

Figure 1. Overview of CJR's Pay-for-Performance Methodology

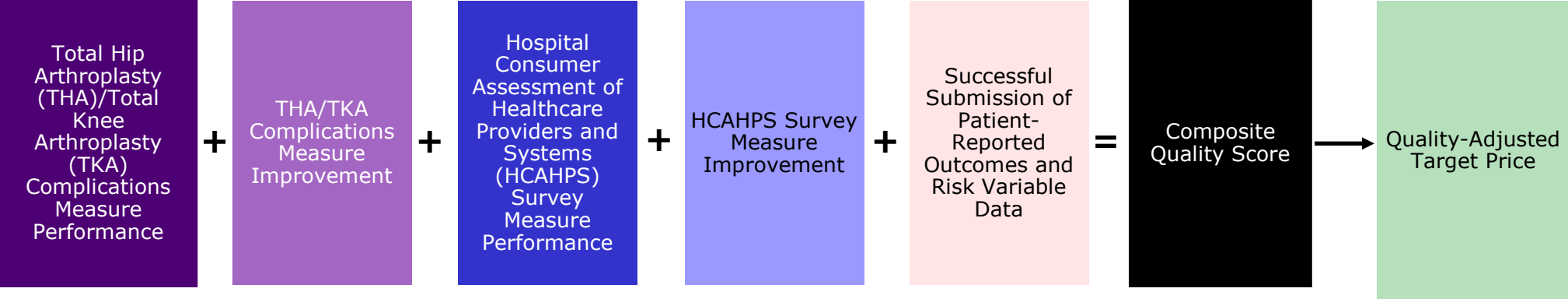
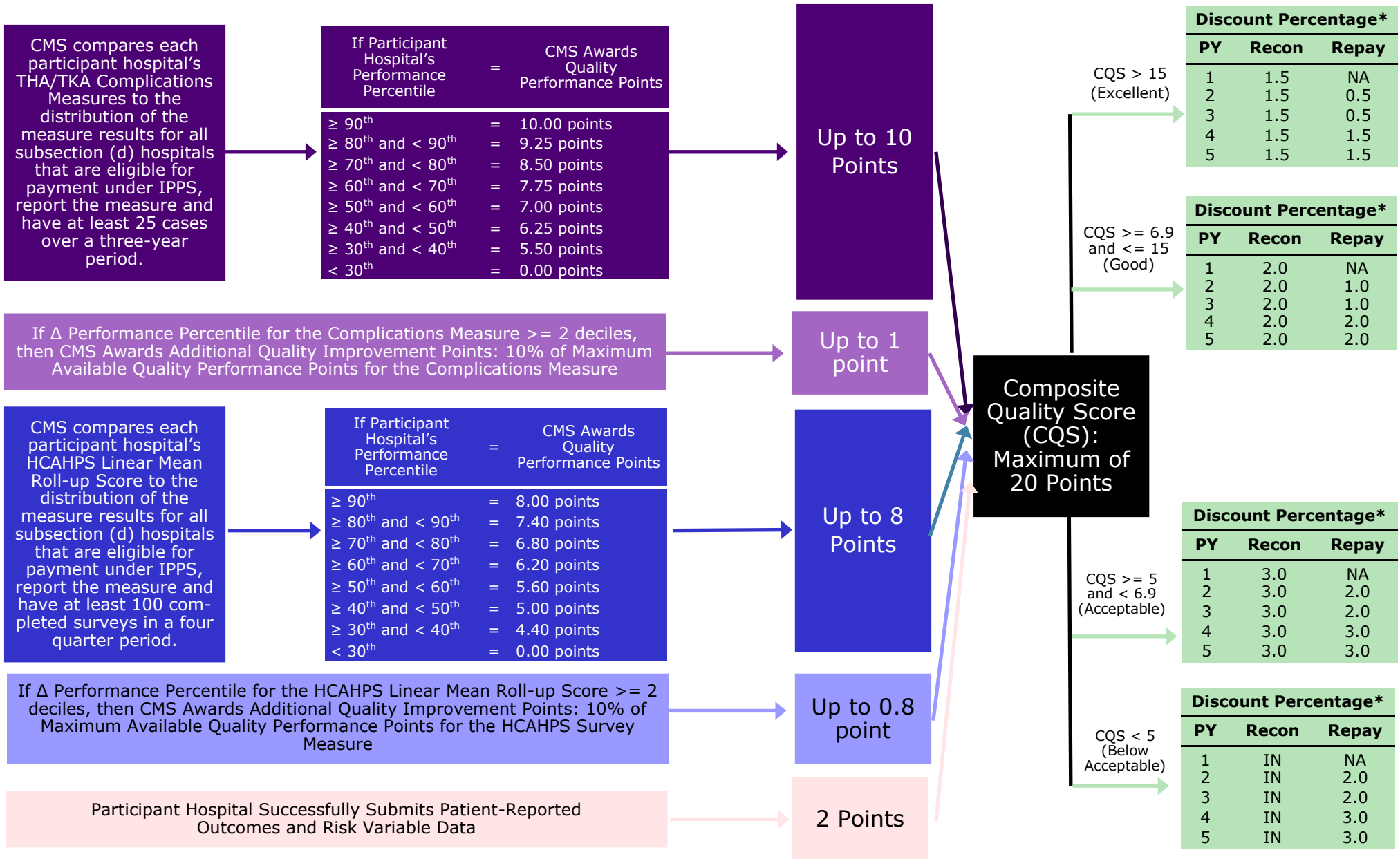


Figure 2. CJR's Pay-for-Performance Methodology in Detail



*The effective discount percentage refers to the discount percentage included in the hospital's quality-adjusted target price at reconciliation. Quality-adjusted target prices represent the hospital episode benchmark price with, at the most, a 3% discount applied. The discount that is applied to the benchmark price at reconciliation – the effective discount percentage – may be lowered based on a hospital's composite quality score and corresponding quality category. CMS will compare the quality-adjusted target price at reconciliation to actual episode spending to determine whether a hospital is eligible for a reconciliation payment or is responsible for making a payment to Medicare. Participant hospitals must have a composite quality score greater than or equal to 5.0 in order to be eligible to receive a reconciliation payment. *Recon* = Effective discount percentage for reconciliation payment; *Repay* = Effective discount percentage for repayment amount; *IN* = Ineligible.