Michigan Value Collaborative

Blue Cross Blue Shield Blue Care Network of Michigan

Nonprofit corporations and independent licensees of the Blue Cross and Blue Shield Association

P4P Readmissions Measure

TECHNICAL DOCUMENT

Program Year 2027



2026 | NOVEMBER

Table of Contents

A. Executive Summary 1

I. Program Overview 1

II. Timeline 1

III. Earning Points 1

B. Introduction 1

I. Purpose 1

II. Background 2

III. MVC Guiding Principles 2

C. P4P Measure Methodology 3

I. Overall Structure 3

II. Data Sources 3

III. Program Timeline 4

IV. Readmissions Measure 4

D. Support for Hospital Improvement 8

I. MVC Engagement Events 8

II. MVC Analytic Support 9

III. CQI Portfolio Support 10

Appendix A: Glossary 11

Appendix B: Sample Scorecard 12

Appendix C: Scoring Example 13

A. Executive Summary

I. Program Overview

Beginning in 2027, Blue Cross Blue Shield of Michigan (BCBSM) allocated 30% of its Pay-For-Performance (P4P) Program to a readmission metric based on Michigan Value Collaborative (MVC) claims data. This metric measures hospital performance using risk-adjusted 30-day readmission rates for select surgical procedures and acute medical conditions, and includes the following payers: BCBSM Preferred Provider Organization (PPO), BCBSM Medicare Advantage, Blue Care Network (BCN) Health Maintenance Organization (HMO), BCN Medicare Advantage, and Medicare Fee-For-Service (FFS) claims. The P4P Readmissions Measure replaced the previous BCBSM Plan All-Cause Readmission Component. This document outlines the calculation, scoring, and support of the new P4P Readmissions Measure for Program Year 2027.

II. Timeline

The MVC Coordinating Center will assess claims from the performance year (encounters occurring in 2026) and baseline year (encounters occurring in 2024) during PY 2027 and will provide a final score for the MVC-based measure to BCBSM for payment in 2028.



III. Earning Points

Points From Readmission Measure

Each hospital will be evaluated on a weighted measure of risk-adjusted readmissions following 11 select surgical procedures and acute medical conditions. Each hospital's overall readmission measure will be assessed for year-over-year improvement compared to its baseline year and for achievement respective to the MVC statewide readmission rate, referred to as MVC All.

B. Introduction

I. Purpose

The purpose of this document is to provide information on the BCBSM P4P Readmissions Measure for PY 2027. Information regarding future PYs will have separate documentation.

II. Background

BCBSM's P4P Program recognizes hospitals that excel in quality of care, cost-efficiency, and population health management. Beginning in 2027, BCBSM allocated 30% of its P4P program to a readmission measure based on MVC claims data to take the place of the BCBSM Plan All-Cause Readmission Component previously adjudicated by BCBSM. The new measure is referred to as the P4P Readmissions Measure and will now be adjudicated by MVC. MVC is a Collaborative Quality Initiative (CQI) funded by the BCBSM Value Partnerships program. MVC's purpose is to improve the health of Michigan through sustainable, high-value healthcare. MVC works to achieve this purpose by adhering to the Value Partnerships philosophy of using high-quality data to drive collaborative quality improvement. Table 1 summarizes how this new measure fits into the larger BCBSM P4P Program. Please note this remains separate from the standalone 10% MVC Component already in place. To learn more about BCBSM's 2027 Hospital P4P Program, please refer to BCBSM's PY2027 documentation.

