VALUE-BASED PURCHASING-CHANGES IN 2014
OPTIMIZING HEALTHCARE

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# Table of contents

1 **Healthcare Reform Risk Impacts**  
   Efficiencies, value and outcomes  
   12

2 **Value-Based Care**  
   Measuring efficiencies, value and outcomes  
   19

3 **Enterprise Risk Domains**  
   The risk, quality and finance connection  
   25
Goals and Objectives

• Describe the legal and risk management implications of the value-based care program
• To identify those practices that will most likely result in medical/professional liability claims and litigation
• Identify risk mitigation efforts and discuss value-base care’s integration in the enterprise risk management sector
• **Overall goals and objectives for ACO and value-based care:**
  – “Instead of payment that asks, How much did you do?, the Affordable Care Act clearly moves us toward payment that asks, How well did you do?, and more importantly, How well did the patient do?”

Source: Don Berwick, CMS
What is Value-Based Purchasing (VBP)?

- The VBP program design includes:
  - **Measuring Quality Performance** – Creating a Total Performance Score (TPS) for each participating hospital. The TPS is based on 20 performance measures for FY 2013. There will be 24 performance measures for FY 2014.
  - **Reimbursement based on Quality Outcomes** – The VBP program is funded by withholding 1% of the CMS reimbursement (diagnosis-related group (DRG) payments) from participating hospitals. Reimbursement is based on the performance scores.
What facilities do participate in VBP?

Eligible Hospitals

More than 3,000 hospitals across the country are eligible to participate in the CMS hospital VBP initiative

- The program applies to hospitals that receive reimbursement from CMS
- It includes hospitals located in the 50 states and the District of Columbia and acute-care hospitals in Maryland
- Hospitals must meet the minimum required VBP performance measures
  - The Patient Experience of Care domain requires at least 100 HCAPHS surveys in the performance period
  - The Clinical Process of Care domain requires hospitals to report on at least four measures during the performance period, with a minimum of 10 cases per measure
What facilities do not participate in VBP?

Ineligible Hospitals

- Hospitals and hospital units excluded from the Inpatient Prospective Payment System (IPPS), including psychiatric hospitals, rehab facilities, long-term care facilities, children’s hospitals, cancer centers, critical access hospitals, and hospitals in US territories

- Hospitals that have received an exemption from Secretary of the Department of Health and Human Services

- Hospitals subject to payment reductions under the Hospital Inpatient Quality Reporting (IQR) program

- Hospitals cited for deficiencies during the performance period that pose immediate jeopardy to the health or safety of patients
Overall Financial Impact
Withholding CMS Reimbursement

• The VBP initiative is funded by withholding reimbursement from participating hospitals’ Diagnosis Related Group (DRG) payments
  – 1.0 percent for Fiscal Year (FY) 2013
  – 1.25 percent for FY 2014
  – 1.5 percent for FY 2015
  – 1.75 percent for FY 2016
  – 2 percent for FY 2017

• CMS estimates that in FY 2013, 50% of participating hospitals will receive a net increase in payments and 50% will receive a net decrease in payments

• The one percent of DRG payments withheld from eligible hospitals is estimated at $850 million
12 Clinical process of care measures
1. AMI-7a Fibrinolytic Therapy received within 30 minutes of hospital arrival
2. AMI-8 primary PCI received with 90 minutes of hospital arrival
3. HF-1 discharge instructions
4. PN-3b blood cultures performed in the ED prior to initial antibiotic received in hospital
5. PN-6 initial antibiotic selection for CAP in immunocompetent patient
6. SCIP-Inf-1 prophylactic antibiotic received within one hour prior to surgical incision
7. SCIP-Inf-2 prophylactic antibiotic selection for surgical patients
8. SCIP-Inf-3 prophylactic antibiotics discontinued within 24 hours after surgery
9. SCIP-Inf-4 cardiac surgery patients with controlled 6AM postoperative serum glucose
10. SCIP-Card-2 surgery patients on a beta blocker prior to arrival that received a beta blocker during the perioperative period
11. SCIP-VTE-1 surgery patients with recommended venous thromboembolism prophylaxis ordered
12. SCIP-VTE-2 surgery patients who received appropriate venous thromboembolism prophylaxis within 24 hours

