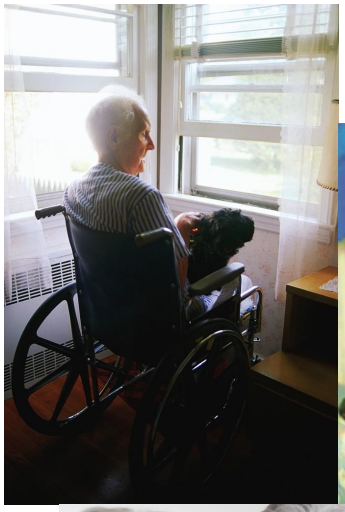
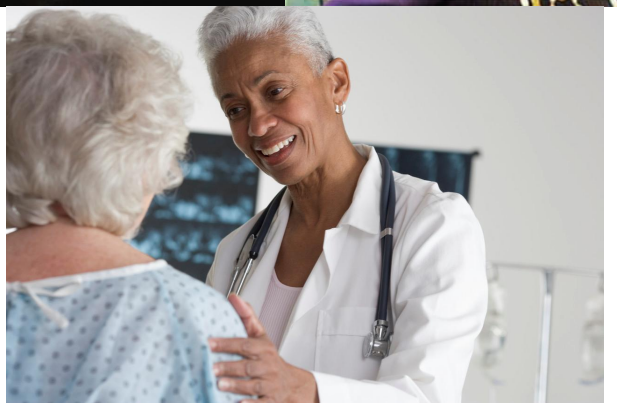
LTCCC LONG TERM CARE COMMUNITY COALITION
Working to improve long term care through research, education & advocacy

An Assessment of Pay for Performance for Nursing Homes With Recommendations for Policy Makers





A special report of the Long Term Care Community Coalition

by

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SUMMARY

"Pay for performance" is a growing movement in healthcare that seeks to motivate providers to give better care through financial incentives or rewards for better performance. It is a largely unproven concept, particularly in regard to nursing home care; experience to date is very limited and, while there is a growing body of information, there are limited data on the actual costs and benefits of pay for performance (P4P) programs. Meanwhile, it is gaining traction in a number of states, including New York. While it is currently a small initiative, many experts believe that it could become a more important component in our system of paying for nursing home care.

As an organization dedicated to protecting consumers and improving long term care, we are most concerned that consumers benefit from any P4P initiative and, certainly, are not harmed. Just as the fundamental purpose of the system as a whole is to provide good care, we believe it is critical to remember that the purpose of a P4P initiative is to improve performance of care for consumers, not providers' financial performance. We are also concerned about the costs: pressure to contain or reduce Medicaid costs have already put long term care consumers at greater risk, making every dollar that we put into long term care all the more important. P4P must, therefore, deliver "a bang for the buck."

This report begins with a background on P4P: what it is and how it works. We then present our major concerns about P4P, both in general (page 4) and the concerns we have specifically for how New York's program has been implemented (page 5). This is followed by a brief review of P4P initiatives from around the country (page 6), to provide some ideas of what states (and the federal government) have done and how these experiences might inform P4P planning in the future. We then present recommendations (page 8) for policymakers and stakeholders to ensure that a P4P program provides a public benefit and is not merely a way to provide additional revenue to providers without appropriate accountability. Finally, selected resources for more information are provided (page 9) which we believe will be useful for those interested in accessing more in depth data on programs and how they have been assessed, etc….

BACKGROUND

Many different approaches have been employed to try to ensure good care in nursing homes. The two most basic tools are the reimbursement system and the surveillance and enforcement system. The reimbursement system provides for payment to providers to give residential care and quality of life in accordance with established standards (i.e., the federal Nursing Home Reform Law (OBRA '87) and any state laws, which may provide enhanced standards). The purpose of the surveillance and enforcement system is to ensure that providers are meeting

these standards and, if they are not, to penalize them through fines and other penalties, generally until their deficiencies are corrected.

