

Hospital Readmissions Reduction Program

Educational Briefing for IT Professionals

Executive Summary

Medicare's Hospital Readmissions Reduction Program (HRRP) penalizes hospitals up to 3% of inpatient Medicare revenue if they have worse-than-average readmissions rates for select conditions. A readmission occurs when a patient returns for unscheduled inpatient hospital care within 30 days of a prior acute care stay. Just under 80% of all hospitals received some degree of readmissions penalty in FY 2015 with an average amount of over \$160,000. The program will expand to include more conditions in the future, which makes it more likely that a large proportion of hospitals will continue to see Medicare inpatient revenue losses as a result.

Why was the program introduced?

Readmissions are a key driver of increased costs to Medicare. CMS introduced the program as part of the Affordable Care Act (ACA) as an accountability measure for hospitals to reduce their overall cost of care. Previously, hospitals had little financial incentive to reduce readmissions as they were paid for each additional readmission. The reimbursement penalties are strong financial deterrent.

Why are readmissions a key issue for providers?

According to MedPAC, the average Medicare inpatient margins continue to be negative overall. Therefore, the readmission penalty adds further margin pressure. Readmissions also increase episodic costs of care which may further negatively impact provider inpatient reimbursement through the Hospital Value-Based Purchasing (VBP) Program. Furthermore, hospitals will need to reduce their total cost of care in order to be competitive in a rapidly changing marketplace. Reducing readmissions is a significant lever that can help in all areas.

Conditions Measured Under the Program and Timeframes Considered

To determine readmissions penalties for a given fiscal year, Medicare collects hospital data for a rolling three-year period. For example, 2015 penalties were based on data from **July 1, 2010 to June 30, 2013**. As a result of the delayed three-year time frame, hospitals must make a long-term commitment to reduce readmissions before their penalties can fall.

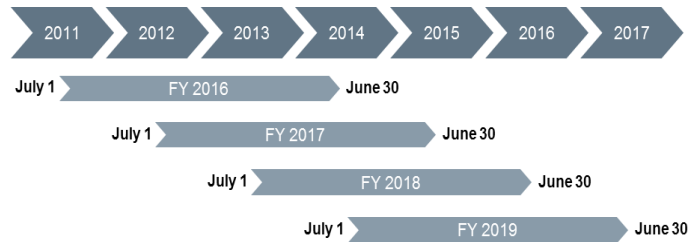
Fiscal Year	Acute Myocardial Infarction	Heart Failure	Pneumonia	Chronic Obstructive Pulmonary Disease	Total Hip/Knee Arthroplasty	Coronary Artery Bypass Graft
2013	✓	✓	✓			
2014	✓	✓	✓			
2015	✓	✓	✓	✓	✓	
2016	✓	✓	✓	✓	✓	
2017	✓	✓	✓	✓	✓	✓

Questions That Hospital Executives Should Ask Themselves

- 1 What are the root causes of readmissions for patients discharged from my hospital?
- 2 How can we identify patients at high risk for readmission?
- 3 How can we better collaborate across the care continuum to prevent care breakdowns that lead to readmissions?
- 4 How can we better educate, engage, and activate patients and family care givers?

Be Mindful of Future Timeframes

The readmissions penalties beyond 2015 are not finalized, yet the pattern of data collection periods to date indicates what providers are doing today is impacting future reimbursement.



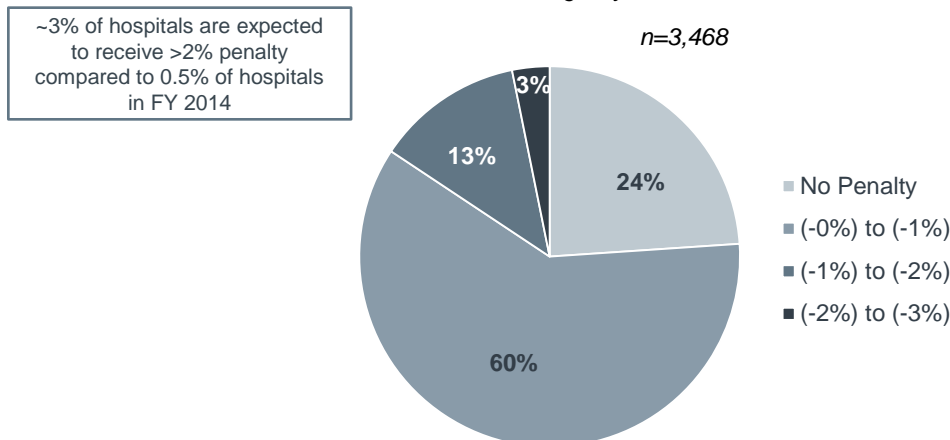
How does the Readmissions Reduction Program affect providers?

Clinical

Readmissions occur for a variety of reasons. Some of [these](#) factors are unavoidable, the result of chronically ill patients that need frequent care. Other readmissions can be avoided because they are due to hospital errors or sub-par care. Lastly, many result from patients failing to comply with prescriptions, doctor instructions, follow-up care, or diet. As a result, the HRRP has led hospitals to revamp discharge processes, improve patient compliance, and optimize treatment adherence. Beyond payment penalties, hospital reputations are also at stake, as readmission rates are published on CMS's [Hospital Compare website](#).

Financial

FY 2015 Final Rule Readmission Penalties
Reflecting July 1, 2010 to June 30, 2013



How might the Readmissions Reduction Program affect IT?

Care Coordination Is Vital

- An IT infrastructure that can support care coordination across multiple sites, including hospital, primary care, post acute care, and even patient homes, will be vital in the HRRP.

Patient Activation Is Important

- Engaging patients in their care increases their adherence to treatment and is an important part in reducing readmissions. Technology that can promote patient education and patient activation, and improve medication adherence will be essential.

Additional Advisory Board research and support are available



If you would like breakdowns of average readmission rates in a market or hospital-specific readmission penalties, please contact your Dedicated Advisor. To see how the HRRP and other Medicare incentive and penalty initiatives affect hospitals, please view the Advisory Board's [Pay for Performance Map](#).

To learn how Premier Health developed and implemented their cross-continuum care navigator program to reduce readmissions and cost of care for patients, please see the following Advisory Board On-Demand web conference: [Premier Health's Cross-Continuum Navigator Program for Top Utilizers](#).

Source: Advisory Board research and analysis.