Table 1: BCBSM P4P Program Structure

2027 Program Components	Weights
Collaborative Quality Initiatives	40%
Michigan Value Collaborative	10%*
P4P Readmissions Measure	**30%**
Health Information Exchange	20%

***The 10% allocation to MVC is distinct from the 40% assigned to other CQIs.*

III. MVC Guiding Principles

In designing and implementing the P4P Readmissions Measure, the MVC Coordinating Center is guided by the following core principles:

1. The measure will reflect the BCBSM Value Partnerships philosophy of using high-quality data to drive collaborative quality improvement.
2. The measure will be fair, valid, and transparent.
3. The measure, where possible, will align with existing BCBSM and Centers for Medicare and Medicaid Services (CMS) hospital quality measures and be consistent with Value Partnerships' CQI principles.
4. The measure will align with other CQI initiatives and seek to support site- and system-level priorities.
5. The measure will encourage examination and use of MVC data to drive value improvement and reward those efforts.

C. P4P Measure Methodology

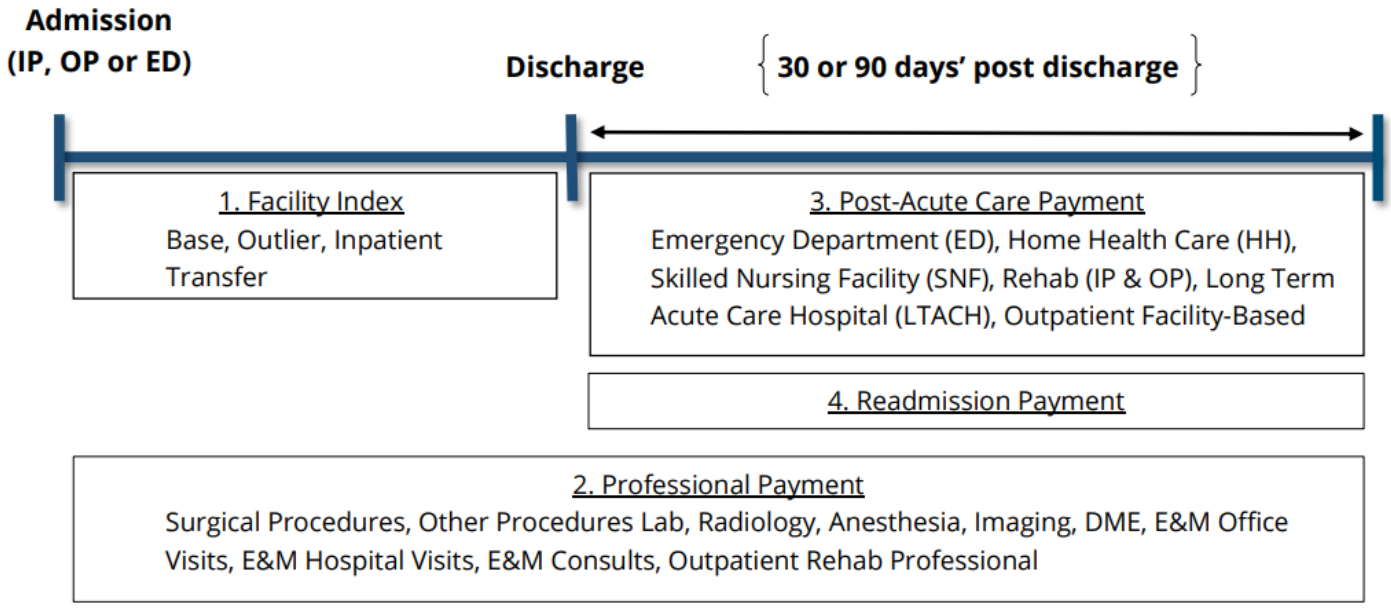
I. Overall Structure

The P4P Readmissions Measure is scored out of four points based on a measure comparing condition-weighted risk-adjusted readmissions in the performance year to comparison values representing improvement and achievement.

MVC Episodes

The readmission measure is assessed using claims that are organized into MVC's episode structure. Figure 1 describes the anatomy of an MVC episode.