Unfortunately, for numerous reasons, these systems have not been able to adequately address the seemingly intractable problems in resident care and quality of life. Simply put, too many residents suffer everyday. From the indignity (and illegality) of being forced to use a diaper because there is insufficient staff to help them go to the bathroom, to the danger posed by pressure sores that could have been prevented with adequate care, to the despair of being neglected and isolated, poor resident care and quality of life continue to be commonplace.

Providers often claim that they are not paid enough money to do a better job. Government agencies often lack the resources or ability to ensure that every resident is provided with adequate care and a good quality of life. They, along with consumers and family members and workers, are constantly looking for ways to address quality of care and quality of life problems. Nevertheless, substantive and lasting improvements have continued to be elusive.

WHAT IS PAY FOR PERFORMANCE?

"Pay for Performance" (P4P), also referred to as "Value Based Purchasing," is a growing movement that seeks to encourage health care providers to provide better care by rewarding them for providing good care and/or for improving the care they have been giving. P4P programs can take a number of approaches, from a simple "carrot stick" – giving providers bonuses for improving their resident outcomes or for simply being "good" performers on specific indicia – to making more substantive changes to the reimbursement system so that higher performing providers are rewarded with more money and poorly performing providers are penalized by receiving less money.

It is important to note at the outset that P4P is a relatively new trend in long term care. It has been employed a bit more extensively (though not widely) in other health care settings such as in hospitals and by private insurance companies.

DOES P4P WORK?

Little is known about whether or not P4P programs actually result in improvements for consumers (the benefit to facilities receiving extra money is, of course, quite tangible); the federal Centers for Medicare and Medicaid Services (CMS) itself has referred to the concept as an experiment. A study on physician P4P published in the prestigious *Journal of the American Medical Association* (October 12, 2005 issue), "Early Experience With Pay-for-Performance: From Concept to Practice," concluded that "Paying clinicians to reach a common,

fixed performance target may produce little gain in quality for the money spent and will largely reward those with higher performance at baseline."

GENERAL CONCERNS ABOUT P4P

It is important to note at the onset that many consumers are against rewarding providers with more money to achieve goals for which they are already being reimbursed. However, those concerns have largely not been heard. Given that P4P is a growing initiative we believe there are a number of concerns that must be addressed in order to insure that any nursing home program provides a true public benefit by improving resident care and quality of life. Our principal concerns are:

- *P4P might actually cause harm.*

P4P programs typically work by identifying a specific objective (or limited objectives) – such as a reduction in pressure ulcer or in resident fall rates. As a result, P4P can actually cause harm giving providers and incentive to focus on particular activities at the expense of others that are not measured in the P4P program.

- *Improvements asserted under P4P are of questionable veracity.*

According to an analysis of the Center for Medicare Advocacy (a national non-profit organization which provides education, advocacy, and legal assistance to Medicare consumers), it is typical that providers self-report their data in P4P programs. The lack of independent verification renders individual facility reports suspect and, thus, the results of any such P4P program of questionable validity.

- *P4P undermines culture change and resident-centered care.*

There is a danger that P4P programs will result in providers moving away from individualized resident care and culture change because it encourages providers to focus on achieving population-based benchmarks rather than meeting the specific needs of the individuals for whom they are caring.

- *P4P could reduce access to nursing home care for those with greater needs and vulnerabilities.*

P4P might encourage nursing homes to refuse to admit residents that will lower their chances of achieving the benchmarks necessary to be awarded P4P funds.

- *P4P can heighten danger for residents at poor facilities.*

If a program is designed so that "good" performers receive more money and "bad" performers receive less, the bad performer's ability to provide safe care and dignity are undermined.

SPECIFIC CONCERNS ABOUT P4P FOR NEW YORK

In addition to the aforementioned general concerns, LTCCC has specific concerns about how P4P is being instituted in NY State.

