

**Hospital Quality Incentive Program
Addressing Issues of Racial and Ethnic Health Disparities (REHD)**

August 24, 2021

A new Hospital Quality Incentive Program (HQIP) will be established to address issues of racial and ethnic disparities relating to measures for Potentially Avoidable Admissions (PAA) pending CMS approval. Agency for Health Research and Quality's (AHRQ) Prevention Quality Indicators (PQIs) and Pediatric Quality Indicators (PDIs) for ambulatory sensitive conditions will be stratified by race and ethnicity. Information on AHRQ's PQIs and PDIs can be accessed at:

https://www.qualityindicators.ahrq.gov/Modules/pqi_resources.aspx#techspecs

https://www.qualityindicators.ahrq.gov/Modules/pdi_resources.aspx#techspecs

For non-children's acute care general hospitals, selected PQIs to be stratified by race and ethnicity include the following admission rates: PQI 01 Diabetes Short-Term Complications, PQI 05 COPD or Asthma in Older Adults and PQI 08 Heart Failure, and selected PDIs to be stratified by race and ethnicity include the following admission rates: PDI 14 Pediatric Asthma and PDI 15 Diabetes Pediatric Short-Term Complications. For Children's Hospitals only the selected PDIs apply.

Performance trend analysis for this metric will be established for each hospital using Calendar Year (CY) 2022 encounter data as the base year. The methodology to measure ongoing performance will align with the methodology used for the Potentially Avoidable Admissions (PAAs) HQIP (i.e. Incremental Improvement and Benchmark Achievement) but will be stratified by race and ethnicity. The payout structure will be similar to HQIPs for PAAs and follow-up treatment after ED visit for Opioid Use Disorder (ED OUD). Performance improvement payments will be made beginning in 2024 based on CY 2023 hospital performance. The amount allocated for CY 2023 performance improvement payments will be \$30 million split between benchmark achievement (40% or \$12 million) and incremental improvement (60% or \$18 million).

Each hospital will be measured and rewarded on:

- 1.) Incremental Improvement in reducing racial and ethnic disparities in the identified PQI/PDIs for Non-Hispanic African American and Hispanic/Latino Physical Health HealthChoices (PH-HC) members (combined); and
- 2.) Benchmark Achievement stratified by race and ethnicity (Non-Hispanic African American and Hispanic/Latino PH-HC members combined):
 - a. For non-children's acute care general hospitals: the 25th or 50th percentile benchmark of the statewide PQI/PDI rate, or
 - b. For Children's hospitals: the 50th percentile benchmark of the statewide PDI rate.

Process Incentive Pathway (PIP) Payments to Hospitals

PIP payments are intended to help hospitals prepare to address issues of racial and ethnic disparity. The statewide amount allocated for PIP payments will not exceed \$30 million annually. During CY 2022 and CY 2023, hospitals will have the opportunity to earn a PIP payment by implementing either PIP #1 or PIP #2. See Table 1. Qualifying hospitals will be awarded a PIP payment in CY 2022 and CY 2023 with payment being made in the calendar year in which the incentive is earned.

A hospital is considered to be a Qualifying Hospital if the hospital attests to either PIP #1 or PIP #2 and meets the *PIP Selection Process and Attestation Requirement* reflected below. Once a pathway is selected, the Qualifying Hospital must continue to follow the pathway for both calendar years of the PIP payment. Qualifying Hospitals may not select a different pathway for payment after their initial selection. A hospital that does not select a PIP and does not attest in Year 1 will be considered by DHS as non-qualified hospital.

PIP Bonus Payment

Qualifying Hospitals have the option to select PIP#3, in addition to their above selection of PIP#1 or PIP#2, and must attest to PIP#3 on their submitted attestation to be eligible to earn an additional PIP Bonus Payment. Qualifying Hospitals cannot select PIP#3 as a stand-alone pathway to receive payment.

