



Hospital Value-Based Purchasing (VBP) Program

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

Reviewing Your FY 2025 Hospital VBP Program Medicare Spending per Beneficiary Hospital-Specific Report Question and Answer Summary Document

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Question 1: Why are beneficiaries required to be continuously enrolled in Part A or B for the 90 days prior to the episode start date?

The 90 days prior to an episode is used to define a beneficiary's characteristics to predict expected spending during risk adjustment. Since the measure is based on Part A and Part B claims, enrollment during this period is required so that the beneficiary's risk factors can be appropriately observed through the claims data used.

Question 2: Can you explain what is meant by risk adjustment?

Risk adjustment predicts the expected costs of a Medicare Spending per Beneficiary (MSPB) episode by adjusting for factors outside of the hospital's reasonable influence that can impact spending, such as pre-existing health conditions or age. A linear regression is used to predict the coefficients for each indicator in the model. These coefficients represent the mean difference in episode spending when the health condition is present. For example, if we observe that patients with End-Stage Renal Disease (ESRD) are more expensive than non-ESRD patients, holding all other covariates constant, then the mean difference in episode spending observed in the population for ESRD patients will be added to the expected cost of an episode for ESRD patients. This adjustment prevents disadvantaging episodes that serve riskier patients.

Question 3: Do we want a higher or lower value for the MSPB Hospital measure?

An MSPB Hospital measure score of greater than 1 indicates that your hospital's MSPB Amount is more expensive than the U.S. national median MSPB Amount. An MSPB Hospital measure score of less than 1 indicates that your hospital's MSPB Amount is less expensive than the U.S. national median MSPB Amount. A lower MSPB Hospital measure score indicates improvement on the measure. The MSPB Hospital measure should be viewed in the context of other measures to evaluate the quality of care. The MSPB Hospital measure is not the only measure by which CMS evaluates hospitals.

Question 4: Has the MSPB Hospital measure calculation changed in previous years?

There have been no changes to the methodology and calculation for the MSPB Hospital measure that is currently adopted in the Hospital VBP Program.

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The measure was re-evaluated to adopt three changes to its methodology and calculation, but this re-evaluated version of the measure is currently only included in the Hospital IQR Program and set to be adopted in the Hospital VBP Program starting with fiscal year 2028 payment year and subsequent years.

Question 5: If a patient had an inpatient admission and returned in three days or less for another inpatient admission, would we combine these accounts?

The first inpatient admission triggers an MSPB episode that will measure costs from three days prior to the admission until 30 days after discharge. The costs of the second admission and related services that occur only within the episode window of the initial admission will be included in the episode. The second admission (readmission) would not initiate a new episode.

Question 6: Slide 24. If a patient is in observation for three days and then converts to an inpatient stay, what is considered the MSPB Hospital measure episode start date? Is it the day the patient placed in observation or the day the patient is placed as in inpatient?

The episode start date is three days prior to an inpatient hospital admission, and it is determined in relation to the admission start date.

Question 7: Are the three days in observation considered the three days prior to admission?

An MSPB episode will include all Medicare Parts A and B claims with start dates falling between three days prior to an inpatient hospital admission through 30 days post-hospital discharge. An episode includes the three days prior to a hospital admission to promote consistency, regardless of the principal diagnosis on the preadmission services and where these complementary services take place.

Question 8: Can you provide guidance for improving on the MSPB Hospital measure to include documentation/coding for risk adjustment?

HSRs are rich, transparent data sources that allow hospitals to explore the driving forces behind their measure. For example, from the HSR, a hospital can analyze the breakdown of its spending by service types and period of service. The Episode file allows the hospital to identify the most expensive providers. With this information, the hospital can

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determine the areas where the spending is most concentrated and coordinate with other healthcare providers to improve efficiency. For documentation or coding related to risk adjustment, please refer to the Measure Information Form and SAS pack found on [this QualityNet Methodology web page](#).

Question 9:

If a beneficiary is enrolled 90 days prior to admission but does not have any claims or visits within that time period, does that mean that there is no risk adjustment applied for that patient?

If no outpatient or inpatient claims occur within the 90 days prior to the episode start, no pre-existing or co-morbid conditions in that time period will be identified. The episode will, however, still include the Medicare Severity Diagnosis Related Groups of the admitting triggering inpatient stay, which includes some level of coding for severity of illness.