8 Patient experience of care dimensions
1. Nurse communication
2. Doctor communication
3. Hospital staff responsiveness
4. Pain management
5. Medicine communication
6. Hospital cleanliness and quietness
7. Discharge information
8. Overall hospital rating

Source: CMS official VBP web site
# Healthcheck – 2014 and beyond

## FY 2014 measures

### 13 Clinical process of care measures

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7. SCIP-Inf-2 prophylactic antibiotic selection for surgical patients
8. SCIP-Inf-3 prophylactic antibiotics discontinued within 24 hours after surgery
9. SCIP-Inf-4 cardiac surgery patients with controlled 6AM postoperative serum glucose
10. SCIP-Inf-9 postoperative urinary catheter removal on postoperative day 1 or 2
11. SCIP-Card-2 surgery patients on a beta blocker prior to arrival that received a beta blocker during the perioperative period
12. SCIP-VTE-1 surgery patients with recommended venous thromboembolism prophylaxis ordered
13. SCIP-VTE-2 surgery patients who received appropriate venous thromboembolism prophylaxis within 24 hours

### 3 Mortality measures

1. MORT-30-AMI Acute Myocardial Infarction (AMI) 30-day mortality rate
2. MORT-30-HF Heart Failure (HF) 30-day mortality rate
3. MORT-30-PN Pneumonia (PN) 30-day mortality rate

### 8 Patient experience of care dimensions

1. Nurse communication
2. Doctor communication
3. Hospital staff responsiveness
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6. Hospital cleanliness and quietness
7. Discharge information
8. Overall hospital rating

- Represents a new measure for the FY 2014 program not in the FY 2013 program

Source: CMS official VBP web site
Value Based Purchasing – Connecting Care
Emergency Department —Clinical, Operational and Regulatory Risks

Customer service – Door to Departure

<table>
<thead>
<tr>
<th>ED Intake</th>
<th>ED throughput</th>
<th>ED output</th>
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| • Quick registration  
  • Triage  
    – Bypass  
    – Protocols  
    – Med reconciliation  
    – Trauma  
    – BH crisis  
• Medical screening  
• Door to drug (stroke)  
• Waiting room  
    – Visualization of patients  
    – Time sensitive workflow  
    – Door to departure | • Medical Screening Exam (MSE)  
• Testing – radiology/laboratory  
• Care management and social worker needs  
• Direct admits  
• Boarded patients/behavioral health  
• Telemedicine/telestroke | • Barriers to admission  
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• Transfer delays  
• Hospitalists availability  
• Specialty consultants  
• Follow up of test results  
• Follow up MD visit  
• Follow up procedures  
• Long-term boarders  
• Diversions/capacity |
Additional Financial Risks
Readmission Management and Reduction

Readmissions reduction and management

The last readmission group is considered as preventable – or avoidable – readmission. There is a great potential to reduce the number of this type of readmission by identifying causes and developing preventable strategies in hospitals and community settings.

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Source: CMS official VBP web site.
For an organization to be considered as an ACO, its structure must facilitate the following capabilities:
- Formal legal structure for receipt and distribution of bonus payments
- Management and leadership structure for decision making
- Include PCPs and a core group of specialists

As providers develop ACOs, they will need to consider a number of other laws and regulations, including:
- Stark Law and Anti-Kickback Statute
- Civil Monetary Penalties Law
- Corporate Practice of Medicine Doctrine
- HIPAA
- Antitrust regulations
- State insurance regulations
- Tax exemption laws

