THE LEAPFROG GROUP
Informing Choices. Rewarding Excellence.
Getting Health Care Right.

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Leapfrog Hospital Rewards Program

B A C K G R O U N D E R

Rewarding hospitals for delivering high quality care and creating incentives for continued performance excellence is a powerful way for payers - employers and health plans - to help improve the quality of care their beneficiaries receive and to lower their costs as quality improves. In the heath care marketplace today, providers are not always held accountable for the quality of care they provide, payers or health plans often cannot assess the quality of the providers with which they contract, and payment structures do not provide adequate incentives for providers to deliver safe, effective and efficient care. Research shows that 30% of spending on direct health care costs is attributed to poor quality care, which costs employers between $1,900 and $2,250 per year per beneficiary.[1] By changing their purchasing practices to create incentives and rewards for high-quality care, purchasers and payers can create an environment that is much more conducive to providers re-engineering how they deliver care. Rewarding performance sends a strong signal to providers that purchasers value high-quality health care for their beneficiaries, and efficiently provided high-quality care is less costly than poor quality care.

The Leapfrog Hospital Rewards Program (LHRP), inspired by the current CMS-Premier Hospital Quality Incentive Demonstration, is a nationally standardized hospital incentive and reward program that addresses clinical needs prevalent in the commercial population. Employers and health plans can easily implement the LHRP in their own environments.

- The program ranks hospitals in five clinical areas based on their performance along two dimensions: quality and resource efficiency;
- Purchaser and payer participants use these rankings as a basis of rewards to hospitals;
- The rankings will be used by The Leapfrog Group, health plans, data vendors and others to publicly recognize hospital performance;
- Hospitals can participate with minimal additional reporting - the program emphasizes using measures for which a mechanism already exists to collect data; and
- The program provides performance feedback information to hospital participants.

Leapfrog Hospital Rewards Program Clinical Areas
Performance measurement and rewards payout focuses on five clinical areas that, together, account for 20% of commercial spending on inpatient services and 33% of commercial admissions to hospitals.

- coronary artery bypass graft (CABG);
- percutaneous coronary intervention (PCI);
- acute myocardial infarction (AMI);
- community acquired pneumonia (CAP); and,
- deliveries / newborn care.

Actuarial work done by Towers Perrin demonstrates that not only are these five clinical areas a significant area of commercial inpatient spending, but they also represent significant opportunity for quality and efficiency improvement. Analyses of national quality and efficiency data for CABG, AMI and CAP show that, across these three clinical areas, only 5-8% of hospitals fall into the LHRP top performance group. These top performers also have average payments of 25-35% lower than the national average payment for its respective clinical area. Driving hospital improvement through performance rewards not only improves care but also can create savings on inpatient spending as care is provided more effectively and efficiently.

[1] Juran Institute, Inc. “Reducing the Costs of Poor-Quality Health Care Through Responsible Purchasing Leadership”. Prepared for Midwest Business Group on Health. April 2003.

Program Implementation
The hospital rankings gathered through the program can be used in a variety of ways. The data set of hospital performance can be licensed as a stand alone product. Potential uses of the data include: for performance-based reimbursement programs, in consumer education and/or decision support strategies, to recognize participating hospitals publicly and in network management. Alternatively, the entire program can be licensed and implemented by purchasers and health plans in a specific market. Among other things, program licensees agree to adhere to the LHRP methods for determining rewards. The LHRP can be implemented in a number of ways:

- A health plan can administer the LHRP for all of its beneficiaries and/or its employer-purchaser self-insured customers;
- A local healthcare coalition can coordinate employer participants to implement the LHRP, administering the program directly or utilizing Bridges to Excellence Hospital Care Link program to coordinate the program across participating purchasers. (For more information on Bridges to Excellence, see www.bridgestoexcellence.org.);
- Rather than implementing the entire program, a health plan can license the data to incorporate into its network development, reimbursement contracting or other incentive and reward programs as part of its existing programs; or
- The data can add value to consumer education and decision support tools.

Quality and Resource Efficiency Measures
All of the quality measures used in the LHRP have been endorsed through the National Quality Forum (NQF) consensus process and have an existing collection mechanism either through the Leapfrog Hospital Quality and Safety Survey or through JCAHO ORYX initiative. The quality measures are specific to each of the five clinical areas. The resource efficiency measure is the same for each of the five clinical areas and is measured separately for each area. It includes hospital data on average length of stay in routine care units, average length of stay in special care units (e.g. ICU days), and readmission rate within 14 days to the same facility. Length of stay data are adjusted for differences in severity of cases across participating hospitals. Payers that license the LHRP are expected to incorporate payment data from their experience into the Program. Staff from The Leapfrog Group are available to help Program Licensees with this process.

Performance Measurement and Scoring
Eligibility for rewards is based on hospital performance along both axes of quality and resource efficiency. Hospital performance is measured separately for each of the five clinical areas and each hospital's performance is compared nationally to other participating hospitals. Data reported by hospitals participating in the LHRP are aggregated, weighted, scored, and released semi-annually by Leapfrog.

Rewards Model Overview
For purchasers and health plans that license the program, the financial rewards they provide to hospitals take two forms:

- Bonus payments to top performance group hospitals and to hospitals that demonstrate sustained improvement; and,
- Increased market share for hospitals with sustained performance in the top two performance groups, through differential patient copayments, coinsurance, and deductibles and/or through health plans' PPO or tiered network eligibility.

Hospital performance in the program will also be made publicly available through The Leapfrog Group and its data licensees. Program Licensees are encouraged to recognize hospital performance on the LHRP publicly in addition to providing bonus payments and/or patient shift.

