



A TOOLKIT: HOSPITAL READMISSIONS

An Alliance for Health Reform Toolkit produced with support from the Robert Wood Johnson Foundation

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May 21, 2013

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Key Facts

- Nearly one in five Medicare patients – or about 2 million people - is readmitted to the hospital within 30 days of leaving, costing the federal government about \$17.5 billion annually.¹
- Hospitals with high rates of readmission now may lose up to 1 percent of Medicare reimbursement fees, and up to 3 percent by 2015, as dictated by the Patient Protection and Affordable Care Act (ACA).²
- The federal government is authorized to spend about \$300 million over five years to help hospitals develop strategies for reducing readmission rates, as part of the ACA.³
- Medicare readmissions declined in 2012. Medicare reported that in 2012, 17.8 percent of discharged patients were readmitted within 30 days, down from 19 percent in 2011.⁴
- This year, hospitals have been hit with penalties totaling \$280 million, based on high readmission rates for heart attack, heart failure and pneumonia patients.⁵ Big hospitals, teaching hospitals and hospitals with poor patients have paid the largest share of fines.⁶

Beginning on Oct. 1, 2012, hospitals for the first time faced a financial penalty for readmitting a patient whom it had already cared for in the past month. The policy is a sea change in how Medicare has typically paid hospitals for treating Medicare patients. Until the Patient Protection and Affordable Care Act (ACA) became law in March 2010, hospitals were paid a set fee for a patient's stay and were paid again when the patient returned. There was no incentive to keep patients out of the hospital.⁷

In April 2009, the *New England Journal of Medicine* quantified the cost of that lack of incentive. In a study analyzing hospital readmission data from 2003 and 2004, the journal found that 19.6 percent of patients were rehospitalized within 30 days, 34 percent within 90 days and 56.1 percent within the year. Ninety percent of those returns to the hospital were unplanned and cost Medicare \$17.4 billion in 2004. The reasons for those returns varied, but the study cited lack of a follow-up appointment with a physician as a major reason for readmission.⁸ The

proportion of readmissions has remained steady throughout the decade. In 2010, the Centers for Medicare and Medicaid Services (CMS) estimated that readmissions cost Medicare \$17.5 billion.⁹

The *New England Journal of Medicine* report was released as Congress began debating the ACA. Creating incentives for hospitals to do more with follow-up care became part of the law. Legislators directed CMS to develop a set of standards to measure hospitals for quality of care, including lowering readmission rates. Initially CMS focused its attention on the readmission rates of patients who had been diagnosed with a heart attack, heart failure or pneumonia. Starting in fiscal 2013 (which began in October 2012), hospitals with poor readmission rates for patients with those conditions faced as much as a 1 percent cut in their Medicare reimbursement rate. CMS will be adding chronic obstructive pulmonary disease and hip and knee surgery to its readmission standards for FY2014 and increasing the penalty rate to 2 percent. By 2015, the penalty rate will rise to 3 percent of reimbursements.¹⁰

In March 2013, the government announced that 2,213 hospitals will have lower reimbursement rates for having too many readmissions, and 276 of them faced the maximum penalty of a 1 percent cut in rates. On average, that is a penalty of about \$125,000 per hospital. CMS said the penalties total about \$280 million.¹¹

The government has also been spending money to help hospitals develop strategies to reduce their readmission rates. CMS is authorized by Congress to spend about \$300 million, over five years, through the Medicare Community-Based Care Transitions Program to work with hospitals whose patients are at high risk of being readmitted to the hospital. High-risk patients are those who have multiple conditions like cognitive impairment or depression, or have multiple readmissions.

