amount a hospital earned back, based on its performance in the Hospital VBP Program.

If this number is greater than the base operating MS-DRG reduction amount of 2.0% the hospital earned back more than the base operating MS-DRG reduction amount. If this number is equal to the base operating MS-DRG reduction amount, the hospital earned back the entire base operating MS-DRG reduction amount. If this number is less than the base operating MS-DRG reduction amount, the hospital did not earn back the full base operating MS-DRG reduction amount. If your hospital is not eligible for the Hospital VBP Program, "Hospital VBP Ineligible" appears in the field.

If your hospital is not eligible for the program, the initial page will show the exclusion reason prominently in the center. Furthermore, both your hospital's TPS and payment adjustment fields will indicate "Hospital VBP Ineligible." Data for your hospital will not be publicly reported in the Hospital VBP Program tables on the PDC website. Excluded hospitals will not have their payments adjusted, are not subject to the 2.00 percent withhold, and do not have the opportunity to receive incentive payments. Hospitals that are excluded for any of the exclusion reasons will not have their payments reduced by 2.00 percent and they will not have the opportunity to receive incentive payments.