Actuaries at Towers Perrin have developed a model to calculate potential savings that can occur when the program is implemented in a given market (i.e. what will happen as hospitals improve and patients move to higher performing hospitals) to help program licensees understand the impact the program can have in their market.

Program Development and Review

The program has been developed under the direction of The Leapfrog Group, with the invaluable assistance of a number of organizations:

- **Premier, Inc.** (www.premierinc.com)
- **Towers Perrin** (www.towers.com)
- **Medstat** (www.medstat.com)

The Leapfrog Group continues to maintain the program and anticipates annual updates.
For more information, contact the LHRP Help Desk at leapfrog.medstat@thomson.com.

To implement the LHRP, purchasers and payers:

- Work with The Leapfrog Group to customize the LHRP for their specific market and organizational goals for program implememtation;
- Work with the employers in their market to collaborate on the program;
- Work with health plans in their market as administrators of the program;
- Engage the hospitals in their market to participate in the program; and,
- Administer rewards to hospitals based on their performance in the program.

To participate in the LHRP or for more information on the program visit the Web site at:
https://leapfrog.medstat.com/hrp/index.asp

Overview of Measures

Performance measurement and rewards payout focuses on five clinical areas that account for a significant share of hospitalizations and payments in the commercial population:

- coronary artery bypass graft (CABG);
- percutaneous coronary intervention (PCI);
- acute myocardial infarction (AMI);
- community acquired pneumonia (CAP);and,
- deliveries/newborns.

Quality measures are based on a combination of JCAHO Core Measures and Leapfrog Hospital Quality and Safety Survey results.

Resource efficiency measures are the same for each of the five clinical areas, but measured separately and specifically by each area:

- Average length of stay in routine care units;
- Average length of stay in special care units; and,
- Readmission rate within 14 days to the same facility.

Length of stay data are adjusted for patient-severity differences across participating hospitals.

Overview of Scoring

Data reported by hospitals participating in the LHRP are aggregated, weighted, scored, and released semi-annually by Leapfrog. Hospitals will be scored separately for each clinical area in which they participate.

Quality

Each of the quality measures for a clinical area is weighted to an overall composite quality score for that clinical area. The weights are based on evidence-based literature, where available, which quantifies the relative impact on mortality, morbidity or complications associated with each measure.

The hospital's performance for each measure earns all or none of the weight assigned to that measure; for some measures, it earns some of the weight as partial credit for partial progress.

The weights add to 100% across all quality measures within the clinical area. Therefore, for any clinical area in which it participates, a hospital can have an overall quality score ranging from 0 – 100%.

Resource Efficiency

For each clinical area, routine and special-care length of stay averages are standardized for severity, added to compute a total standardized length of stay, and inflated by the rate of readmission following discharges to compute an *adjusted length-of-stay* for the clinical area, by

participating hospital. This *adjusted length-of-stay* is then directly comparable across hospitals for that clinical area.

The overall resource efficiency score for a hospital is based on the number of standard deviations by which a hospital's *adjusted length-of-stay* differs from the all-hospital weighted mean adjusted length of stay for that clinical area, positive being better (shorter stay) than the weighted mean, negative being worse. These scores can range from approximately -3.0 to +3.0, with 0.0 representing average resource efficiency performance.

Performance Groups

Each hospital's overall score is arrayed along its respective axis - quality and resource efficiency - for each clinical area, and hospitals are compared and ranked against each other into one of four performance groups. Each clinical area stands alone; scores are not combined across clinical areas.

For each clinical area, to be ranked in the ***top performance group***, a hospital must rank in the top 25% of participating hospitals (top quartile) on **both** quality and resource efficiency. The ***second performance group*** consists of hospitals not scoring in the top quartile along both axes, but whose scores are not statistically lower than the worst performers in the top performance group at a confidence level of $p < .05$.

The ***third performance group*** consists of hospitals with either quality or resource efficiency scores statistically lower than the worst performers in the top performance group, at a confidence level of $p < .10$. The ***bottom performance group*** includes those hospitals with either score significantly worse than the top performance group, at a confidence level of $p < .05$.

The LHRP Rewards Principles, followed by Program Licensees and described starting on page 25, state that top performance group hospitals may be eligible for rewards. These Principles also state that other hospitals may become eligible for rewards if they show sustained performance group improvement over two consecutive six-month cycles. Improvement means a hospital has moved up to a better overall performance group for both quality and resource efficiency.

Hospital Participation

Any short-term acute-care general hospital in the U.S. may participate in the LHRP. However, at this time, the five clinical areas are specific to adult patients only; therefore, children's hospitals are not eligible to participate.

A hospital may participate for any one or more of the five clinical areas in which it provides care. To increase the amount of performance data feedback they receive and to make the LHRP data base as meaningful as possible, hospitals are encouraged to participate in as many clinical areas as possible. To participate, a hospital must:

- submit an up-to-date Leapfrog Hospital Quality and Safety Survey; and,
- where applicable, with minor modification, transmit a copy of its JCAHO Core Measure to Leapfrog.

Hospitals not submitting Core Measures data to JCAHO for a clinical area may, however, submit those data through their vendor to Leapfrog in order to participate in this rewards program for that clinical area.

Hospitals may participate in the program in one of two ways:

- As a participant **eligible** for rewards, a hospital has elected to submit data to Leapfrog and to identify itself in the data that Leapfrog releases as part of the program; or,

- As a participant whose identity is **masked**, a hospital has elected to submit data to Leapfrog as benchmark experience but is not eligible for rewards nor identified in the data that Leapfrog releases as part of the program.

Both reward-eligible and masked-identity hospitals receive from Leapfrog a benchmark comparison of their performance relative to national experience.