Figure 1. Anatomy of an MVC Episode



II. Data Sources

The PY 2027 P4P Readmissions Measure utilizes all available claims from the payers below, representing approximately 84% of Michigan's insured patient population:

- BCBSM PPO
- BCBSM PPO Medicare Advantage
- BCN HMO
- BCN HMO Medicare Advantage
- Medicare FFS
- Michigan Medicaid

III. Program Timeline

Hospitals will be assessed on their readmissions from the performance period (2026) compared to the baseline period (2024) and the performance of other P4P participating hospitals. The performance and baseline periods include index admissions occurring between Jan. 1 and Dec. 31 for 2026 and 2024, respectively. The MVC Coordinating Center will evaluate performance during the program year (2027), and final scores on the measure will be sent to BCBSM for payment during the payment year (2028). Figure 2 outlines the timeline for each stage of PY 2027.

Figure 2. Timeline for PY 2027



IV. Readmissions Measure

Hospitals can earn up to four points through the P4P Readmissions Measure. The development of this measure was informed by member feedback and discussion with CQI portfolio and system leaders. The MVC Coordinating Center received feedback that readmissions following hospitalizations for chronic conditions are difficult for hospitals to impact through internal quality improvement. In response, the P4P Readmissions Measure was developed with a refined focus on surgical procedures and select acute medical conditions.

Conditions included in the P4P Readmissions Measure also align with quality improvement efforts in place within specialties supported by clinical CQIs. Although quality improvement initiatives supported by these CQIs may not directly target readmission rates, a variety of improvements across the patient care continuum are expected to help reduce readmissions downstream.

In keeping with existing MVC P4P measures and the previous BCBSM Plan All-Cause Readmission component's scoring, hospitals can earn points through year-over-year improvement or through relative performance (achievement). To measure improvement, performance year readmissions are compared to baseline year readmissions. Performance year readmissions are compared to MVC statewide readmissions in the baseline year to measure achievement. Hospitals can earn a maximum of four points total and are awarded the better of their improvement or achievement points earned.

Conditions Included

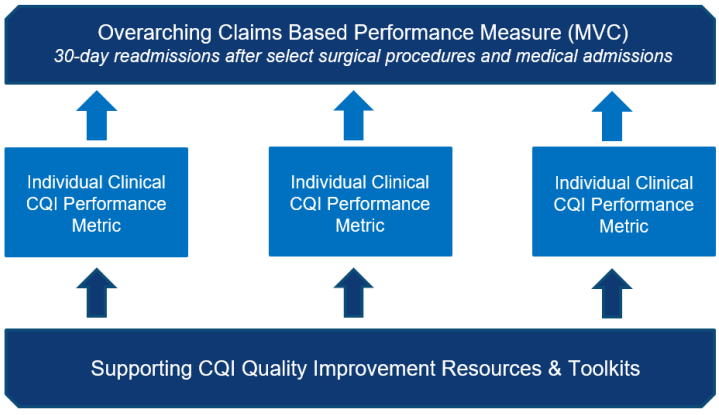
Table 2 outlines the 11 conditions included in the readmission measure, as well as the partnering CQIs that help directly reduce readmissions or credibly impact readmissions downstream via their own independently scored metrics and initiatives with their respective memberships.

Table 2. Conditions Included in the P4P Readmissions Measure

Condition	Clinical CQI
Abdominal Hernia Repair	MSQC
Acute Myocardial Infarction (AMI)	BMC2
Cholecystectomy	MSQC
Colectomy	MSQC
Coronary Artery Bypass Graft (CABG)	MSTCVS
Kidney Stone Surgery	MUSIC
Percutaneous Coronary Intervention (PCI)	BMC2
Pneumonia	HMS
Sepsis	HMS
Spine Surgery	MSSIC
Stroke	MEDIC

The intentional alignment with surgical procedures and acute medical conditions already supported by the CQI portfolio provides a structure that leverages individual CQI efforts under the larger umbrella of readmissions quality improvement, as visualized in Figure 3. These individual clinical CQI performance opportunities provide hospitals with additional levers from which to improve readmission rates for the included conditions.

