




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.

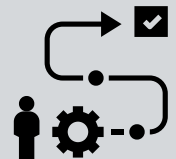
\$1 ON REGISTRY  **1 UNIT OF UTILIZATION**

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 maximum 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.

SHIFTING TARGETS

BEFORE DATA UPDATE

Maximum Improvement Target = $\$20,000 - (\$6,000)(0.2) = \$18,800$

Performance Year Payment = **\$18,500**



AFTER DATA UPDATE

Maximum 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. The maximum available improvement points are earned.

FROZEN TARGETS

BEFORE DATA UPDATE

Maximum Improvement Target = $\$20,000 - (\$6,000)(0.2) = \$18,800$

Performance Year Payment = **\$18,500**



AFTER DATA UPDATE

Maximum 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 the maximum available improvement points.