

HOSPITAL READMISSIONS REDUCTION PROGRAM

Beginning in fiscal year 2013, inpatient prospective payment system hospitals with higher-than-expected readmissions rates will experience decreased Medicare payments for all Medicare discharges. Prior to implementation (March 23, 2012 – two years after enactment), the Health and Human Services Secretary shall make available a program for eligible hospitals to improve their readmission rates through patient safety organizations. Critical access hospitals and post-acute care providers are exempt.

Performance evaluation will be based on the 30-day readmission measures for heart attack, heart failure and pneumonia that are currently part of the Medicare pay-for-reporting program and reported on *Hospital Compare*. The base inpatient payment for hospitals with *actual* readmission rates higher than their Medicare-calculated *expected* readmission rates will be reduced by an adjustment factor that is the greater of:

- A hospital-specific readmissions adjustment factor based on the number of readmitted patients in excess of the hospital's calculated expected readmission rate; or
- 0.99 in FY 2013; 0.98 in FY 2014; and 0.97 in FY 2015 and beyond.

This means the largest potential reduction for a hospital would be 1 percent in FY 2013; 2 percent in FY 2014; and 3 percent in FY 2015 and beyond. This reduction will apply to *all* Medicare discharges. Hospitals with a small number of applicable patient cases, as determined by the HHS Secretary, will be excluded from the provision.

Beginning in FY 2015, the secretary can expand the list of conditions to include chronic obstructive pulmonary disorder and several cardiac and vascular surgical procedures, as well as any other condition or procedure the secretary chooses. The secretary is directed to seek endorsement from the National Quality Forum for all measures used to assess readmissions performance. However, the secretary has the discretion to proceed without receiving endorsement.

The secretary is directed to calculate and report all-payer readmission rates for the conditions selected for the readmissions financial penalties program, based on all-payer data submitted by hospitals.

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