Figure 3. Measure's CQI Portfolio Infrastructure



Each included condition contributes to the overall readmission score proportionately to the prevalence of the condition within the pool of eligible episodes. For each condition to contribute to the measure for a given hospital, there must be at least 20 eligible episodes of that condition type in the baseline year.

Measure Calculation

The outcome assessed in the P4P Readmissions Measure is the ratio of predicted to expected (P:E) unplanned readmissions. This ratio represents the proportion of unplanned readmissions that are not attributable to patient risk factors included in the model. This is the ratio that is multiplied by a statewide constant (the average expected rate) in risk-adjustment calculations to derive risk-adjusted rates. Therefore, P:E is referred to as the risk-adjustment ratio. The average standardized difference in risk-adjustment ratio is calculated using the following steps:

1. The expected and predicted rates are derived separately for each eligible condition using risk-adjustment models. These are derived for each hospital and condition in the performance year and in the baseline year, as well as for each condition statewide (MVC All) in the baseline year.
2. Condition-specific differences in performance year P:E ratio and comparison value are calculated and divided by the MVC All baseline year standard deviation, yielding a standardized measure of difference, the z-score. Two z-scores are calculated for each condition. To evaluate improvement, the comparison value is the hospital's baseline year P:E ratio (Figure 4). To evaluate achievement, the comparison value is the baseline year MVC All P:E ratio (Figure 5).
3. The z-scores of each eligible condition are multiplied by the proportion of all eligible episodes attributed to that condition in the performance year, weighting their contribution to the overall scores.
4. Weighted z-scores are summed to generate the final average standardized differences compared to baseline and statewide, referred to as overall improvement and achievement z-scores, respectively.

Figure 4. Condition-Specific Improvement Z-score Equation

$$\text{Improvement Z-score} = \frac{\textit{Hospital baseline} - \textit{Hospital performance}}{\textit{MVC All standard deviation from baseline}}$$

Figure 5. Condition-Specific Achievement Z-Score Equation

$$\text{Achievement Z-score} = \frac{\textit{MVC All baseline} - \textit{Hospital performance}}{\textit{MVC All standard deviation from baseline}}$$

Risk-Adjustment

To derive predicted and expected readmission rates, models are risk-adjusted for age, gender, payer, history of prior high spending, 79 comorbidities based on hierarchical condition categories, month, year, and condition-specific risk factors. The model used to derive the predicted rate additionally adjusts for index event hospital.

Exclusions

Episodes will be excluded from the measure calculation if any of the following are true:

- Patient is transferred from the initial facility during the index event.
- Patient has a discharge disposition on the index event of having died inpatient, being discharged to hospice, or being discharged against medical advice.

Minimum Case Requirements

MVC selected the minimum episode volume requirement of 20 cases per year per condition based on empirical analyses. Hospitals must have at least 20 episodes for two conditions to be eligible for measure scoring. Minimum case thresholds were set to balance the reliability of the metric and the number of eligible hospitals for each condition. Hospitals are eligible for a condition to be included in the overall measure based on the condition's baseline year episode volume.

Improvement and Achievement Z-Score Scoring Thresholds

Hospitals can earn points toward the P4P Readmissions Measure by either reducing readmissions in the performance year compared to the baseline year (improvement) or by having lower readmissions in the performance year compared to statewide baseline year readmissions (achievement). Hospitals will earn the higher of their improvement or achievement points, with a maximum score of four points. Points earned are determined by the overall improvement and achievement z-scores. Thresholds for each point available have been established prospectively and are detailed in Table 3. These thresholds are based on historical data, and the MVC Coordinating Center reserves the right to change the Z-score thresholds as new data become available to maintain a fair program.

