Quality of Care Breakfast Briefing Series

Quality of Care: Transforming Health Care Through Payment Reform, Public Reporting and Enforcement

Session I
October 11, 2007 – Detroit, Michigan
Executive Breakfast Briefing

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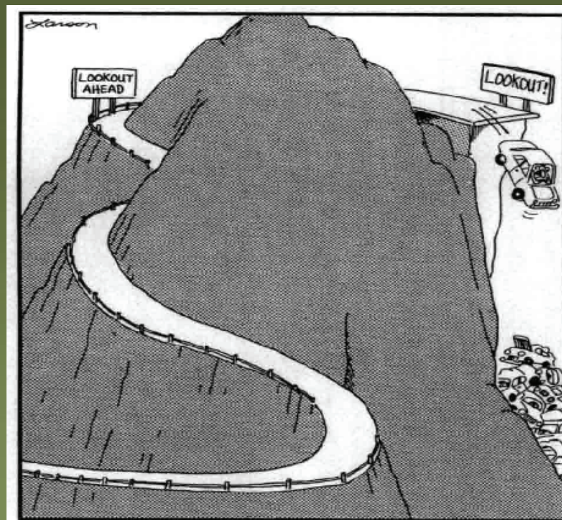

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Overview

I. New Paradigm for Reimbursement
- Payment Reform
- Public Reporting
- Government Enforcement

II. New Legal/Compliance Risks

III. Problems Under Current Structures

IV. Recommended Solutions

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New Paradigm for Reimbursement

- CMS is transforming payment policy from passive payor for services to active purchaser of high value health care
  - Payment Reform
  - Public Reporting
  - Enforcement
- Private Payors also are changing payment policies to pay for quality

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New Paradigm for Reimbursement

Payment Reform

What is "Pay for Performance"?

- Financial incentives for:
  - adhering to recommended tasks or processes
  - adopting desired tools or infrastructure, and
  - meeting or improving measured outcomes
- Sometimes includes cost savings or efficiency targets (aka "gainsharing")

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New Paradigm for Reimbursement

Payment Reform (con't)

Dramatic Increase in Pay for Performance Payments

- The number of private programs is increasing exponentially
- Bonuses for physicians in their office practices, and for hospitals
- The November 2, 2006 issue of *The New England Journal of Medicine* reports that 52% of 252 HMOs in geographic areas with at least 100,000 residents enrolled in HMOs had pay for performance programs
- Of these pay for performance plans, 90% were for physicians and 38% were for hospitals

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New Paradigm for Reimbursement

Payment Reform (cont'd)

Medicare Demonstration Project with Premier

- 270 hospitals participating.
- Measures 34 selected processes of care and outcome measures for 5 common clinical conditions
- Heart attack, coronary artery bypass, heart failure, hip and knee replacement, and pneumonia
- Hospitals were given financial rewards for better outcomes
- Outcomes improved (although this has been questioned. See JAMA, June 6, 2007 report on CRUSADE study)

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New Paradigm for Reimbursement

Payment Reform (cont'd)

Medicare Physician Group Practices Demonstration Project

- Began April 1, 2005
- Ten (10) participating physician groups
- July 11, 2007 CMS Press Release – All achieved benchmark performance on at least seven of ten diabetes clinical quality measures, and two met all ten
- " . . .all participating physician groups improved the clinical management of diabetes patients in the first year. . ."
- Earned $7.3 Million of the $9.5 Million in savings to the Medicare program

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New Paradigm for Reimbursement

Payment Reform (cont'd)

Medicare Value Based Purchase Plan

- Hospitals are now reporting quality data to CMS under RHQDAPU program
- As required by DRA, CMS is developing a Value Based Purchasing Plan expected to be implemented by CMS in 2009
- 2 listening sessions held (January 17, 2007 and April 12, 2007) to address VBP plan development. Final Report to Congress expected in September, 2007
- The VPB will build on the RHQDAPU program

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New Paradigm for Reimbursement

Payment Reform (cont'd)

Goals for the VBP Program

- Improve clinical quality
- Reduce adverse events and improve patient safety
- Avoid unnecessary costs in the delivery of care
- Stimulate investments in structural components and the re-engineering of care processes system wide
- Make performance results transparent to and useable by health care consumers
- Encourage adoption of effective health information technology

