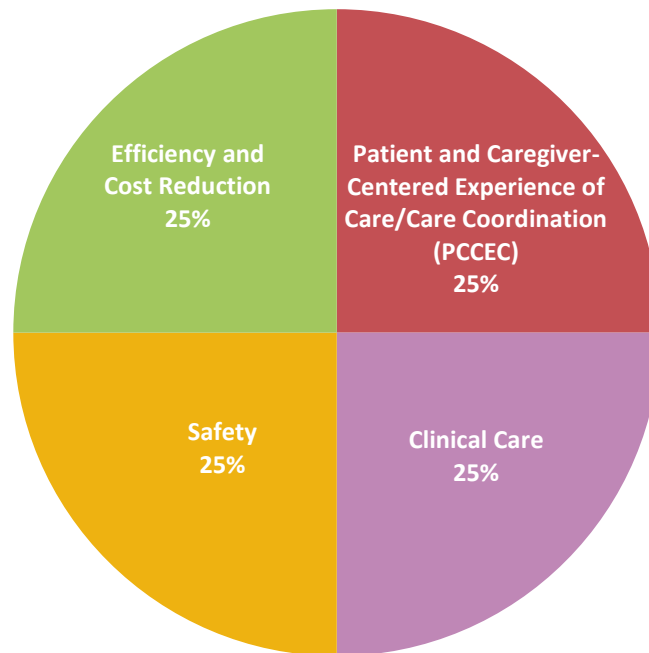


Value Based Purchasing (VBP) Awareness Brief

This Awareness Brief provides a high level summary understanding of value based purchasing. The Hospital Value Based Purchasing (VBP) Program adjusts hospitals' payments based on their performance in four domains that reflect hospital cost, quality and outcomes. This calendar year, 2016, is the Performance Measurement Period for the FY 2018 VBP Program. The FY 2018 Program's Total Performance Score (TPS) is comprised of four domains that will all be weighted equally at 25%: the Patient and Caregiver-Centered Experience of care/Care Coordination (PCCEC) Domain, the Clinical Care Domain, the Safety Domain, and the Efficiency and Cost Reduction Domain. Below is a high level summary of the value based purchasing program, it's four components broken down into additional detail, as well as supplementary information by component provided for the supply chain professional.

FY 2018 Value Based Purchasing Program Domain Weighting

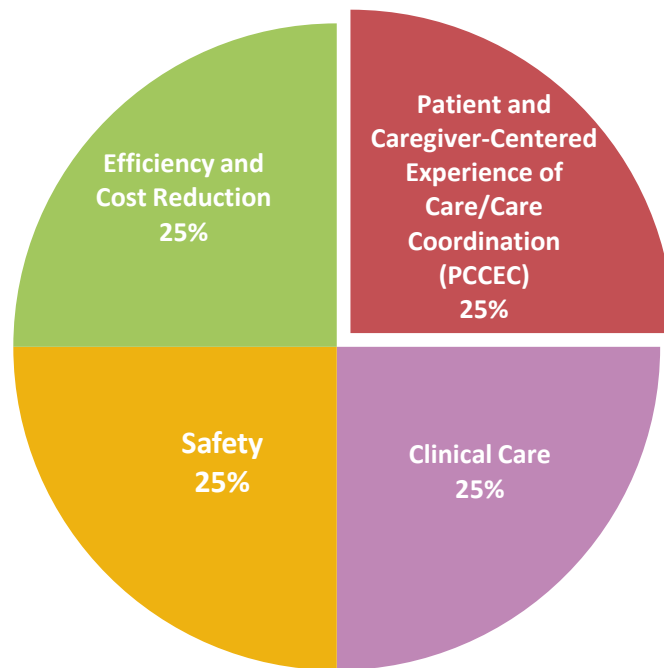


Source: Centers for Medicare & Medicaid Services, August 2015

*Eligibility can vary greatly between hospitals and health systems and may impact individual domain weights. Consult with your finance team.

Calendar year 2016 Hospital performance in these domains impact FY 2018 Medicare DRG reimbursement via withhold percentages which top out at 2%. In 2016 VBP will impact approximately 20% of Medicare reimbursement.