Table 3. Z-Score Thresholds for Assigning Readmission Measure Points

Z-score Threshold	Point Value
<0	0 Points
0 - 0.08	1 Point
>0.08 – 0.16	2 Points
>0.16 – 0.24	3 Points
>0.24	4 Points

Shifting Baseline Values

While the Z-score thresholds remain constant over time, comparison baseline values may change. The comparison values shift for two reasons related to the continual addition of data into the MVC claims database. First, new claims and information can be added to previously reported time periods due to postponed adjudication. Second, methodological improvements may need to be made based on changes in billing practices over time. Hospitals will be scored using the comparison values reported in the final scorecard and on the MVC registry when the full performance year of data is available for all payers.

MVC Registry

The MVC registry can be utilized to help hospitals better understand their areas of opportunity in P4P measures. The registry contains payer-specific reports that can inform efforts related to the P4P Readmissions Measure. These reports summarize readmission rates for specific conditions and offer filter and comparison tools to investigate trends. Additional reports detailing the P4P Readmissions Measure will be available in late 2027 and will summarize the overall score, components, and weighted contribution. To request access to the MVC registry, please contact the MVC Coordinating Center or complete the MVC Registry Access Request Form.

D. Support for Hospital Improvement

The MVC Coordinating Center provides reports and resources to help hospitals improve patient care and reduce readmissions.

I. MVC Engagement Events

Registry Training

The MVC Coordinating Center provides customized one-on-one trainings to review members' specific facility or hospital data on the registry with any registry access request. MVC can also provide customized training to individuals or designated groups to help navigate data resources and identify specific areas of opportunity. Designated site coordinators also have an opportunity to enroll in MVC's four-module Site Coordinator Education Program designed to provide tailored trainings to hospital quality leaders so they may fully leverage MVC offerings to support quality improvement goals.

Virtual Workgroups

Virtual workgroups consist of a diverse group of representatives from Michigan hospitals and physician organizations that meet to collaborate and share ideas related to various topics. Please email Michigan-Value-Collaborative@med.umich.edu to request workgroup details.
Workgroup topics currently include (as of October 2026):

- Cardiac Rehabilitation
- Care Coordination
- Health in Action
- Preoperative Testing
- Rural Health

- Sepsis
- System Alignment

Site Visits
The Coordinating Center offers virtual and in-person site visits to all MVC member hospitals. Site visits give MVC the opportunity to learn more about each site, its leadership team, and how their organization functions with regard to quality initiatives. During a site visit, the MVC team delivers information about MVC's latest activities and data followed by discussions about how MVC can assist sites in reducing costs and improving patient outcomes. MVC will also emphasize opportunities for collaboration with other hospitals and physician organizations.

Collaborative-Wide Meetings
MVC holds meetings twice per year to bring quality leaders, organizational leadership, and clinical professionals across the state together in person for MVC updates, practice sharing, networking, and topics of interest to MVC's membership.

Regional Networking Events
MVC hosts regional networking events for different regions of Michigan to engage hospital and physician organization leaders in discussion and peer learning.

II. MVC Analytic Support

MVC Registry
The MVC registry houses a variety of reports for hospitals to identify cost opportunities and track utilization. To request access to the registry, please contact the Coordinating Center or complete the MVC Registry Access Request Form.

MVC Push Reports
The Coordinating Center produces a series of reports to address specific MVC conditions. If you would like to receive reports for your hospital, please email the MVC Coordinating Center.

Custom Support
The MVC analytic team supports its members with custom analytic reports by request. If you are interested in receiving a custom report, please contact the MVC Coordinating Center by submitting a custom request form.

Questions/Consultations
The MVC Coordinating Center is happy to help hospitals with data requests or other questions. Please submit requests by emailing Michigan-Value-Collaborative@med.umich.edu.

III. CQI Portfolio Support

CQI Readmissions Improvement Guide

Across the Value Partnerships portfolio, multiple CQIs lead improvement efforts that address factors influencing hospital readmissions, spanning the continuum of care from pre-hospitalization through post-discharge. To help hospitals understand and leverage this collective work, the MVC Coordinating Center developed a CQI Portfolio Readmissions Guide that brings together relevant CQI metrics, initiatives, and resources in one place. The toolkit connects these efforts to the BCBSM P4P Readmissions Measure by outlining where along the patient care continuum each CQI's work is focused, the clinical areas and patient populations addressed, how those efforts may influence readmissions, and the supporting tools and resources available to hospitals.