Table 1			
Process Incentive Pathway (PIP)	Year 1 – CY 2022	Year 2 – CY 2023	Aggregate Payment Amount
#1	<ul style="list-style-type: none"> Begin to implement Race, Ethnicity, and Language (REaL) Data Collection 	<ul style="list-style-type: none"> Identify disparities Develop an internal committee and work plan to begin addressing issues of racial and ethnic health disparities 	<p><u>Base amount</u></p> <ul style="list-style-type: none"> CY 2022 \$25 million CY 2023 \$25 million
#2	<ul style="list-style-type: none"> Begin to develop a social needs and social risk screening processes 	<ul style="list-style-type: none"> Develop a plan to address one identified need or risk that the hospital identified related to racial and ethnic health disparities through the screening process 	
#3 (Bonus Payment)	<ul style="list-style-type: none"> Develop a community advisory board consisting of internal and external stakeholders 	<ul style="list-style-type: none"> Conduct quarterly meetings with the community advisory board 	<p><u>Bonus amount</u></p> <ul style="list-style-type: none"> CY 2022 \$5 million CY 2023 \$5 million

Qualifying Hospitals will receive a proportional amount of the Base amount reflected in Table 1 based on their number of CY 2019 PH-HC discharges compared to the number of CY 2019 PH-HC discharges for all Qualifying Hospitals. Qualifying Hospitals that also attest to PIP #3 will receive a proportional amount of the Bonus amount reflected in Table 1 based on their number of CY 2019 PH-HC discharges compared to the number of CY 2019 PH-HC discharges for all qualifying hospitals that attest to PIP #3. A Qualifying Hospital’s total PIP payment is the sum of their earned Base amount and earned Bonus amount, as applicable.

An illustration of the payment distribution methodology is reflected in Table 2. In the illustration Hospital X and Y are Qualifying Hospitals earning a total PIP payment of \$15 each. Hospital X earned both a Base and Bonus payment. Hospital Y earned a Base payment only. Hospital Z, even though attesting to PIP #3, is not a Qualifying Hospital and therefore will not receive a PIP payment.

Table 2				
Illustration for PIP Payment Distribution				
		Hospital X	Hospital Y	Hospital Z
A	Selected PIP #1 or PIP #2	Yes	Yes	No
B	Selected optional PIP #3	Yes	No	Yes
C	Submitted Timely Attestation	Yes	Yes	Yes
D	Qualifying hospital?	Yes	Yes	No
E	Number of CY 2019 PH-HC Discharges	100	150	50
F	Number of CY 2019 PH-HC Discharges for All Qualifying Hospitals	250		
G	Number of CY 2019 PH-HC Discharges for All Qualifying Hospitals attesting to PIP #3	100		
H	Aggregate Base Payment Amount	\$25		
I	Aggregate Bonus Payment Amount	\$5		
J = E/F*H	Earned Base Payment Amount (Qualifying hospitals only)	\$10	\$15	\$0
K = E/G*I	Earned Bonus Payment Amount (Qualifying hospitals only)	\$5	\$0	\$0
L = J+K	Earned Total PIP Payment Amount	\$15	\$15	\$0

PIP Selection Process and Attestation Requirement

1. The PIP selected by the Qualifying Hospital will need to be clearly agreed to in writing through the PIP Attestation Form and submitted to DHS by no later than April 15, 2022.
2. Qualifying Hospitals will need to attest in writing to implementation of the requirements for each year of the selected PIP by no later than April 15, 2022 to be eligible for a CY 2022 process incentive payment; and no later than April 14, 2023 to be eligible for a CY 2023 process incentive payment.

A copy of the attestation form is attached.

Racial and Ethnic Equity Performance Improvement Payments to Hospitals

CY 2023 will be the first performance year for which hospitals will be eligible to earn performance improvement payments. DHS will allocate \$30 million for Incremental Improvement and Benchmark Achievement payments in CY 2023. Since this amount will be paid out to hospitals proportionally based on each hospital’s performance, the actual payment amount per hospital will vary based on the number of eligible hospitals and their performance. Payment will also be weighted by the total number of

Medical Assistance (MA) discharges (as defined in the denominator below) per hospital. The first performance payment is targeted to be made in October 2024, for performance year CY 2023.

Each hospital’s performance statistic is calculated as follows:

- The event denominator will be the number of discharges for Non-Hispanic African American and Hispanic/Latino MA PH-HC members (combined).
- The event numerator will be the number of discharges for Non-Hispanic African American and Hispanic/Latino PH-HC members (combined) with one of the selected PQI/PDI diagnoses upon discharge. Global exclusions such as burns, cancer treatment, trauma and HIV will be applied.

$$\frac{\text{CY 2023 Number of Discharges from denominator with one of the selected PQI/PDI diagnoses on discharge}}{\text{CY 2023 Number of Discharges of Non-Hispanic African American and Hispanic/Latino (combined) PH-HC Members}} = \text{Performance Statistic}$$

The illustration in Table 3 reflects Hospital X with a CY 2023 Performance Statistic of 6.79%.

