



Medicare Performance-Based Payment Adjustment Programs

What are the Medicare Performance-Based Adjustment programs?

There are three Medicare Performance-Based Payment Adjustment Programs for hospitals. These programs affect those inpatient facilities paid under the Medicare Prospective Payment System (PPS). This generally excludes most Critical Access Hospitals. Based upon hospital performance, as measured under separate formulas, each of the programs can lead to a year-long adjustment of the hospital's Medicare reimbursement rate.

How does this impact my rural hospital?

Each hospital's performance is unique, and can lead to a unique payment adjustment. A poorly performing hospital's payment rate might be penalized as high as 5%. Not all PPS hospitals considered for the three programs end up with payment adjustment. A hospital must meet minimum volume requirements for each performance measure — if a hospital has insufficient volume on enough measures it may not be able to be scored and ranked.

Does this program change from year to year?

Since the initial implementation of the programs there have been yearly modifications to the set of performance measures used in rating hospitals. Additional performance measures have been added in each year. This means that a hospital which performs acceptably in one year may find itself penalized in the next, even with no change in its operations. It is important for individual hospitals to understand the changes in how they will be measured in each year.

What types of Medicare Performance-Based Payment Adjustment programs are there?

- **Hospital Acquired Condition Reduction Program (HACRP):** This program examines each hospital's rate of hospital acquired conditions related to a specific set of procedures. The lowest quartile of rated hospitals receives a 1% penalty to their PPS rate for a year. More information is available at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/HAC-Reduction-Program.html>
- **Hospital Readmission Reduction Program (HRRP):** This program examines each hospital's rate of preventable readmissions, related to patients with six specific diagnostic codes, over a three year period. Each hospital receives its own overall readmission performance score. Based upon this score it can be assessed a variable PPS rate penalty of up to 3% for a year. More information is available at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/Readmissions-Reduction-Program.html>
- **Hospital Value-Based Purchasing Program (HVBPP):** This program examines each hospital's performance on over 50 separate measures. Each hospital receives its own overall performance score. Based upon this score a hospital can receive either a penalty or an incentive. In the current year the penalty could be as high as 2% and the incentive as high as 4%. More information is available at: <https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/hospital-value-based-purchasing/index.html>

Where can I find more information?

Information for rural hospitals is available on the National Rural Health Resource Center's website under their [Rural Hospital Toolkit for Transitioning to Value-Based Systems](#). For more information and to discuss your options, contact your local [State Office of Rural Health](#).

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