Sources: Brookings-Dartmouth May 2009 Issue Brief on Accountable Care Organizations; Patient Protection and Affordable Care Act
Current Delivery System
Highly fragmented and uncoordinated care delivery experience

Most of US healthcare today

<table>
<thead>
<tr>
<th>Role</th>
<th>Risk concerns of uncoordinated care</th>
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<tbody>
<tr>
<td>Primary Care Physician</td>
<td>Limited care coordination</td>
</tr>
<tr>
<td>Gastroenterologist</td>
<td>No care quarterback</td>
</tr>
<tr>
<td>Cardiologist</td>
<td>Overlapping and redundant services</td>
</tr>
<tr>
<td>Ophthalmologist</td>
<td>Too many medications</td>
</tr>
<tr>
<td>Urologist</td>
<td>Confusing and unpleasant consumer experience (Not patient centric)</td>
</tr>
<tr>
<td>Nephrologist</td>
<td></td>
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<tr>
<td>Oncologist</td>
<td></td>
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<td>Dermatologist</td>
<td></td>
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<td>Gerontologist</td>
<td></td>
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Uncoordinated fragmented care leads to higher cost with sub-optimal outcomes
Healthcare Reform Impact Drivers

• Increased access to care
• Care Coordination
• Clinical Integration of care across the continuum
• Reduce overall healthcare costs
• Reduce healthcare dollars, reduce waste and improve service line efficiencies
• Deployment of health information exchange and improve access to health information technology
• Identify and eliminate fraud and abuse
• Collateral Healthcare Reform Impacts
  – Physician acquisition and clinical integration
  – New payment methodologies to spur care coordination
  – Increased healthcare mergers and acquisitions
  – Increased fraud and abuse enforcement
  – Closer review and scrutiny of non-profits
  – Healthcare reimbursement overhaul/shared savings
  – Increased regulatory, state and federal regulations
In response to the aggressive goals of Healthcare Reform, the market has begun to migrate from traditional fee-for-service models to new fee-for-value arrangements.

### Market drivers

**Volume driven business model**
- Patients
- Visits
- Ancillaries
- Fixed costs
- Variable costs
- Profit

**Fee-for-service**
- PMPM
- Per diems, case rates
- Bundled payment
- Gain/ risk share
- Risk adjusted cap.
- Global risk

**Health value driven business model**
- Patients
- Episodes
- Treatments
- Resource per case
- Case outcomes
- Patient satisfaction
- Profit per case
- Case mix

### Key implications

- Our business models will change
  - Delivery system will get paid on value and not volume
  - Value is delivering high quality outcomes and patient experience while managing total cost of care
- Significant upside opportunity but high fixed costs can be inhibitive to innovation
- Innovation requires significant transformation of care delivery and reimbursement, including:
  - 24/7 Access to care when needed
  - Clinical transformation of the delivery system
  - Aligned reimbursement among all providers
  - Information Technology/Telehealth
  - Patient engagement and empowerment
Reshaping the Healthcare System

- P4P measures target focused quality and process improvement outcomes (Highest healthcare dollar consumption)
- Bundled care realigns surgical and procedural care
- Condition-based reimbursement moves delivery systems to population management
- Shared savings makes the delivery system responsible for budgets
- Global compensation transforms total care (Value-Based Care)

Source: Oliver Wyman
# New Transitional Care Integration Models

## New Risks

<table>
<thead>
<tr>
<th>Definition</th>
<th>Transactional efficiency (FFS)</th>
<th>Episodic care models (Payment model driven)</th>
<th>Condition based care models (Care model driven)</th>
<th>Population based care models (Integrated whole person)</th>
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### Transactional efficiency (FFS)

Simple service based models that can continue to deliver highly efficient care in a FFS environment

### Episodic care models (Payment model driven)

Complex service based models that can deliver efficient care through high levels of specialization and low operational variability

### Condition based care models (Care model driven)

Specialized care delivery model that is organized along specific condition and/or disease etiologies

