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Value-based programs

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The Hospital Value-Based Purchasing (VBP) Program

What is the Hospital Value-Based Purchasing (VBP) Program?

The Hospital VBP Program rewards acute care hospitals with incentive payments for the quality of care provided in the inpatient hospital setting. This program adjusts payments to hospitals under the Inpatient Prospective Payment System (IPPS) based on the quality of care they deliver.

Why is the Hospital VBP Program important?

The Hospital VBP Program is designed to make:

- The quality of care better for hospital patients.
- Hospital stays a better experience for patients.

The Hospital VBP Program encourages hospitals to improve the quality, efficiency, patient experience and safety of care that Medicare beneficiaries receive during acute care inpatient stays by:

- Eliminating or reducing adverse events (healthcare errors resulting in patient harm).
- Adopting evidence-based care standards and protocols in order to obtain the best outcomes for Medicare patients.
- Incentivizing hospitals to improve patient experience.
- Increasing the transparency of care quality for consumers, clinicians, and others.
- Recognizing hospitals that provide high-quality care at a lower cost to Medicare.

How does the program work?

We reward hospitals based on the quality of care provided to Medicare patients, not just the quantity of services provided.

The program:

- Withholds participating hospitals' Medicare payments by a percentage specified by law (2%).
- Uses the estimated total amount of those reductions to fund value-based incentive payments to hospitals based on their performance in the program.
- Applies the net result of the reduction and the incentive as a claim-by-claim adjustment factor to the base operating Medicare severity diagnosis-related group (MS-DRG) payment amount for Medicare fee-for-service claims in the fiscal year associated with the performance period.

What measures are used in the Hospital VBP Program?

Hospitals are scored on measures such as:

- Mortality and complications
- Healthcare-associated infections
- Patient safety
- Patient experience
- Efficiency and cost reduction

Each hospital may earn 2 scores on each measure — one for achievement and one for improvement. The final score awarded to a hospital for each measure is the higher of these 2 scores. We adjust a part of hospitals' Medicare payments based on a total performance score that reflects, on a measure-by-measure basis:

- How well they perform compared to all hospitals, or
- How much they improve their own performance compared to their performance during a prior baseline period.

Get more in-depth information about the Hospital Value-Based Purchasing program and other Hospital Quality Initiatives.

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