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New Paradigm for Reimbursement

Payment Reform (cont'd)

The Design of the VBP Program

- The VBP program would be implemented in FY 2009 (October 1, 2008). A specified percentage of hospital payments would be conditional on hospital performance
- All measures would be publicly reported
- Hospitals must submit data on all measures applicable to their patient population and service mix to qualify for incentive payment

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New Paradigm for Reimbursement

Payment Reform (cont'd)

The Design of the VBP Program (cont'd)

- The VBP program would use both financial incentives and public reporting to drive quality improvement
- The VBP program would transition from and replace the current RHQDAPU program

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New Paradigm for Reimbursement

Payment Reform (cont'd)

PQRI

- Medicare has proposed a cut of >9% to the Physician fee schedule for 2008, re-directing payments to PQRI
- CMS has stated publicly that PQRI is first step to linking payments to quality for physicians

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New Paradigm for Reimbursement

Payment Reform (cont'd)

No Payment for Poor Quality

- Effective October 1, 2007, hospitals must report all secondary diagnoses present on admission (POA)
- Effective October 1,2008, hospitals will not be paid for 8 "hospital acquired conditions" unless present on admission
  - Object left in during surgery
  - Air embolism
  - Blood incompatibility
  - Catheter associated UTI
  - Pressure ulcers
  - Vascular Catheter associated infection
  - Surgical site infection following CABG
  - Falls

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Payment Reform (cont'd)

- Effective October 1, 2009, "hospital acquired conditions" will include:
  - Ventilator associated pneumonia
  - Staph Septicemia
  - DVT

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New Paradigm for Reimbursement

Public Reporting

Sources of Data

- PEPPER
- Hospital Quality Initiative
- PERM
- CERT
- PQRI
- State adverse event reporting
- Malpractice suits
- Qui Tam relators (whistleblowers)

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New Paradigm for Reimbursement

Public Reporting (cont'd)

Deficit Reduction Act Impact

- 2005 Deficit Reduction Act requirement effective (January, 2007) – advise work force of Federal and State False Claims Acts and whistleblower statutes – likely to generate additional government enforcement activity

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New Paradigm for Reimbursement

Public Reporting (cont'd)

Data Mining

- Defined
  - Technology
  - Sorts data
  - Identified patterns "of interest"
- Goals
  - Correct inappropriate behavior
  - Identify overpayments
  - Deny payment

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New Paradigm for Reimbursement

Public Reporting (cont'd)

Performance Measurement Reporting System

- September 12, 2007 – Proposed new system for public reporting of price/quality transparency in health care (physicians & hospitals)
- Pools and analyzes information about quality, performance and cost
- Uses both public and private payor data

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New Paradigm for Reimbursement

Public Reporting (con't)

Performance Measurement Reporting System

- Disclosed to
  - Consumers
  - CMS Contractors
  - Other Agencies (state & federal)
  - Chartered Value Exchanges and data aggregators, who will generate single or multi-payor performance measurement
  - Providers / Physicians
  - QIOs
  - Law Enforcement

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New Paradigm for Reimbursement

Government Enforcement of Quality

- The Government prosecutions based on quality issues has grown exponentially in recent past
  - Example: United Memorial Hospital, Redding Medical Center, many others
- Themes present in cases
  - Unnecessary treatment/procedures
  - Kickbacks
  - Big admitters receiving special treatment
  - Poorly structured, or failure to follow, internal process
  - Underlying regulatory violations
- Cardiac procedures especially risky

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New Paradigm for Reimbursement

Government Enforcement of Quality (cont'd)

Fraud Enforcement – What Does it Require?

