

FACT SHEET: Hospital Readmissions Reduction Program

WHY THE PROGRAM IS IMPORTANT

- Hospital readmissions are recognized as indicators of poor quality of care, such as inadequate discharge planning and care coordination. Moreover, most experts believe that many readmissions are unnecessary and avoidable.
- Last year, 18 % of Medicare patients discharged from the hospital were readmitted within 30 days, putting patients at increased risk of complications or infections and accounting for approximately \$17 billion in excess Medicare.¹
- Recent years have stimulated progress in reducing readmissions: Medicare beneficiaries experienced 150,000 fewer avoidable readmissions between January 2012 and December 2013, which represents an 8% decrease in overall readmissions.²
- Data from 2009 to 2012 suggest that targeted efforts to reduce avoidable readmissions for acute myocardial infarction (AMI), heart failure and pneumonia patients have achieved better care.³

HOW THE PROGRAM WORKS

- Implementation of the Hospital Readmissions Reduction Program began in FY 2013 based on data collected for three measures from July 2008 to June 2011. The program will expand to include additional high-volume, high-cost measures in FY 2015 and beyond (Table 1).^{4 5}
- Payment adjustment occurs for hospitals with an “excess readmissions ratio,” which is calculated as actual readmissions over expected readmissions.
- The excess readmissions ratio is used to determine the penalty percentage applied to the base DRG payment for all patient stays.
- As determined by the Affordable Care Act, the Medicare payment adjustment will not exceed a 3% deduction for FY 2015 and the following years.
- Measures of readmissions for these conditions will be publicly reported on Medicare’s *Hospital Compare* website.

FINANCIAL IMPACT

- In FY 2014, 66% of hospitals, or 2,225 hospitals out of 3,379 in the program received penalties, with the average penalties reaching only 0.38%.⁶ The total national penalty was \$53 million less than FY 2013 despite increasing the percent reimbursement “at risk.”
- For FY 2015, three quarters of hospitals are receiving some sort of penalty. Only 39 hospitals (1%) are receiving the full 3% penalty for excess readmissions, with the average penalty reaching 0.63%. Some penalties are as small as a hundredth of a percent.⁷

WHERE WE WANT THE PROGRAM TO GO

- CMS should explore alternative payment mechanisms for this program that take into account the complexities in caring for extremely disadvantaged patients. In particular, CMS should consider ways to support providers serving high proportions of low-SES patients, who are either high-performers or are demonstrating substantial improvement.
- Measurement alone cannot ensure fewer avoidable readmissions and safer patient care – instead, it should be coupled with the identification and implementation of best practices for improving patient care.
- The future inclusion of additional high-impact, condition specific readmissions measures.

Table 1. Timeline for Readmissions Measures Reporting and Payment

Readmission measures	When data is collected	When payment takes effect
<ul style="list-style-type: none"> • Acute Myocardial Infarction • Heart Failure • Pneumonia 	July 2008 – June 2011	FY 2013
<ul style="list-style-type: none"> • Chronic Obstructive Pulmonary Disease (COPD) • Total Hip Arthroplasty (THA)/ Total Knee Arthroplasty (TKA) 	July 2009 – June 2012	FY 2015
<ul style="list-style-type: none"> • Coronary Artery Bypass Graft (CABG) 	July 2010 – June 2013	FY 2017

1 Kaiser Health News. “Medicare Fines 2,610 Hospitals In Third Round Of Readmission Penalties.” October 2, 2014. Accessed at <http://www.kaiserhealthnews.org/Stories/2014/October/02/Medicare-readmissions-penalties-2015.aspx>.

2 U.S. Department of Health and Human Services. *New HHS data show quality improvements saved 15,000 lives and \$4 billion in health spending.* Available at <http://www.hhs.gov/news/press/2014pres/05/20140507a.html>.

3 Centers for Medicare and Medicaid Services. *Medicare Hospital Quality Chartbook: Performance Report on Outcome Measures, 2013.* Available at <http://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/HospitalQualityInits/Downloads/-Medicare-Hospital-Quality-Chartbook-2013.pdf>

4 Data is collected over a three year period that ends two years prior to the payment adjustment using claims-based, Medicare Fee-For-Service data. For FY 2013, data was collected from July 2008 to June 2011, and data collection continues on in this manner for subsequent fiscal years.

5 The measures are NQF-endorsed, condition-specific measures of 30-day risk-standardized readmissions ratios (RSRRs), which are risk-adjusted for comorbidities, severity of disease, and patient demographics (not including socioeconomic status) and do not include unrelated or planned readmissions.

6 Kaiser Health News. “Readmissions Penalties By State: Year Two.” August 2, 2013. Accessed at <http://www.kaiserhealthnews.org/stories/2013/august/02/readmission-penalties-by-state-year-two.aspx?referrer=search>

7 Kaiser Health News. “Medicare Fines 2,610 Hospitals In Third Round Of Readmission Penalties.” October 2, 2014. Accessed at <http://www.kaiserhealthnews.org/Stories/2014/October/02/Medicare-readmissions-penalties-2015.aspx>.