- *Lack of public and consumer input in state's P4P program.*

The state's P4P advisory workgroup, charged with determining critical aspects of the P4P program such as goals and structure of awards, has super-majority provider representation. LTCCC was glad that additional consumer representatives were added last year by the state, however we encourage equitable consumer-provider representation in the future to ensure overall public accountability and that specific program goals are responsive to consumer needs.

- *The program (to date) is narrowly focused.*

The first round of P4P in NY State focused on pressure ulcers. While pressure ulcers are a very serious issue for nursing home residents, they must be addressed by a cohesive plan which addresses multiple issues that contribute to pressure ulcer occurrence, encourages the development and execution of improved long term practices and ensures that other aspects of resident care are not sacrificed.

- *The program has not been implemented consistently or with public knowledge.*

Rather than having facilities involved in a regular, ongoing program of improvement with well-known goals, the program appears to be implemented on an ad hoc basis without publicity. As a result, priorities and scope of funding could change from year to year, making it difficult to build on programmatic successes or encourage ongoing efforts to improve. Similarly, the lack of public knowledge means that consumers and people in the community have virtually no opportunities to hold facilities accountable for their performance (for which they are being rewarded with public monies).

- *Results of program are not formally assessed.*

Without a commitment of personnel and other resources to assess the program on both an annual and long term basis, there is serious danger that the program will devolve into nothing more than a giveaway to providers. Without oversight and assessment, how can we know whether a P4P program is improving care and quality of life and whether it is an efficient use of tax-payer dollars (particularly as related to other incentives and funding mechanisms)?

P4P IN LONG TERM CARE SETTINGS: SELECTED EXPERIENCES TO DATE

Early P4Ps

Over the years, a few states have tried to improve the quality of care in nursing homes through alternative methods. The earlier pay-for-performance programs were in Illinois, Colorado and Texas. Though there were indications of moderate success, the relationship between incentives and overall quality of care was not established and the validity of the individual measurements reported is uncertain. For instance, in the Illinois program, nursing homes were given a separate bonus payment per Medicaid day for achievement on six measures: (1) structure and environment; (2) resident participation and choice; (3) community and family participation; (4) resident satisfaction; (5) care plans; and (6) specialized intensive services. The state listed having a fish tank as an example of something eligible for extra points. Many nursing homes bought or rented a fish tank. As a result, lots of fish died while little or nothing was accomplished (at least with this activity) to improve care.

The program ended a few years after OBRA 87 because many of the things that qualified nursing homes for bonuses became requirements of law. An assessment of the program found that success in achieving bonus payments in multiple standards increased over time, with 27% qualifying for 5 or 6 components by 1988. But the validity of the individual measures and the relationship between achievement of program standards and resident quality was not well established. For instance, the resident satisfaction standard proved insensitive, with 92% of participating facilities qualifying on this standard. The program was also criticized for resulting in too much "paper compliance" and not enough actual change in the residents' quality of care or life.

More Recent State Experiences

More recently, Iowa, Minnesota, and Kansas have tried to advance from these earlier approaches and ensure a clearer relationship between resident quality of care and financial incentives. Although these programs are still in the midst of evaluation, there are indications of meaningful results. For example, Iowa has demonstrated a rise in the number of deficiency-free surveys, from 57 in 2002-3 to 75 in 2004-5. In addition, Iowa's Department of Human Services asserts that the P4P measures utilized are objective, measurable, and correlate to resident's quality of life and care (indicating that policymakers, at least, are paying attention to these issues). If it is found that these measures do in fact live up to this assertion they might be a good model for future P4P programs.

