submit corrections for its excess readmission ratios for the applicable conditions for a fiscal year that are used to determine its readmissions payment adjustment factor under paragraph (c) of this section, CMS will provide each applicable hospital with confidential hospital-specific reports and discharge level information used in the calculation of its excess readmission ratios.

(2) Applicable hospitals will have a period of 30 days after receipt of the information provided in paragraph (f)(1) of this section to review and submit corrections for the excess readmission ratios for each applicable condition that are used to calculate the readmissions payment adjustment factor under paragraph (c) of this section for the fiscal year.

(3) The administrative claims data used to calculate an applicable hospital's excess readmission ratios for the applicable conditions for a fiscal year are not subject to review and correction under paragraph (f)(1) of this section.

(4) CMS posts the excess readmission ratios for the applicable conditions for a fiscal year for each applicable hospital on the Hospital Compare website or successor website(s).

[77 FR 53674, Aug. 31, 2012, as amended at 78 FR 50967, Aug. 19, 2013; 79 FR 50354, Aug. 22, 2014; 84 FR 42614, Aug. 16, 2019; 86 FR 45520, Aug. 13, 2021]

§§412.155–412.159 [Reserved]

INCENTIVE PAYMENTS UNDER THE HOSPITAL VALUE-BASED PURCHASING PROGRAM

§412.160 Definitions for the Hospital Value-Based Purchasing (VBP) Program.

As used in this section and in §§412.161 through 412.168:

Achievement threshold (or achievement performance standard) means the median (50th percentile) of hospital performance on a measure during a baseline period with respect to a fiscal year, for Hospital VBP Program measures other than the measures in the Efficiency and Cost Reduction domain, and the median (50th percentile) of hospital performance on a measure during the performance period with respect to a fiscal year, for the measures in the Efficiency and Cost Reduction domain.

Applicable percent means the following:

(1) For FY 2013, 1.0 percent;

(2) For FY 2014, 1.25 percent;

(3) For FY 2015, 1.50 percent;

(4) For FY 2016, 1.75 percent; and

(5) For FY 2017 and subsequent fiscal years, 2.0 percent.

Base operating DRG payment amount means the following:

(1) With respect to a subsection (d) hospital (as defined in section 1886(d)(1)(B) of the Act), the wage-adjusted DRG operating payment plus any applicable new technology add-on payments under subpart F of this part. This amount is determined without regard to any payment adjustments under the Hospital Readmissions Reduction Program, as specified under §412.154. This amount does not include any additional payments for indirect medical education under §412.105, the treatment of a disproportionate share of low-income patients under §412.106, outliers under subpart F of this part, or a low volume of discharges under §412.101.

(2) With respect to a Medicare-dependent, small rural hospital that receives payments under §412.108(c) or a sole community hospital that receives payments under §412.92(d), the wage-adjusted DRG operating payment plus any applicable new technology add-on payments under subpart F of this part. This amount does not include any additional payments for indirect medical education under §412.105, the treatment of a disproportionate share of low-income patients under §412.106, outliers under subpart F of this part, or a low volume of discharges under §412.101. With respect to a Medicare-dependent, small rural hospital that receives payments under §412.108(c) (for discharges occurring in FY 2013) or a sole community hospital that receives payments under §412.92(d), this amount also does not include the difference between the hospital-specific payment rate and the Federal payment rate determined under subpart D of this part.

Benchmark means the arithmetic mean of the top decile of hospital performance on a measure during the baseline period with respect to a fiscal

year, for Hospital VBP Program measures other than the measures in the Efficiency and Cost Reduction domain, and the arithmetic mean of the top decile of hospital performance on a measure during the performance period with respect to a fiscal year, for the measures in the Efficiency and Cost Reduction domain.

Cited for deficiencies that pose immediate jeopardy means that, during the applicable performance period, the Secretary cited the hospital for immediate jeopardy on at least three surveys using the Form CMS–2567, Statement of Deficiencies and Plan of Correction. CMS assigns an immediate jeopardy citation to a performance period as follows:

(1) If the Form CMS–2567 only contains one or more EMTALA-related immediate jeopardy citations, CMS uses the date that the Form CMS–2567 is issued to the hospital;

(2) If the Form CMS–2567 only contains one or more Medicare conditions of participation immediate jeopardy citations, CMS uses the survey end date generated in ASPEN; and

(3) If the Form CMS–2567 contains both one or more EMTALA-related immediate jeopardy citations and one or more Medicare conditions of participation immediate jeopardy citations, CMS uses the survey end date generated in ASPEN.

Domain means a grouping of measures used for purposes of calculating the Total Performance Score for each hospital with respect to a fiscal year.

Domain score means the total number of points awarded to a hospital for a domain.

Health equity adjustment bonus points means the points that a hospital can earn for a fiscal year based on its performance and proportion of inpatient stays for patients with dual eligibility status.