Eight CQIs have relevant areas of overlap with the P4P Readmissions Measure: BMC2, HMS, MEDIC, MSQC, MSSIC, MSTCVS, MUSIC, and MVC. Together, their improvement efforts offer hospitals multiple opportunities to build on existing clinical initiatives and support better readmission outcomes. While these CQIs independently manage and score their own P4P scorecards, which contribute to either the Collaborative Quality Initiatives component (40%) or MVC Component (10%) of the BCBSM P4P Program, those scores are separate from and do not affect a hospital's performance on the claims-based P4P Readmissions Measure.

Appendix A: Glossary

Achievement Points: Points earned by comparing your hospital's performance against statewide performance.

Baseline Year: The calendar year three years prior to the program year or two years prior to the performance year. The claims from this period will be used to compare to the performance period for assessing hospital improvement and achievement.

Condition: A medical or surgical condition with a homogenous group of patients to be tracked in the MVC data. The current conditions included in the P4P Readmissions Measure are abdominal hernia repair, acute myocardial infarction (AMI), cholecystectomy, colectomy, coronary artery bypass graft (CABG), kidney stone surgery, percutaneous coronary intervention (PCI), pneumonia, sepsis, spine surgery, and stroke.

Improvement Points: Points earned by improving your hospital's own performance between the baseline year and performance year.

Program Year: Year that the program's readmission outcomes are being assessed.

Performance Year: Calendar year of data that will be evaluated for improvement and achievement. This period is the year prior to the program year and two years after the baseline period.

Payment Year: The year after the assessment year where a hospital will receive its scores and payment from BCBSM.

Appendix B: Sample Scorecard

P4P Program Year 2027: Final Scorecard
Hospital A

Overall Point Summary

Improvement Points	Achievement Points	Final Points
3	1	3

Overall Z-Score Summary

Metric*	Hospital Overall Z-score	1-Point Threshold	2-Point Threshold	3-Point Threshold	4-Point Threshold	Points
Improvement	0.185	0 – 0.08	> 0.08 – 0.16	> 0.16 – 0.24	> 0.24	3
Achievement	0.048	0 – 0.08	> 0.08 – 0.16	> 0.16 – 0.24	> 0.24	1

Improvement Z-Score Details

Condition	Hospital Performance Observed Rate	Hospital Performance P:E	Hospital Baseline Observed Rate	Hospital Baseline P:E	Unadjusted Improvement Z-score	Population Proportion	Weighted Improvement Z-score*
Abdominal Hernia Repair	1.45%	0.93	3.31%	1.00	0.065	6.10%	0.003
AMI	13.86%	1.00	16.13%	1.08	0.389	3.67%	0.014
CABG	5.13%	0.86	13.04%	1.15	0.162	1.72%	0.002
Cholecystectomy	4.26%	1.01	4.58%	1.15	0.155	10.36%	0.016
Colectomy	8.48%	0.90	11.11%	0.99	1.909	6.51%	0.124
Kidney Stone Surgery	6.50%	1.08	5.57%	1.00	-4.034	7.82%	-0.315
PCI	8.71%	1.12	7.78%	1.08	-0.005	10.64%	-0.001
Pneumonia	12.96%	0.98	16.84%	1.10	1.021	10.73%	0.109
Sepsis	15.39%	0.98	16.62%	1.06	0.832	24.69%	0.204
Spine Surgery	6.33%	1.08	3.91%	0.93	-0.039	9.76%	-0.004
Stroke	11.88%	1.02	12.13%	1.09	0.317	8.00%	0.025

