HEALTHCARE REFORM
Hospital Readmissions Reduction Program (HRRP):
The Basics

August 2012

The enclosed slides are intended to provide you with an overview of the reimbursement changes for hospitals paid under the Medicare Inpatient Prospective Payment System (IPPS) related to readmission rates. This tool is designed to help distributors and manufacturers understand how these reimbursement changes are intended to incentivize hospitals to reduce overall readmission rates and how this policy impacts the healthcare continuum. For example, hospitals’ Medicare payments will be reduced if readmission rates exceed expected benchmarks.

This is one of many healthcare reform resources HIDA has developed. For more information on healthcare reform, visit www.HIDA.org/Reform, or contact HIDA Government Affairs at 703-549-4432.
Reducing Readmissions

**Hospital Readmissions Reduction Program (HRRP)**

The Centers for Medicare and Medicaid Services (CMS) will reduce payments to hospitals with excess readmissions rates for heart attack (acute myocardial infarction; AMI), heart failure (HF), and pneumonia (PN), effective October 1, 2012.

**Hospitals that exceed higher than expected readmission rates will face a penalty up to 1% on all Medicare reimbursement in FY2013.**

- Readmission is defined as an admission to a hospital within 30 days of a discharge from the same or another hospital.

- CMS will calculate each hospital’s “excess readmission ratio” to be used as the benchmark to determine the hospital’s payment adjustment.

- CMS estimates an overall 0.3% decrease in payments to hospitals in FY2013 - approximately $280 million.

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1 Centers for Medicare and Medicaid Services (CMS). [https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/Readmissions-Reduction-Program.html](https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/Readmissions-Reduction-Program.html).

2 “Excess Readmission Ratio” accounts for the ratio of risk-adjusted predicted readmissions to risk-adjusted expected readmissions for each condition (HF, AMI, PN) based on admissions from July 1, 2008 to June 30, 2011 for FY 2013. CMS.gov.

3 Medicare Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals Final Rule. CMS. August 1, 2012.
Goals of the HRRP

Reduce Costs

- Preventable readmissions are estimated to cost Medicare $17.5 billion per year.  

- One in five Medicare beneficiaries was readmitted to a hospital in 2010. 

Improve Outcomes

- Almost one in four patients admitted to a skilled nursing facility from a hospital is readmitted to the hospital within 30 days. 

- Medicare readmission rates varied from 12.2% to 26.7% at hospitals across the U.S. in 2010.

Foster Accountability

- Healthcare provider outcomes are now published online, allowing patients to compare outcomes amongst healthcare providers: www.HospitalCompare.hhs.gov; www.medicare.gov/NursingHomeCompare; www.medicare.gov/find-a-doctor.

Readmission Rates, by Age (2010)

<table>
<thead>
<tr>
<th>Age Group</th>
<th>% of all Medicare Population</th>
<th>Readmit Rate</th>
<th>% with 1+ Readmit</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Medicare Beneficiaries</td>
<td>19.2%</td>
<td>3.9%</td>
<td></td>
</tr>
<tr>
<td>Age &lt;65</td>
<td>17%</td>
<td>23.1%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Age 65-74</td>
<td>39%</td>
<td>17.9%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Age 75-84</td>
<td>29%</td>
<td>18.6%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Age 85+</td>
<td>15%</td>
<td>18.4%</td>
<td>5.3%</td>
</tr>
</tbody>
</table>


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5 Ibid.
Post-Acute and Primary Care Impacted by HRRP

**Care Coordination**
- Hospitals are incentivized to work with post-acute providers and primary care doctors to reduce preventable hospital readmissions.
- Improved discharge planning, chronic disease management, and utilization of electronic health records have proven to help hospitals achieve lower readmissions.

**Purchasing Decisions**
- Products that are clinically proven to reduce readmission rates may benefit both acute and post-acute providers.

### Readmission Rates, by Dual Eligibility and Nursing Home Stay (2010)

<table>
<thead>
<tr>
<th></th>
<th>% of Medicare Population</th>
<th>Readmit Rate</th>
<th>% with 1+ Readmit</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Medicare Beneficiaries</td>
<td></td>
<td>19.2%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Medicaid Eligibility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full Dual*</td>
<td>17%</td>
<td>23.8%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Partial Dual</td>
<td>4%</td>
<td>20.4%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Not a Dual</td>
<td>78%</td>
<td>17.3%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Nursing Home Stay</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>4%</td>
<td>23.3%</td>
<td>10.8%</td>
</tr>
<tr>
<td>No</td>
<td>96%</td>
<td>18.8%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

*The term “Dual” denotes patient eligibility for both Medicare and Medicaid services. This population tends to have co-morbidities.