

Unintended Consequences: Medicare Performance Programs and Health Disparities Project Summary

In recent years, the healthcare landscape has undergone transformational changes, through public reporting of hospital performance, promotion of medical homes, and development of global payment mechanisms, all directed at improved quality and value of care. To accelerate and solidify this process, the Patient Protection and Affordable Care Act (ACA) of 2010 mandated two programs of performance-based financial incentives covering a majority of hospitals nationwide: the Hospital Readmissions Reduction Program (HRRP) and the Value-Based Purchasing (VBP) program. Beginning in 2012, the programs incentivized an increase (“reward”) or decrease (“penalty”) in Medicare reimbursement rates based on hospital performance on a range of measures – readmissions, process of care, patient experience of care, mortality – some covering all patients and others covering patients with acute admissions for acute myocardial infarction, heart failure, and pneumonia.

Although intended to encourage evaluation and improvement of quality-of-care processes, these programs have raised considerable concern for potential adverse impact in hospitals that care for disproportionately large share of racial and ethnic minorities (“minority-serving hospitals”) or uninsured and underinsured patients (“safety-net hospitals”). First, evidence indicates that patient outcomes, such as readmissions, are affected by factors beyond the influence of hospital processes, including access to outpatient care, and family and social supports; consequently, HRRP and VBP, using hospital benchmarks that make no allowance for differences in patient socio-demographic or clinical severity profiles, may lead to higher risk of penalties for minority-serving and safety-net hospitals. Second, as minority-serving and safety-net hospitals provide more uncompensated care, leading to greater reliance on public subsidies, their investments for quality-of-care improvements are likely to be smaller; to compound this challenge, financial penalties from the Medicare programs may have a greater adverse impact for patient care and outcomes in the resource-poor hospitals due to their low operating margins.

To evaluate these concerns, the proposed study aims to examine data from the implementation experience of these programs. Using Medicare patient-level and hospital-level data (2008-2015), and a difference-in-differences study design based on comparison of hospitals exposed to the programs with those not exposed, we aim to estimate program effects on (a) hospital performance, and (b) patient outcomes – 30-day mortality and readmission – by race/ethnicity and socioeconomic status. In addition, we will explore alternative modifications in performance programs to incentivize safety-net and minority-serving hospitals to improve quality of care.