### Population based care models (Integrated whole person)

High value-based delivery model that manages the clinical risk of targeted or whole patient populations

### Example model types

- Stand-alone ERs
- Urgent care facilities
- Dermatologists
- Ophthalmologists
- Dentists
- Walk-in-clinics
- Orthopedics (Hips and knees)
- CV surgery
- General/specialty surgery
- Cardiology
- Cancer
- Diabetes
- Pulmonary
- Kidney
- Partial Pop. Managers
- Frail elder
- High risk
- Poly-chronic
- Full Pop Managers
- ACOs
- Globally capitated models

Source: Oliver Wyman
Section 2

Value-Based Care
Measuring Efficiencies, Value and Outcomes
What is the Financial Impact?  
Withholding CMS Reimbursement

- The VBP initiative is funded by withholding reimbursement from participating hospitals’ Diagnosis Related Group (DRG) payments
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- CMS estimates that in FY 2013, 50% of participating hospitals will receive a net increase in payments and 50% will receive a net decrease in payments

- The one percent of DRG payments withheld from eligible hospitals is estimated at $850 MM
Sample Global Measures in each Care Setting

- **Hospital**
  - CPOE utilization rate
  - Hospital utilization rate
  - Mortality rates

- **Post-acute**
  - Transitions of care: Medication reconciliation
  - Risk of readmission

- **Ambulatory**
  - Chronic diseases
  - Prevention and wellness
  - Patient access
  - Patient satisfaction

Source: ARHQ
Sample Clinical Performance Initiatives

Year 1
• Diabetic care outcomes
• Asthma care outcomes
• 30-day readmission rate
• Hospitalist effectiveness
• Coronary artery disease
• Congestive heart failure outcomes
• Depression screening
• Smoking cessation
• Flu vaccinations
• Community-acquired pneumonia
• Child immunizations
• Patient satisfaction
• Generic prescribing

Year 2
• COPE
• Hospitalist effectiveness
• Cardiac surgery outcomes
• Orthopedic surgery outcomes
• Obstetrics: Post partum care
• Obstetrics: Post partum depression
• Ophthalmology: Diabetic retinopathy
• Peer satisfaction
• System-wide cost index
• Specialty care referral rate

Year 3
• Cancer care outcomes
• MRI utilization rates
• Surgical care improvement: Inpatient
• Surgical care improvement: Outpatient

Note: Clinical initiatives established in year 1 would be expanded in year 2 and 3
Source: AHRQ and CMS.gov
## Value-Based Purchasing

**ED Throughput and Turn-around-Time (TAT) Risks**

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### Customer service – door to departure

- **Arrival, registration and triage**
- **Waiting**
- **Test and treat**
- **Observation, reassessment of admission or discharge**

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### ED Intake

- Quick registration
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### ED throughput

- Medical Screening Exam (MSE)
- Testing – Radiology/laboratory
- Care management and social worker needs
- Direct admits
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- Telemedicine/Telestroke

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### ED output

- Barriers to admission
- Discharge barriers
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- Hospitalists availability
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- Follow up of test results
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- Follow up procedures
- Long-term boarders
- Diversions/capacity

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Additional Financial Risks
Readmission Reduction and Management

Readmissions Reduction and Management

The readmission group considered as preventable – or avoidable – readmission is the primary focus with regards to opportunity to prevent and improve future admissions. There is a great potential to reduce the number of this type of readmissions by identifying causes and developing preventable strategies in hospitals and community settings.

