

Nursing Home Care: Focus on Excellence

Value Based Purchasing of Nursing Home Care – The Oklahoma Model

The Oklahoma *Focus on Excellence* program carries out a provision enacted by the Oklahoma Legislature as part of the Oklahoma Medicaid Reform Act of 2006. That Act directed the Oklahoma Health Care Authority to develop a performance-based component to its method of paying nursing homes as a means of spurring higher quality and greater accountability for public funds.

Even before this enabling legislation was enacted, our agency's strategic planning process had begun to broadly address how we could improve our payment practices for the nearly half-billion dollars we spend each year purchasing nursing home care. As the primary payer for this care, we understood that our Medicaid program has a very significant impact on both access and quality for more than 20,000 Oklahomans who seek care in nursing homes each year. We also believed that if we were smarter in the way we exercised that leverage, we could create greater value, not only for our program clients, but for the Oklahoma taxpayer in ways that would be measurable and accountable.

As we began to design a program we were convinced that while performance-based payment would be the critical lever to drive greater quality and value, we needed to think more broadly about how to apply and multiply that leverage to influence those desirable outcomes. That conclusion arose from four important and interrelated premises:

First, in order to reward providers for higher quality, we needed to determine what specific performance measures most closely related to quality care, how to achieve those measurements, and how to apply the resulting information more frequently and powerfully than other state Medicaid programs and CMS had been able to do.

Secondly, our decisions about what to measure and reward not only had to be grounded in a technical consensus about appropriate care outcomes, but also meaningful to consumers and relevant to their expectations ---- expectations which go beyond the quality of nursing and physical rehabilitation to the quality of life, service, and human interactions that are important to daily lives in nursing homes.

Thirdly, the data and information about how nursing homes are performing should be directly relevant, available and usable by the nursing homes themselves to help them improve through evidence-based practices.

Finally, we would combine the influences of financial incentives, evidence-based practice and public transparency, using virtually the same investment in data and information resources to support all three, and to make maximum use of information technology to accomplish those three consolidated and mutually-reinforcing objectives.

Outsourcing. OHCA was convinced that a first-of-its-kind, performance data driven quality improvement strategy was the direction to pursue. To avoid the prospect of a lengthy start up to develop internal resources, expertise and information systems to support the endeavor, we elected to issue a Request for Information, and subsequently a Request for Proposal in late 2006 to locate and engage a qualified organization to provide critical data and support elements for Focus on Excellence. In January 2007 the Authority issued a contract award to My InnerView, Inc., a Wisconsin-based firm specializing in performance measurement in the long term health care sector.

Under that agreement, preliminary provider training and enrollment was done in the Spring of that year, initial data collection was completed by year-end, and performance payments to qualifying nursing homes began in January of 2008. A consumer website was unveiled during the second quarter of this year, and can be accessed at www.oknursinghomeratings.com. Performance results for individual nursing homes are converted to a 5-Star rating display based on 10 performance domains that are virtually identical to those used for Medicaid incentive payments. However, the site also enables users to select custom combinations of performance measures of greatest interest to them and create ratings reflecting only those measures.

Payment Provisions

Although participation in *Focus on Excellence* is voluntary, facility response has been very good and now stands at over 85% of the state's eligible facilities. The initial plan design included a temporary 1% rate enhancement for participation, which expired on June 30, 2008. All incentive awards are now contingent on meeting established performance thresholds, and are graduated up to a maximum of 5% of a base per diem rate.

Provider payments as well as public ratings are revised after each calendar quarter. We believe that *Focus on Excellence* is the only nursing home pay-for-performance system that is capable of such frequent adjustments.

Performance Measures

Performance measures for the Medicaid payment calculations include the following:

- Resident Quality of Life
- Resident/family satisfaction
- Employee satisfaction
- Certified nurse aide turnover and retention
- Licensed nurse turnover and retention
- State survey compliance scores
- Level of person-centered care*
- Sentinel clinical outcomes
- Direct care staffing hours
- Medicaid occupancy and Medicare utilization ratio

The program design and expectation is that over time nursing facilities will become more sharply focused on, and invested in, opportunities for quality improvement. The Focus on Excellence key elements of financial incentives, public transparency, and timely and relevant operational feedback to facility managers are already providing greater value for Medicaid dollars spent.

* Person-Centered care is a measure of organizational culture change in nursing homes. It involves creating an environment in nursing facilities that reflects and respects the needs and wishes of residents and their families. The Centers for Medicare and Medicaid Services (CMS) is promoting culture change toward person-centered care in nursing and other long-term care facilities, and has assembled a list of person-centered cultural artifacts that include, for example, open dining, daily social activities and interactions, bedtimes chosen by residents, home-like atmosphere with couches, lamps and other personal décor, resident choice and flexibility, etc.