Hospital means a hospital described in section 1886(d)(1)(B) of the Act, but does not include a hospital, with respect to a fiscal year, for which one or more of the following applies:

(1) The hospital is subject to the payment reduction under section 1886(b)(3)(B)(viii)(I) of the Act for the fiscal year;

(2) The Secretary cited the hospital for deficiencies that pose immediate jeopardy to the health or safety of patients during the performance period that applies with respect to the fiscal year;

(3) There are not a minimum number of measures that apply to the hospital for the performance period for the fiscal year; or

(4) There are not a minimum number of cases for the measures that apply to the hospital for the performance period for the fiscal year.

Immediate jeopardy has the same meaning as that term is defined in § 489.3 of this chapter.

Improvement threshold (or improvement performance standard) means an individual hospital's performance level on a measure during the baseline period with respect to a fiscal year.

Linear Exchange Function is the means to translate a hospital's total performance score into a value-based incentive payment percentage such that:

(1) Each eligible hospital's value-based incentive payment percentage is based on its total performance score; and

(2) The total amount of value-based incentive payments to all hospitals in a fiscal year is equal to the total amount available for value-based incentive payments in such fiscal year.

Measure performance scaler means the sum of the points awarded to a hospital for each domain for the fiscal year based on the hospital's performance on the measures in those domains.

Performance period means the time period during which data are collected for the purpose of calculating hospital performance on measures with respect to a fiscal year.

Performance standards are the levels of performance that hospitals must meet or exceed in order to earn points under the Hospital VBP Program, and are calculated with respect to a measure for a fiscal year no later than 60 days prior to the start of the performance period for that measure for that fiscal year. The performance standards for a measure may be updated as follows:

(1) To make a single correction to correct a calculation error, data issue,

or other problem that would significantly change the performance standards; or

(2) To incorporate nonsubstantive technical updates made to the measure between the time that CMS first displays the performance standards for that measure for a fiscal year and the time that CMS calculates hospital performance on that measure at the conclusion of the performance period for that measure for a fiscal year.

Total Performance Score means the numeric score awarded to each hospital based on its performance under the Hospital VBP Program with respect to a fiscal year.

Underserved multiplier means the mathematical result of applying a logistic function to the number of hospital inpatient stays for patients in the underserved population out of the hospital's total Medicare inpatient population during the calendar year that is 2 years prior to the applicable fiscal year.

Underserved population, as used in this section, means hospital inpatients who are Medicare beneficiaries and also dually eligible for full Medicaid benefits during the month of discharge or, if a patient died during that month, during the previous month.

Value-based incentive payment adjustment factor is the number that will be multiplied by the base operating DRG payment amount for each discharge from a hospital, during a fiscal year, in order to adjust the hospital's payment as a result of its performance under the Hospital VBP Program.

Value-based incentive payment percentage means the percentage of the base operating DRG payment amount for each discharge that a hospital has earned with respect to a fiscal year, based on its Total Performance Score for that fiscal year.

Wage-adjusted DRG operating payment is the applicable average standardized amount adjusted for—

(1) Resource utilization by the applicable MS-DRG relative weight;

(2) Differences in geographic costs by the applicable area wage index (and by the applicable cost-of-living adjustment for hospitals located in Alaska and Hawaii); and

(3) Any applicable payment adjustment for transfers under § 412.4(f).

[77 FR 53674, Aug. 31, 2012, as amended at 78 FR 50967, Aug. 19, 2013; 79 FR 50354, Aug. 22, 2014; 81 FR 57268, Aug. 22, 2016; 86 FR 45520, Aug. 13, 2021; 88 FR 59333, Aug. 28, 2023]

§ 412.161 Applicability of the Hospital Value-Based Purchasing (VBP) Program.

The Hospital VBP Program applies to hospitals, as that term is defined in § 412.160.

[79 FR 50355, Aug. 22, 2014]

§ 412.162 Process for reducing the base operating DRG payment amount and applying the value-based incentive payment amount adjustment under the Hospital Value-Based Purchasing (VBP) Program.

(a) *General.* If a hospital meets or exceeds the performance standards that apply to the Hospital VBP Program for a fiscal year, CMS will make value-based incentive payments to the hospital under the requirements and conditions specified in this section.

(b) *Value-based incentive payment amount.* (1) *Available amount.* The value-based incentive payment amount for a discharge is the portion of the payment amount that is attributable to the Hospital VBP Program. The total amount available for value based incentive payments to all hospitals for a fiscal year is equal to the total amount of base-operating DRG payment reductions for that fiscal year, as estimated by the Secretary.

(2) *Calculation of the value-based incentive payment amount.* The value-based incentive payment amount is calculated by multiplying the base operating DRG payment amount by the value-based incentive payment percentage.

(3) *Calculation of the value-based incentive payment percentage.* The value-based incentive payment percentage is calculated as the product of all of the following:

(i) The applicable percent as defined in § 412.160.

(ii)(A) For fiscal years before FY 2026, the hospital's Total Performance Score divided by 100; or