



Written by [Michael Tennant](#) on July 5, 2017

ObamaCare Program Rewards Low-Quality Hospitals That Cut Costs

An ObamaCare program supposedly aimed at promoting high-quality, low-cost care has instead rewarded many hospitals for cutting costs regardless of the quality of their care, a recent Government Accountability Office (GAO) audit found.

The [report](#), which was mandated by the healthcare law, reviewed the results of the Hospital Value-based Purchasing (HVBP) program, which rewards or penalizes about 3,000 participating hospitals for their performance on several quality and efficiency metrics. The program is budget-neutral; the Centers for Medicare and Medicaid Services (CMS) pays bonuses from a fund consisting of a small percentage withheld from each hospital's Medicare reimbursements.



Although most hospitals have received a bonus or penalty of 0.5 percent each year since 2013, when the program began, over time an increasing percentage of hospitals has gotten even larger bonuses or penalties. According to the report, "Over the years, the median bonus has more than doubled, but the median penalty has nearly tripled." Compared to all hospitals, a higher percentage of small urban and rural hospitals has received bonuses of more than 0.5 percent, while more safety-net hospitals—those that serve largely low-income Americans—have been penalized.

What is really noteworthy about the report, however, is the GAO's finding that hospitals with poor or missing quality metrics can still snag significant bonuses if they cut costs. An efficiency metric, which simply measures Medicare reimbursements per beneficiary, was added to the program in 2015; it accounts for 25 percent of a hospital's overall score. Since that time, noted the GAO, "about 20 percent of the hospitals that received bonuses each year had weighted composite quality scores below the median for all hospitals." Furthermore, "For each fiscal year, a higher percentage of safety net and small rural hospitals received bonuses (between 26 and 36 percent) when compared to all hospitals, despite having quality scores below the median score for all hospitals."

How can that be? The GAO summed it up in one sentence: "Hospitals that received a bonus despite having composite quality scores below the median for all hospitals had sufficiently high efficiency scores to achieve total performance scores that made them eligible for bonuses."

This was especially true of hospitals submitting incomplete quality metrics. In such cases, CMS proportionally redistributes the missing scores' weights to the other metrics, including efficiency. "As a result," wrote the GAO, "the efficiency score can carry even more than its assigned weight, and hospitals with missing domain scores had efficiency scores that were weighted higher than those of the



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other participating hospitals. This amplified the contribution of the efficiency domain to hospitals' total performance scores." By fiscal year 2017, a hospital with incomplete quality metrics could find its efficiency metric comprising as much as 71 percent of its overall score.

The GAO did indeed find that "hospitals with missing domain scores were more likely to receive a bonus than hospitals with all domain scores." In fiscal year 2017, 68 percent of hospitals with missing scores got bonuses, while only 50 percent of those with complete scores did. In addition, "182 of the 345 lower quality hospitals that received a bonus (53 percent) were missing at least one quality domain score." Moreover, the bonuses for the hospitals with missing scores were larger than the median bonus for all hospitals.

"CMS signaled the importance of hospitals' providing care at a lower cost to Medicare, and, in its weighting formula, the agency tried to find balanced consideration for quality and cost," stated the report. "Rather than achieving this balance — which would have allowed the agency to identify and reward higher quality and lower cost hospitals — CMS's weighting formula has resulted in bonuses for some lower quality hospitals, solely due to their cost efficiency." This, in turn, may have led to smaller bonuses for better-performing hospitals that submitted all their metrics, said the GAO.

CMS concurred with the GAO's recommendations to revisit its HVBP formula, but will the agency actually do so? What if the whole point of HVBP, like that of so much else in ObamaCare, was to cut costs regardless of outcomes? That is, after all, the whole *modus operandi* of government healthcare; and CMS, a past master at [heedlessly shrinking reimbursements](#), is unlikely to change course now.



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