Table 3			
Illustration: Hospital X – CY 2023			
Race/Ethnicity Classification	Total Discharges	PQI/PDI Discharges	Performance Statistic
A	B	C	D = C/B
Non-Hispanic African American	4,217	373	8.85%
Hispanic/Latino	3,510	152	4.33%
Combined Total	7,727	525	6.79%

Incremental Improvement Payments

Each hospital will be measured on incremental improvement based on the difference in Performance Statistic between the base year and performance year. Each hospital has the ability to earn an Incremental Improvement payment based on the sliding scale shown in Table 4. A hospital must improve by at least 0.5% to qualify for an Incremental Improvement payment.

Table 4	
Incremental Improvement	Percent Payout
≥ 3 Percentage Point Improvement	100%
≥ 2 and < 3 Percentage Point Improvement	90%
≥ 1 and < 2 Percentage Point Improvement	80%
≥ 0.5 and < 1 Percentage Point Improvement	70%

In the illustration reflected in Table 5, Hospital X’s incremental change in percent from the base year (CY 2022) to the performance year (CY 2023) is 1.07%; therefore, Hospital X would earn an Incremental Improvement payment with a percent payout of 80% based on the hospital’s 1.07% percentage point improvement (reduction in PAA) from CY 2022 to CY 2023.

Table 5			
Illustration: Hospital X			
CY	Total Discharges	PQI/PDI Discharges	Performance Statistic
2022	7,250	570	7.86%
2023	7,727	525	6.79%
Incremental Change in Percent			1.07%

Each hospitals’ earned Percent Payout is then applied to the following formula to calculate the hospitals’ Incremental Improvement payment.

$$\frac{\text{CY 2023 Total Discharges}^1_{\text{Hospital X}}}{\text{CY 2023 Total Discharges}^{1,2}_{\text{All Qualifying Hospitals}}} * \text{Percent Payout} * \text{Available Funding} = \text{Incremental Improvement Payment}$$

Benchmark Achievement Payments

Based on the statewide performance of PAA for all hospitals for the base year, DHS will calculate the 25th and 50th percentile benchmark for non-Children’s hospitals and the 50th percentile benchmark for Children’s hospitals. Each non-Children’s acute care general hospital has the ability to earn a Benchmark Achievement payment by achieving the prior year’s 25th and 50th percentile benchmarks. Each Children’s hospital has the ability to earn a Benchmark Achievement payment by achieving the prior year’s 50th percentile benchmark. To receive a benchmark payment, the hospital’s Performance Statistic must be less than or equal to the benchmark.

As illustration, Hospital X (a non-children’s acute care general hospital) would earn a Benchmark Achievement payment with a percent payout of 100% based on the hospital’s 6.79% CY 2023 Performance Statistic (from Table 3) and the benchmark illustration sliding scale reflected in Table 6.

Table 6			
Benchmark Illustration – CY 2022			
	Non-Children’s Acute Care General Hospital		Children’s Hospital
Percentile	25 th	50 th	50 th
Benchmark	10.2%	14.0%	20.4%
% Payout	100%	90%	100%

¹ The number of discharges for Non-Hispanic African American and Hispanic/Latino PH-HC members (combined)

² As adjusted by each qualifying hospital’s percent payout (Discharges within the MA PH-HC program for qualifying children’s and qualifying non-children’s hospitals are combined in the denominator).

Total Performance Improvement Payment

Hospitals can qualify for both Incremental Improvement and Benchmark Achievement payments. In the illustration of Hospital X, the hospital would qualify for both the Incremental Improvement and Benchmark Achievement payments.

$$\text{Total Performance Improvement Payment} = \text{Incremental Improvement Payment} + \text{Benchmark Achievement Payment}$$

Total payment for performance is based on three factors: the total payment allocated to the overall quality program, the individual hospital's performance, and each hospital's number of discharges for Non-Hispanic African American and Hispanic/Latino PH-HC members.

Please refer to the **PA Hospital Quality Incentive Payment** materials available on the DHS website for information related to the application of these measures, <https://www.dhs.pa.gov/providers/Providers/Pages/Hospital-Assessment-Initiative-.aspx>, or contact RA-PWPQUALINCEN@pa.gov with questions.