FY 2018 VBP Program Patient and Caregiver-Centered Experience of Care/Care Coordination Measures

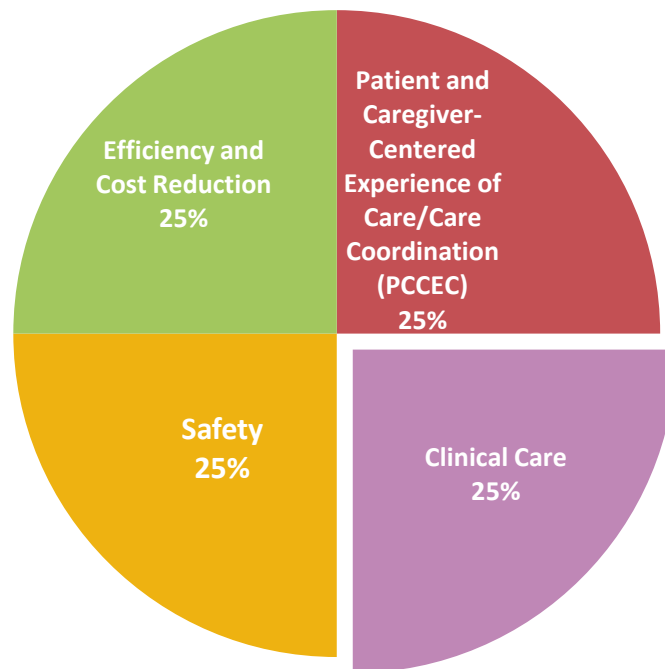


HCAHPS: Hospital Consumer Assessment of Healthcare Providers and System survey
CTM-3: 3 item Care Transitions Measures

Hospital performance in the PCCEC domain during 2016 will be compared to performance levels from 2014. Reflecting on the role of provider supply chain teams, suppliers and the products, programs, and services that

are provided, think about the impact that your joint efforts have on these measures. The comparison will impact reimbursement in FY 2018 (October 2017 through September 2018).

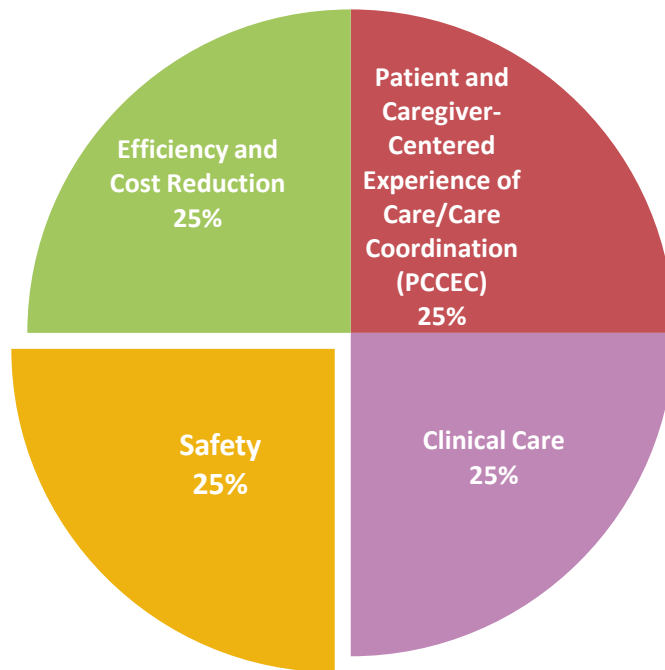
FY 2018 VBP Program Clinical Care Measures



MORT-30 AMI: Hospital-30 Day, All-Cause, Risk-Standardized Mortality Rate Following AMI (acute myocardial infarction) Hospitalization
MORT-30-HF: Hospital-30 Day, All-Cause, Risk-Standardized Mortality Rate Following Heart Failure (HF) Hospitalization
MORT-30-PN: Hospital-30 Day, All-Cause, Risk-Standardized Mortality Rate Following Pneumonia (PN) Hospitalization

These are processes known to improve the quality of care for patients. Hospitals are being measured this calendar year and will be compared with their performance the period from October 2009 to June 2012. The comparison will impact reimbursement in FY 2018 (October 2017 through September 2018).

