In the Literature

A QUALITY-BASED PAYMENT STRATEGY FOR NURSING HOME CARE IN MINNESOTA

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A new study supported by The Common-wealth Fund provides insight and a roadmap for the development of a proposed quality-based payment system for nursing home care in Minnesota.

The concept of linking payment to quality of care "may be taking hold" in the state, say the authors of "A Quality-Based Payment Strategy for Nursing Home Care in Minne-sota" (*The Gerontologist*, Feb. 2007), even though the pay-for-performance system is not yet fully operational. The nursing home industry has cautiously announced its support of the new approach, designed to provide facilities with greater financial rewards based on quality-of-care scores, but has had diffi-culty agreeing on the system's technical details, say the authors.

"The new payment system was designed to create a business case for quality when used in addition to a nursing home report card that uses the same quality elements to inform potential consumers about the quality of nursing homes," says lead author Robert L. Kane, M.D., of the University of Minnesota School of Public Health. The paper details the complexities as well as the political and technical challenges that must be negotiated by stakeholders approach-ing a pay-for-performance transformation.

Rewarding Quality in Nursing Homes

Efforts to improve nursing home and health care quality have traditionally focused on ways to reward providers for higher-quality care and improved outcomes—which can serve to ex-pand the gap between good and poor homes, if good homes use the additional revenue to further increase quality. In Minnesota, quality-based payment was designed to minimize the problem of the conflicting incentives between rewards based on outcomes and case-mix payments based on acuity.

"The challenge, then, is to develop a payment approach that can deal with differences in resi-dent acuity and also reward quality by paying nursing homes more if they produce better quality of care," say the authors. Minnesota's new payment system was designed to: 1) pro-vide incentives to boost quality of life and care, while recognizing cost differences in caring for different types of residents; 2) establish pay-ment rates that are sufficient without being excessive; and 3) allow providers wide flexibil-ity in their business operations.

The quality score is composed of five ele-ments: staff retention, staff turnover, use of temporary staff, nursing home quality indica-tors, and survey deficiencies. Quality of life and satisfaction data, generated from interviews with residents, have recently become available and will be included in future versions, the authors say.

Moving Forward

To develop valid measures of quality to use in the payment model, Minnesota, say the authors, "began with a compromise between what we wanted to measure and what data we could relatively easily assemble." The process in-cluded both empirical research and political strategy. Ultimately, the proposed model proved difficult for providers to understand, and the Minnesota legislature enacted a simpler model involving a bonus payment of up to 3 percent of the daily per diem rate based on a facility's quality score.

The researchers view the current model as an interim step, but suggest that for providers to endorse and use a pay-for-performance approach, they must accept the measures and calculations of quality, understand how they are used to create a payment rate, and develop and imple-ment strategies to improve quality.