year are not subject to review and correction under paragraph (f)(1) of this section.

(4) CMS will post the excess readmission ratios for the applicable conditions for a fiscal year for each applicable hospital on the Hospital Compare Web site.

§§ 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 412.167:

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.

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 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.

(3) With respect to a hospital that is paid under section 1814(b)(3) of the Act, the payment amount under section 1814(b)(3) of the Act.

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.

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 two surveys using the Form CMS–2567, Statement of Deficiencies and Plan of Correction.

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.

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.

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.

Total Performance Score means the numeric score ranging from 0 to 100 awarded to each hospital based on its performance under the Hospital VBP Program with respect to a fiscal year.

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(t).

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

(a) General rule. Except as provided in paragraph (b) of this section, the Hospital VBP Program applies to hospitals, as that term is defined in §412.160.

(b) Special rule for hospitals paid under section 1814 of the Act. The Secretary may exempt hospitals paid under section 1814 of the Act from the requirements of the Hospital VBP Program for a fiscal year if the State submits an annual report to the Secretary describing how a similar program in the State for a participating hospital or hospitals achieves or surpasses the measured results in terms of patient health outcomes and cost savings established under the Hospital VBP Program.

§ 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