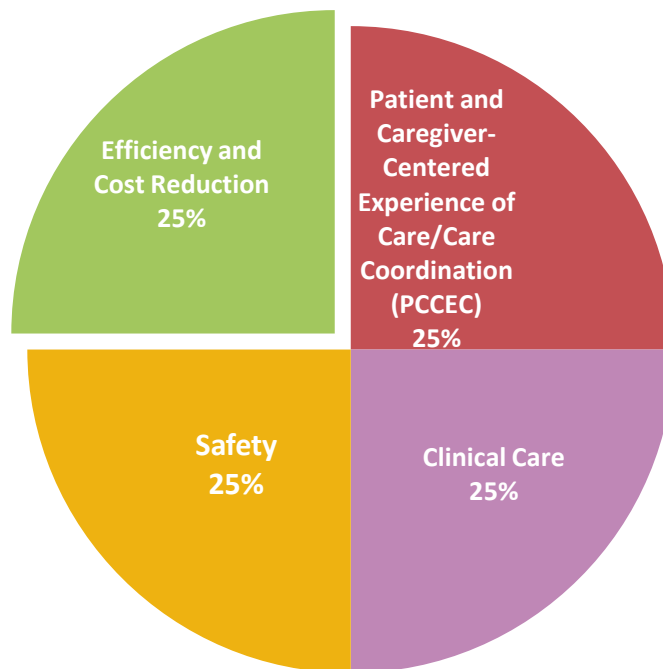
FY 2018 VBP Program Safety Measures



PSI-90: Patient Safety Indicators (Composite)
PC-01 : Elective Delivery
CAUTI: NHSN Catheter-Associated Urinary Tract Infection Outcome Measure
CLABSI: NHSN Central Line-Associated Blood Stream Infection Outcome Measure
SSI: CDC and Prevention Harmonized Procedure Specific Surgical Site Infection Outcome Measure - Colon, Abdominal Hysterectomy
CDI: NHSN Facility-Wide Inpatient Hospital Onset Clostridium difficile Bacteremia Outcome Measure
MRSA Bacteremia: NHSN Facility-Wide Inpatient Hospital Onset MRSA Bacteremia Outcome Measure

This domain includes monitoring of NHSN (National Healthcare Safety Network) measures (MRSA, C-diff, CAUTI, CLABSI, and SSI) and PC-01. The performance from 2016 will be compared to the performance levels from 2014. PSI-90 measurement begins in July 2014 through June 2016 and will be compared to a base line period that ran from July 2010 to June 2012. The comparison will impact reimbursement in FY 2018 (October 2017 through September 2018).

FY 2018 VBP Program Efficiency and Cost Reduction Measure: Medicare Spending Per Beneficiary (MSPB)

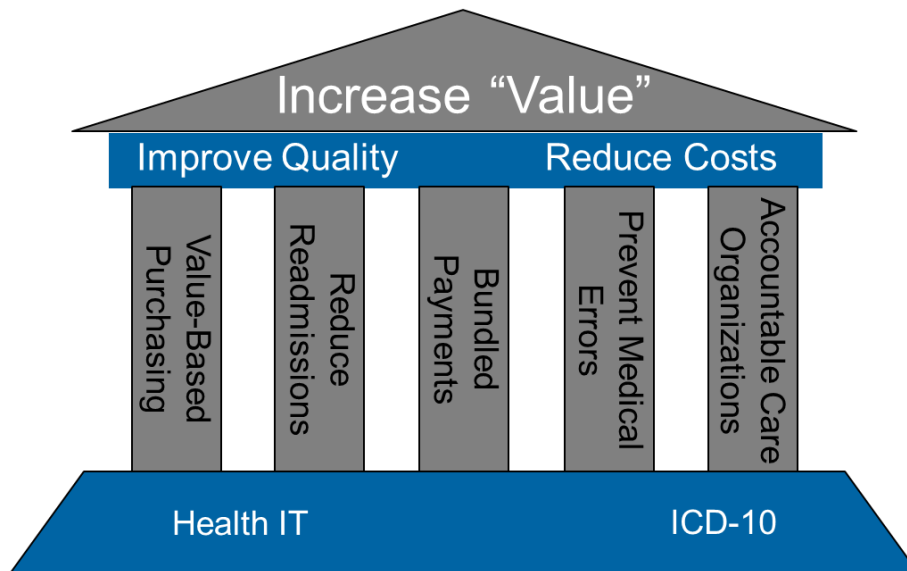


MSPB:

- CMS measures cost of care through the efficiency domain to increase the transparency of care for consumers.
- A claims-based measure that includes risk-adjusted and Price-standardized payments for all Part A and Part B services.
- Provided from 3 days prior to an inpatient hospital admission (index Admission) through 30 days after the discharge.

In other words, hospitals will have to manage resource consumption 30 days post discharge. Hospital performance is currently being measured to compare against 2014 as a baseline year and impact FY 2018 reimbursement (Oct 2017-Sept 2018).

New model's impact to reimbursement



How do the products and services you purchase or provide and the environment of care drive better reimbursements?

Source: Centers for Medicare & Medicaid Services, 2013

In summary, right now, hospitals are needing to increase patient satisfaction with the experience of the care they received. They must increase the use of clinical processes that are known to improve clinical outcomes and decrease the rate of hospital acquired conditions (HACs) especially infections and readmissions. Remember, VBP will impact approximately 20% of their Medicare reimbursement now, with a target of 50% in two years.

So if you are solely focused on the cost of care, how relevant is your approach, and how are you ultimately impacting your organization?

About AHRMM

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