Achievement Z-Score Details

Condition	Hospital Performance Observed Rate	Hospital Performance P:E	MVC All Baseline Observed Rate	MVC All Baseline Average P:E	Unadjusted Achievement Z-score	Population Proportion	Weighted Achievement Z-score*
Abdominal Hernia Repair	1.45%	0.93	2.99%	1.01	0.030	6.10%	0.002
AMI	13.86%	1.00	14.14%	0.98	-0.033	3.67%	-0.001
CABG	5.13%	0.86	8.46%	1.04	0.183	1.72%	0.003
Cholecystectomy	4.26%	1.01	4.07%	1.00	-0.016	10.36%	-0.001
Colectomy	8.48%	0.90	12.04%	0.98	0.108	6.51%	0.007
Kidney Stone Surgery	6.50%	1.08	4.79%	1.01	-0.062	7.82%	-0.004
PCI	8.71%	1.12	7.39%	1.01	-0.018	10.64%	-0.002
Pneumonia	12.96%	0.98	14.46%	1.00	0.429	10.73%	0.046
Sepsis	15.39%	0.98	16.04%	1.00	0.302	24.69%	0.074
Spine Surgery	6.33%	1.08	5.14%	0.96	-0.155	9.76%	-0.015
Stroke	11.88%	1.02	9.97%	1.00	-0.746	8.00%	-0.059

*Overall Z-scores are the sum of all weighted condition-specific z-scores for the respective metric.

Appendix C: Scoring Example

The following is an illustration of how the scoring system will be applied for PY 2027. In this example, Hospital B is eligible for six conditions to be considered in calculating risk-adjustment ratio differences and z-scores. All readmission rates provided below are for illustrative purposes only. For PY 2027, the performance period is calendar year 2026, and the baseline year is calendar year 2024.

Step 1

Hospital B is eligible for 6 P4P Readmissions Measure conditions:

- Abdominal Hernia Repair
- Cholecystectomy
- Kidney Stone Surgery
- Pneumonia
- Sepsis
- Spine Surgery

Calculate 6 numbers for each eligible condition:

- **Hospital Performance Year P:E**
- **Hospital Baseline Year P:E**
- **MVC All Baseline Year P:E**
- **MVC All Baseline Year Standard Deviation**
- **Performance Year Population Proportion**

Step 2

Plug into z-score equations for each condition

Example: Hospital B scores for Sepsis

Improvement Z-score

$$\frac{Hospital\ baseline\ -\ Hospital\ performance}{MVC\ All\ standard\ deviation\ from\ baseline} = \frac{1.075\ -\ 0.984}{0.105} = \mathbf{0.867}$$

Achievement Z-score

$$\frac{MVC\ All\ baseline\ -\ Hospital\ performance}{MVC\ All\ standard\ deviation\ from\ baseline} = \frac{0.998\ -\ 0.984}{0.105} = \mathbf{0.133}$$

Step 3

Apply population weights and sum to derive overall scores

Condition	Improvement z-score	Achievement z-score	Population proportion	Weighted Improvement z-score	Weighted Achievement z-score
Abdominal Hernia Repair	-0.003	0.010	6.03%	0	0.001
Cholecystectomy	-0.092	-0.017	20.21%	-0.019	-0.003
Kidney Stone Surgery	0.460	0.510	3.55%	0.016	0.018
Pneumonia	-0.079	0.071	9.57%	-0.008	0.007
Sepsis	0.867	0.133	40.78%	0.354	0.054
Spine Surgery	0.015	0.027	19.86%	0.003	0.005
			Overall Scores:	**0.346**	**0.082**

Step 4

Translate z-scores into points

Z-Score	Points
<0	0
0 - <0.08	1
0.08 - < 0.16	2
> 0.16 - <0.24	3
> 0.24	4

Improvement

0.346 z-score value

→ **4 Improvement Points**

Achievement

0.082 z-score value

→ **2 Achievement Points**

Conclusion: Hospital B earns 4 points in the P4P Readmissions Measure