- False claim
- False statement in support of claim
- False statement in order to avoid repayment to government
- Requires notice and failure to act to be "knowing"

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New Legal/Compliance Risks

- Consider
  - Knowledge arising from data reporting
  - Work force encouragement to "whistleblow"
  - Processes and structures are not effective in identifying quality failures
- May lead to
  - False claims liability
  - Corporate liability

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Problems Under Current Structures

Hospital Peer Review and Quality Management

- Historical process is retrospective and based on incidents
- Peer review processes may be lengthy, biased (friends or competitors), and ineffective
- Delays can lead to evidence of a pattern of poor quality or unnecessary care (ex. United Memorial)

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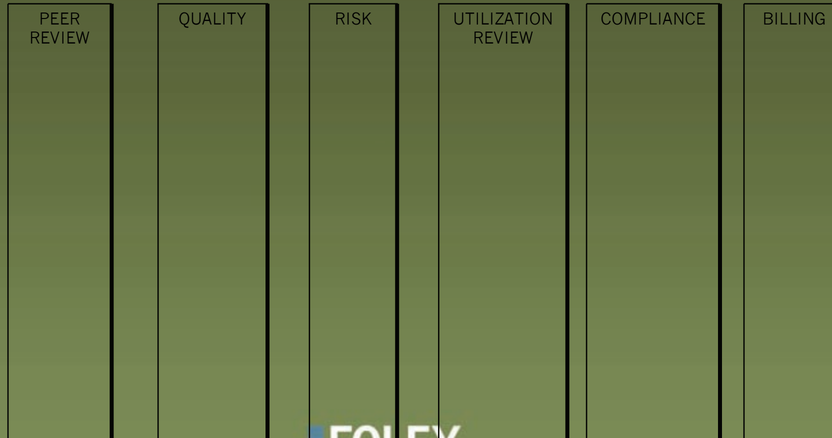
25

Problems Under Current Structures

SILO Approach



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26

Recommended Solutions

What's Needed for the Future

- Move from case-by-case evaluation ("bad apples") to quality control
- Structural changes/process change
- Consider
  - Audit Quality Controls/Legal Risks
  - Integrate Quality and Compliance
  - Board Education and Oversight
  - New Strategies to Engage Physicians (more on this next month!)

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Recommended Solutions

Audit Quality Controls/Legal Risks

- Audit for
  - Compliance with Medicare requirements (i.e. COPs)
  - Internal Quality Controls
  - Fraud & Abuse risks
- Red Flags
  - "The Buzz"
  - Failure to take appropriate or timely action

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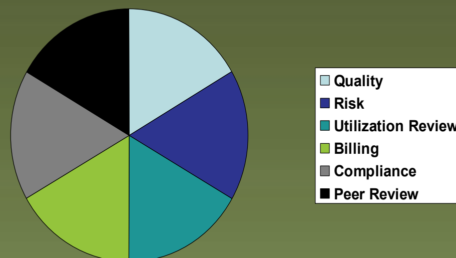
Recommended Solutions

Structure Needed



Be careful to keep the Privilege!

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Recommended Solutions

The Buck Stops with the Board

- "Getting the Board on Board: Engaging Patient Boards in Quality and Patient Safety" in 32 Joint Commission Journal on Quality and Patient Safety 179-187 (April 2006)
- Interviews conducted with CEOs and Board Chairs at 30 hospitals in 14 states
- "The level of knowledge of landmark IOM quality reports among CEOs and board chairs was remarkably low. . . There were significant differences between the CEOs' perception of the knowledge of board chairs and the board chairs' self-perception

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Recommended Solutions

The Buck Stops with the Board

- Board must recognize Quality/Safety as a core fiduciary obligation
- September 13, 2007, OIG and AHLA issue joint publication "Corporate Responsibility and Health Care Quality: A Resource For Health Care Boards of Directors"
  - Health care quality is a key component of mission and a core fiduciary obligation for the board
  - Elevate quality to the same level of fiduciary obligation that financial viability and regulatory compliance currently constitute

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Recommended Solutions

The Buck Stops with the Board

- Governance responsibility for quality – measures and goals
- Increasing board education on quality – part of orientation and board needs to receive regular reports (errors, outcomes)
- Recruiting one or more board members with expertise on quality
- Frame an agenda for quality – IHI campaign, Joint Commission, quality measures
- Quality planning, cooperation between board and medical staff
- Re-vamp peer review in light of Joint Commission – 2007 Ongoing Professional Practice Evaluation Requirements

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Recommended Solutions

The Buck Stops with the Board

- Restructure to integrate quality throughout organization and with compliance
- Get a handle on medical necessity
  - Where does compliance come in?

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