On the whole, however, we found no concrete data indicating that P4P programs and the prospect of financial rewards are enough to motivate significant or widespread change among providers; data appear to indicate that small change is a more likely result of a successful P4P program. In fact, regarding non-financial rewards, several states have implemented programs

which focus on providing non-monetary incentives as a means to improve quality in nursing homes. For example, in Vermont, the state and the nursing home association jointly sponsored the "Gold Star" program which was designed to assist nursing homes to improve workplace practices such as: staff recruitment, orientation and training; staffing levels and work hours, professional development and team approaches. As the title of the program indicates, the program also includes a recognition component: facilities that attain the designation "Gold Star Employer" are recognized by the state and the provider association and may use the gold star logo in their advertisements. While gaining gold star recognition does not itself provide for an increase in a facility's reimbursement rate, it does make it eligible to win one of five annual $25,000 awards. Though this program and others like it are not exactly "pay" for performance, they do represent an analogous attempt to prod the system towards better care and have the advantage of not costing tax payers additional money beyond that which is already paid through the reimbursement system to provide good resident care and quality of life.

New Demonstration Programs

CMS has created the Nursing Home Value-Based Purchasing Demonstration Program, which will provide financial incentives to nursing home facilities that demonstrate high quality of care or show quality of care improvement. This project puts into place a formal evaluation and lists a number of objectives. CMS will evaluate quality and will reward nursing homes at the end of each year based on staffing, measured resident outcomes, survey deficiencies, and appropriate hospitalization rates. This three year demonstration is anticipated to end December 31, 2010.

The Virginia Health Reform is currently in the midst of developing the Virginia Medicaid Nursing Facility Pay for Performance Reimbursement Program (NF-P4P). The pilot program is planned to commence in January 2009. Here too, the project has a number of benchmarks. Measures that are recommended to be used for the NF-P4P program are quality measures, staffing, resident/family quality of life, state survey inspections, and potentially avoidable hospitalizations. Financial rewards will be allocated to top nursing home providers and to nursing homes whose performance has improved. Because this initiative appears to be well thought out, it will be interesting to see the results, which could be useful in assessing the value of P4P programs for nursing homes.

RECOMMENDATIONS

Increasing pressure to limit (or even reduce) public funding for long term care, coupled with the lack of evidence that pay for performance "works" – results in meaningful improvement to resident care and quality of life – lead us to urge that any P4P plans be implemented cautiously. Following are recommendation which we believe will help ensure that government resources are not wasted and that programs provide benefit to consumers and the public.

- State assessment of each round of P4P awards is crucial to ensure that meaningful, lasting improvements to resident care are being made. In addition, we recommend an additional, broader evaluation every 3-5 years to see if P4P is working or is each rewarding cycle just a "flash in the pan."
- P4P program goals must be thoughtfully constructed so that they are broad enough to be meaningful and ensure that providers won't sacrifice important activities in order to focus on those which will help them to win awards. At the same time, they must have sufficient specificity to ensure that provider accomplishments are measurable and verifiable.
- P4P should focus on encouraging and rewarding change and substantive improvements, not merely providing a bonus to "good" providers.
- If the P4P moved beyond the allocation of relatively small amounts of "bonus" money (such as a P4P that rewards good providers and punishes bad one) it is absolutely crucial that residents in the bad facilities are protected.
- P4P should identify objectives that have the potential for long term benefit.
- Resident satisfaction should be considered as a component in any identified performance objective.
- The state should make public, through a dedicated page on its website, all P4P awards along with information about the program, program criteria, and the names and addresses of the state's P4P advisory group members. We recommend publicizing this information as well. The reason for these recommendations is two-fold: one, to foster public transparency about the program and, two, to promote the sharing of data and information on "best practices," etc.…
- Providers should be encouraged to engage direct care workers as much as possible in planning and executing activities to improve performance.
- The state should implement parity among stakeholders on its P4P advisory group by including equivalent numbers of consumers, providers and workers (and their representatives).
- Awardees should be required – or, minimally, strongly encouraged – to use awards in a way that improves quality of life or care in their residence.
- Awardees should be required to report what they did to merit their award and how the money awarded is to be used. The state should post this information on its website.
- The state should allocate financial and personnel resources so that program can be implemented on multi-year basis.

