April 19, 2007

Leslie Norwalk, Esq.
Acting Administrator
Centers for Medicare & Medicaid Services
Hubert H. Humphrey Building
200 Independence Avenue, S.W., Room 445-G
Washington, DC 20201

RE: Options Paper on Medicare Hospital Value-Based Purchasing

Dear Ms. Norwalk:

The Rural Wisconsin Health Cooperative, comprised of 31 rural Wisconsin hospitals, appreciates the opportunity to comment on the Centers for Medicare & Medicaid Services Options Paper on Medicare Hospital Value-Based Purchasing (VBP). We look forward to working with you to improve access and the quality of health care for rural Americans while recognizing the unique issues confronted by rural providers in participating in a VBP program.

We are pleased that the Options Paper reflects revisions to the earlier Issues Paper on this topic based on comments from various stakeholders. We look forward to continued responsiveness to comments provided regarding the Options Paper.

As the VBP program moves forward, we encourage you to keep in mind that many other purchasers of health care services are also evaluating pay for performance programs, and that these other purchasers will be paying close attention to how the VBP program is implemented. Our members are very concerned that they may be faced with a multitude of pay for performance measures and other requirements that will require resources beyond their capabilities to participate, and they will be penalized both in lost incentive dollars, and by not being perceived to be participating in various public disclosure initiatives. We believe that it is very important that the VBP program be developed so that Medicare Advantage plans, and other commercial plans, will be able to utilize it, thereby allowing our members to focus on one program that will satisfy many different groups.

The following comments related to Options Paper sections:

VBP Plan Goals, Assumptions, and Design Considerations

This section provides a list of assumptions to be used in the design of the VPB program. Among them is one that the VBP program would not include additional funding beyond the Annual Payment Updates. Since the VBP program will derive the dollars to fund incentives from funds that would otherwise be available for the inpatient prospective payment system (IPPS), we believe that all hospitals that participate in IPPS reimbursement should be eligible to receive VBP incentive dollars, and that any IPPS hospitals that might be ineligible for VBP incentives should not have their payments reduced to fund a program where they are precluded from participation.

We are pleased that under the "Measures" portion of this section that the program will create a single VBP program in which rural and small hospitals can participate and will measure services that small and rural hospitals provide. We believe that the VBP program can be developed in such a way as to address small numbers. In March of this year, the Federal Agency for Health Research and Quality was the primary sponsor of a Conference on Small Numbers. The purpose of the conference was to address the critical issue of accurately assessing the health status of populations through the measurement of indicators of quality of care and patient safety in small community hospitals and rural facilities that experience small numbers issues. Various presenters at the conference indicated that it is possible to develop measures that are not constrained by the limits of statistics—when the numbers are too small to show the level of quality of care being provided, peer review mechanisms can and should be implemented to provide assurances that the care is excellent or where it can be improved. We believe that the VBP program should continue to address the challenges of small numbers, and not simply dismiss those affected providers as if they are irrelevant.

We also believe that the VBP program should allow for the sharing of best practices. Hospitals that wish to improve their scores should be able to learn for their counterparts that are performing well within the system.

We did not notice any discussion related to patients that may be transferred from one hospital to another. Transferring hospitals should be evaluated on the services that they provided, and thus should be measured and provided with an appropriate VPB incentive for that portion of care that they did provide.

Translation of VBP Performance Score into Incentive Payment

In this section of the Options Paper, there is discussion of both linear and non-linear approaches to translating performance scores into incentive payments. We believe that the non-linear approach would be preferable because it recognizes the higher initial costs associated with participating in a significant quality improvement program.

Options Regarding Structuring Incentive Payments

In this section of the Options Paper, there is some discussion of how incentive payments would be made, but we believe that there needs to be more specific information provided. The process

by which hospitals would actually receive incentive payments is not clear in this section. While we understand that it is the intention to make incentive payments as an add-on to individual IPPS claims payments, it is not clear that this is the case. There are a variety of ways that incentive payments might be made, including incorporation into IPPS claims payments, and we believe that there should be an explicit description of what is intended. In this same section, there is discussion of the basis for incentive payments including options of using base DRG payment amounts only or all components of DRG payments. We believe that the basis for incentive payments should be the base DRG payment, as this is the area where IPPS recognizes the types of costs that will be incurred in participating in and making improvements in response to the VBP program. Also in this section, there are options related to distribution of any VBP incentive payment funds that might remain at the end of a given year. From the options listed, we believe that these funds should be distributed to all hospitals based on their VBP performance scores.

VBP Measures

This section includes a list of proposed criteria to be used to evaluate VBP measures. We believe that the list should be explicit in considering the cost, simplicity and resources needed by hospitals to obtain and report data. In addition, measures should be developed that will provide consistency over time so that hospitals may plan for investments in systems changes that will be in use over a period of time. The list of criteria also fails to include that they will measure services that small and rural hospitals provide, which was included in the list of key points from comments on the earlier December Issues Paper.

There is also an alternative approach listed in this section that includes providing a small number waiver. As mentioned above, any hospital that is precluded from participation in the VBP program should not be expected to participate in funding the pool for incentive payments.

Transitioning from RHQDAPU to VBP

There is discussion of two options regarding the transition from the current RHQDAPU system to VBP. Of the two options, we believe that Option 1 is the more appropriate because it provides time for hospitals to assess their situation and make appropriate changes. We also believe that it is particularly important during the transition process that hospitals not be penalized for small numbers.

Public Reporting

We agree with CMS that public reporting is an important tool for motivating hospitals to improve quality of care and for helping Medicare beneficiaries to choose a quality provider. We also believe that the information should be made available in a user friendly fashion and that avoids negative implications for hospitals reporting small numbers. This is a particularly sensitive area since consumers typically view missing data as a negative, regardless of the reason.

We also believe that Critical Access Hospitals (CAH) should be able to participate in public reporting. Even though the VBP program developed for hospitals participating in the IPPS system, the public reporting aspect of the program is important to all hospitals. CAHs have shown their

desire to be included in public reporting through the current Hospital Compare program, and they should also be allowed to participate in VBP public reporting.

Thank you for the opportunity to provide our input to the Options Paper. If you have any questions regarding our comments, please feel free to contact me.

Sincerely,

Tim Size
Executive Director