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Section 3  Enterprise Risk Domains
The risk, quality and finance connection
## Healthcare Reform – Transitioning from FFS to FFV

### Table: Organizational Structure

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<th>Fee-for-value</th>
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<td></td>
<td>Focus on operating expenses (labor rates, supply chain, vendor contracting, etc.)</td>
<td>Focus on overall cost of care (duplicative efforts, shifting service to lower cost sites, etc.)</td>
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<tr>
<td>Quality</td>
<td>Measured through adherence to process</td>
<td>Measured through clinical outcomes</td>
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<tr>
<td>Risk management</td>
<td>Managed at the unit of service level – cost for a service must be lower than reimbursement</td>
<td>Managed at the population level – cost to treat population must be lower than reimbursement</td>
</tr>
<tr>
<td>Care management</td>
<td>Managed when and where care is delivered (complex care, admissions, etc.)</td>
<td>Managed across the entire service delivery system (chronic care, episodes, etc.)</td>
</tr>
<tr>
<td>Health enablement</td>
<td>Point-of-care controls needed (EMR, order entry systems, etc.)</td>
<td>Care synchronizing tools needed (data analytics, health information exchange, etc.)</td>
</tr>
<tr>
<td>Physician alignment</td>
<td>Integrated to provide referrals and volume</td>
<td>Integrated to provide coordinated delivery of care</td>
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<td>Reimbursement/compensation</td>
<td>Productivity-based compensation</td>
<td>Quality and outcomes based compensation</td>
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### Source: Oliver Wyman

Many players may not be able to make the jump to FFV and will be forced out of business.
ACO and Care Coordination
Legal and Risk Domains

Hospital leadership and physician cultural shift
Shared accountability
Technology investment
Value-based purchasing (Fee for value – p4p)
Ongoing monitoring

Care transformation
Care coordination
Care navigation
Care integration
Population management

Quality outcomes
Readmissions
Mortality
HAC
HAI
Efficiencies
Regulatory compliance

Payer models
ACO
PCMH
Bundled payment
Care episode
Global capitation
Value-based care
Legal and Risk Domains

Patient Care and Medical Treatment

- Value-based purchasing initiatives
- Patient safety and risk prevention focus
- Hospital acquired conditions/infection control
- Readmissions
- ER and OR throughput/efficiencies
- Care transformation/integration (Inpatient)
- Ambulatory centers and physician offices
  - Ambulatory clinical integration
- LTC, HH, medical homes, ALF, SNF
  - Post acute clinical integration

Operations Management

- Key departments (ER, trauma, surgery, orthopedic, outpatient) value stream mapping
- Medical staff credentialing (All Providers)
- Throughput and efficiency
- Staff, patient and environmental safety
- Leadership training and support
- Disaster planning/storm/catastrophe continuity
- Human resources management (Staffing)
- Overall governance and leadership team

Process and technology

- Health information management
- Clinical documentation
- Policy and procedures
- Transparency (Public website)
- Physician compare
- Hospital compare
- Regulatory reform and compliance
- HIPAA/privacy and security (IT)
- Cyber risks
- IT security and privacy risk assessment

Finance and compliance

- Revenue cycle and denial management
- Audit function/RACS/ZPICS
- Licensing
- Federal and state requirements
- Compliance/fraud/abuse
- Government relations and requirements
- VBP/fee-for-value/value-based care
- Readmissions/HACs
- Sentinel events – cost $$
- Meaningful use attestation
Enterprise Risk Management
Reducing Risks with Collaboration and Transformation

A successful risk program creates the structure and foundation for a comprehensive approach to evaluate all the risk issues across an organization.

ERM consulting projects include:
1. Strategic
2. Operational
3. Financial
4. Regulatory and accreditation
5. Human capital
6. Technology
### Value-Based Purchasing

#### Enterprise Risk Management Summary

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<th>Risk Category</th>
<th>Description</th>
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<td>Consolidation of business operations, bundling of services, ACOs, acquisitions, etc.</td>
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<td><strong>Strategic risk</strong></td>
<td>Changes in managed care contracts and new business partners. Publically available data</td>
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<tr>
<td><strong>Financial risk</strong></td>
<td>Changes in coding, reimbursement, value-based purchasing, “never events”/potential preventable conditions, “present on admission”, hospital acquired infections, readmissions, etc.</td>
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<td><strong>Regulatory risk</strong></td>
<td>OIG plan, New CMS CoPs, HIPAA, Increase in regulatory citations, violations and penalties</td>
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<td><strong>Technology risk</strong></td>
<td>Electronic medical records, telemedicine, social media, increase in new technology</td>
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<tr>
<td><strong>Human capital risk</strong></td>
<td>Employing physicians and other allied health practitioners, changes in benefits, staffing changes, etc.</td>
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It is crucial for risk managers to understand healthcare reform and create the appropriate changes in their programs and insurance structure.
Other Risk Exposures

