WHY DOESN'T MVC FREEZE TARGETS?

MVC DATA IS PRICE STANDARDIZED

$1 ON REGISTRY ≠ $1 PAID TO HOSPITAL

Price standardization "levels the playing field" across all providers using the Medicare Fee-for-Service Fee Schedule and all available Medicare data.

$1 ON REGISTRY ↔ 1 UNIT OF UTILIZATION

MVC DATA CHANGES OVER TIME

New data from Medicare or other payers may result in changes to standardized prices or risk adjustments.

Improvements in billing practices or claims adjustments may necessitate methodology improvements.

AVOID APPLES-TO-ORANGES COMPARISONS

Allowing performance payments to vary while holding baseline payments constant runs the risk of:
- comparing payments calculated with different methodologies
- making comparisons that can penalize hospitals.

To see how such comparisons can harm hospitals, review the impact of shifting vs frozen targets in the provided pricing change example (Page 2).
EXAMPLE OF SHIFTING VS FROZEN TARGETS

HOSPITAL A
Baseline Total Episode Payment = $20,000
MVC All Standard Deviation (SD) from Baseline = $6,000

In order to earn 5 P4P improvement points, Hospital A needs a performance year total episode payment of $18,800
[BASELINE Total Episode Payment - (MVC All SD from Baseline*0.2)].

During the program year, MVC learns that CMS changed how skilled nursing facility claims are billed and has to alter its price standardization methodology to account for the CMS policy change, causing both the baseline payment and the performance payment to increase by $1,000.

BEFORE DATA UPDATE
5-pt Improvement Target = $20,000 - ($6,000)(0.2) = $18,800
Performance Year Payment = $18,500

AFTER DATA UPDATE
5-pt Improvement Target = $21,000 - ($6,000)(0.2) = $19,800
Performance Year Payment = $19,500

With shifting targets, Hospital A is not penalized because of this data update. Five improvement points are earned.

FROZEN TARGETS

BEFORE DATA UPDATE
5-pt Improvement Target = $20,000 - ($6,000)(0.2) = $18,800
Performance Year Payment = $18,500

AFTER DATA UPDATE
5-pt Improvement Target = $20,000 - ($6,000)(0.2) = $18,800
Performance Year Payment = $19,500

With frozen targets, the baseline stays the same, but the performance year is subject to the data update. Hospital A must meet a greater reduction in utilization and does not earn five improvement points.