

## **Inpatient resource use measurement: developing an analytic framework**

**ISSUE:** To assess providers' relative efficiency, Medicare needs to be able to measure both their quality and resource use. The Commission has analyzed the availability of quality measures for inpatient care. To complete the analysis, measures of resource use must be identified. This paper outlines the issues that need to be resolved to begin to identify resource use measures.

**KEY POINTS:** In March 2005, the Commission recommended that CMS measure physicians' resource use and report their performance back to them in a confidential manner. The Commission has also expressed interest in measuring inpatient resource use. This information could be given to providers to help them improve, to be used in a pay for performance program, or to encourage physicians and hospitals to better coordinate their efforts to provide high quality, low cost care. However, measuring resource use requires decisions regarding whether to measure services in the control of hospitals or physicians or both, which measures to use, and what time frame to measure. This paper discusses each dimension and provides three analyses done by others to illustrate various approaches to measuring resource use.

In addition to Commissioner discussion to help develop the analytic framework, staff will interview representatives from private and public sector efforts to measure resources associated with inpatient care. After developing an analytic framework, we hope to apply it to Medicare data to help determine the feasibility of evaluating inpatient resource use.

**ACTION:** This is the first discussion the Commission has had on this topic. Commissioners should provide comments on the direction of this analytic framework.

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