• **When care delivery is not optimal ...**
  – Patient complaints
  – Patient safety risks
  – Clinical documentation risks
  – Professional liability claims

• **Reputational risks**
  – Transparency of information for physician and healthcare providers

• **Plaintiff’s malpractice risks**
  – Using quality data to attempt to establish standard of care, trends, and patterns
  – Utilizing public information to target patients in advertisements for representation

• **Underwriters/carriers**
  – Using data to calculate risk exposures and impact premiums
Value-Based Purchasing
Risk Reduction Strategies

• Build a strong “safety net” among all hospital stakeholders
  – Communication
  – Technology and Real-time Data Analysis
  – Team approach-quality, risk and care management (The Glue)

• Engage physicians in the improvement process (Inform the physicians)

• Provide financial impact reports to all appropriate committees
  – VBP scorecards/action plans

• Governance, medical staff, c-suite and managers education and communication
  – Accountability and commitment

• Transparency and communication

• Technology (Single platform for EMR)

• Real time data analytics and workstream mapping

• Care coordination using transitional care innovations and redesign
VBP
Care Coordination and Integration Benefits

• Reduction in:
  – Financial risks producing improved operational viability
  – Operational and reputational risks
  – Medical malpractice/litigation claims
  – Premiums for underwriter/carrier issues
  – Regulatory and accreditation issues
  – Adverse events/mandatory reportable events

• Improvement in:
  – Public consumer opinions
  – Employees, physicians, residents and patient satisfaction scores

• Positive impact on:
  – Managed Care contracting, hospital rating and business partner relationships
VBP Financial Risk Summary
Staying Strong in the Midst of Reform

The Perfect Storm
9%–11% at risk

Hospital Outpatient Quality Reporting
2% of OPPS

Readmissions
1% 2013
2% 2014
3% 2015

Meaningful Use and PQRS
1%

Hospital Inpatient Quality Reporting
2% of IPPS

Hospital Acquired Infections
1%

VBP
1% 2013
1.25% 2014
1.5% 2015
1.75% 2016
2% 2017
Reduce Risks and Claims

Skilled project leaders who can think “outside the box”

Talented and Accountable Staff

Willingness to cross boundaries posed by information silos

Transparency, Sharing and Knowledge Transfer throughout the Organization

Efficiencies while adhering to Protocols and Established best Practices

Effective process to identify and manage risks
Questions
VBP Resources


• For detailed information on the Hospital VBP program, refer to: [http://www.cms.gov/Hospital-Value-Based-Purchasing](http://www.cms.gov/Hospital-Value-Based-Purchasing).

Value-Based Care and Physician Practice Reporting Resources

**VBP**


**Data.gov**

- [https://data.medicare.gov/Hospital-Compare/Hospital-General-Information/v287-28n3](https://data.medicare.gov/Hospital-Compare/Hospital-General-Information/v287-28n3)

**VBP federal register December 2013**


**HCAHPS**

- [http://www.hcahpsonline.org/Facts.aspx](http://www.hcahpsonline.org/Facts.aspx)

**HCAHPS fact sheet**

- [http://www.hcahpsonline.org/files/August%202013%20HCAHPS%20Fact%20Sheet2.pdf](http://www.hcahpsonline.org/files/August%202013%20HCAHPS%20Fact%20Sheet2.pdf)

**PQRS**


**New PQRS measurement option qualified clinical data registry reporting**

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