- If P4P funds are rewarded to providers who have significant problems (as indicated by their recent survey results, substantiated complaints (including public or private lawsuits or other means), they must demonstrate substantial (and potentially lasting) improvement in the quality of care delivered. All of the quality assurance concerns and recommendation mentioned above are especially crucial in such a situation to make sure that P4P funds are not being wasted.

RESOURCES FOR FURTHER INFORMATION

Online Resources:
DMAS: Provider Reimbursement Division. (2007). Virginia Medicaid Nursing Facility Pay for Performance Reimbursement Program. *DMAS.* Available at the website of the Department of Medical Assistance Services: http://www.dmas.virginia.gov/downloads/pdfs/pr-MH_facil.pdf.

- This resource provides recommendations for implementing P4P programs as well as charts offering additional information on quality of life measures utilized in previous P4P programs.

Harvey, H. Virginia Health. (2006). Background and Perspectives on Pay for Performance for Nursing Facilities. *Reform Commission: Quality, Transparency, and Prevention* Workgroup. Available at the website of the Commonwealth of Virginia: http://www.hhr.virginia.gov/Initiatives/HealthReform/MeetingMats/Quality/VHCA-NursingP4P.ppt#1

- This PowerPoint presentation is a good resource on nursing facility concerns that surface with the implementation of P4P in long term care.

Henshaw, I. Nursing Home Pay for Performance Strategies. *AARP*. Available at the website of the Commonwealth of Virginia: http://www.hhr.virginia.gov/Initiatives/HealthReform/MeetingMats/Quality/NursingPay4Performance.ppt#280,5,Background.

- This resource provides specific examples of past P4P programs along with recommendations for future programs.

Hurd, D., Moore, T., Warner, D., White, A., Wu, N. Quality Monitoring for Medicare Global Payment Demonstrations: Nursing Home Quality-Based Purchasing Demonstration. *Abt Associates Inc.* Available at the CMS website: www.cms.hhs.gov/DemoProjectsEvalRpts/downloads/NHP4P_FinalReport.pdf.

- This resource provides an in depth analysis of CMS' Nursing Home Quality-Based Purchasing initiative and provides and outline of steps to design a P4P program which the authors believe will be effective.

Lipson, D.J. (2005). Linking Payment to Long-Term Care Quality: Can Direct Care Staffing Measures Build the Foundation?. Institute for the

Future Aging Services. Available online at Better Jobs, Better Care: http://www.bjbc.org/content/docs/linkingpaymenttoltcquality.fullreport.pdf

Maryland Medical Programs. Nursing Home Pay for Performance. *Maryland Department of Health and Mental Hygiene (DHMH).* January 2007. Available at DHMH Website: http://www.dhmh.state.md.us/mma/pdf/nursinghomeP4PJCRfinal1-07.pdf.

- This resource briefly outlines CMS' new P4P initiative. It indicates that penalizing under-performing facilities may not contribute to achieving overall programmatic goal.

Journal Articles:

Arling, G., Cooke, V., Held, R., Kane, R.L., Mueller, C. (2007). A Quality-Based Payment Strategy for Nursing Home Care in Minnesota. *Gerontologist, 47*: 109-115.

- This is a particularly valuable resource because the Minnesota P4P program is one of few that have been analyzed.

Dolinar, R.O. & Leininger, S.L. (2006). Pay for Performance or Compliance? A Second Opinion on Medicare Reimbursement. *Indiana Health Law Review, 3*: 391-420.

- Major areas of concern for residents are detailed in this resource. It provides information on the dangers associated with replacing resident choice with population based indicators.

Snyder, L. & Neubauer, R.L. (2007). Pay-for-performance principles that promote patient-centered care: an ethics manifesto. *Annals of Internal Medicine, 147*(11); 792-794.

- This journal article examines the ethical implications of a pay-for-performance system. This resource identifies an "if you can't measure it, it's not important" attitude that may arise through the implementation of a P4P system.