Under the program, a community-based organization partners with the hospital to create transition care teams that get patients to the follow-up treatment they need after leaving the hospital. That includes everything from getting patients to their post-hospital doctor's appointment to helping them manage their medications. The organization then gets reimbursed up to \$400 for each discharge patient it works with, depending upon the severity of the patient's illness.¹²

Hospitals have also been investing on their own in a multitude of strategies to reduce their readmission rates. Those strategies include adding more social workers to help patients plan their care after leaving the hospital, to hiring nurses or paramedics to check on patients at their homes. Some hospitals are working with local churches to get patients to the doctor. Others have invested in medical record-sharing to better coordinate care between hospitals and patients' primary care doctors.¹³

Still, researchers haven't conducted enough studies to know exactly what works to reduce readmission rates. The lion's share of the 2013 penalties hit academic hospitals, which train physicians, and hospitals serving a large number of poor patients. Small regional hospitals and hospitals with affluent patients faced fewer penalties. The disparity caused opinions to vary on the fairness of the readmission fines. There are concerns that CMS's readmission standard doesn't account for the severity of the underlying illness causing a patient to become hospitalized, and doesn't account for the socioeconomic status of the patient, which is tied to the frequency a patient returns to the hospital. Further, there are questions about whether hospitals really can be responsible for patients once they leave the building.¹⁴

CMS has published data that it says show the readmission policy is having an impact. The nationwide rate of hospital readmissions for Medicare patients within 30 days dropped to 17.8 percent in 2012 from 19 percent the year before.¹⁵

As the government continues to implement this policy, this Toolkit aims to provide a broad set of resources and perspectives on the challenges hospitals face to improve their readmissions rates.

Resources

History, Scope of Problem

The Revolving Door: A Report on U.S. Hospital Readmissions

Robert Wood Johnson Foundation, February 2013

<http://www.rwjf.org/content/dam/farm/reports/reports/2013/rwjf404178>

This report uses anecdotal evidence from interviews with both patients and providers in several metropolitan cities to explore why so many elderly patients are being readmitted to hospitals. It concludes that there was little progress made in reducing hospital readmissions between 2008 and 2010. The report identifies some efforts by hospitals to improve readmission rates.

Hot Topics in Healthcare: Transitions of Care: the Need for More Effective Approach to Continuing Care

Joint Commission, June 2012

http://www.jointcommission.org/assets/1/18/Hot_Topics_Transitions_of_Care.pdf

This report lists a host of reasons why patients return to the hospital or to nursing homes, chiefly citing breakdowns in communication between patients, hospitals and caregivers. It also lays out some of the evidence-based care models that have been developed to improve patient transitions.

Medicare Hospital Readmissions: Issues, Policy Options and PPACA

Congressional Research Service, Sept. 21, 2010

http://www.ncsl.org/documents/health/Medicare_Hospital_Readmissions_and_PPACA.pdf

The report lays out the history of the problem, the potential benefits and the unknowns about tying financial incentives to hospital readmission rates now that it is law. It notes that there continue to be questions about what characteristics make a patient at high risk for hospital readmission, but it raises multiple theories, including socioeconomic factors.

Rehospitalizations among Patients in the Medicare Fee-for-Service Program

New England Journal of Medicine, April 2, 2009

<http://www.nejm.org/doi/full/10.1056/NEJMp1300122>

This study analyzed discharge and readmission records at 855 critical-care hospitals between October 1, 2003 and December 31, 2004, and found that 19.6 percent of patients were rehospitalized within 30 days, 34.0 percent within 90 days, and 56.1 percent within 365 days. About two-thirds (62.9 percent) of Medicare beneficiaries in the traditional fee-for-service program who were discharged were rehospitalized or died within a year. This study is widely quoted in media to reflect the scope of the readmission problem.

Report to Congress: Reforming the Delivery System

Medicare Payment Advisory Commission (MedPAC), June 2007

http://www.medpac.gov/chapters/jun07_ch05.pdf

High readmission rates at hospitals can be an indicator of poor care, according to the advisory panel created by Congress to advise it on Medicare payment policy. To encourage hospitals to focus on this issue, MedPAC advised Congress in the 2007 report to direct hospitals to report their readmission rates and then change the way it reimburses hospitals to financially incentivize hospitals to decrease their rates of readmission. MedPAC Executive Director Mark Miller testified before Congress in June of 2008, and again called for financial incentives to discourage readmissions. His testimony can be found here:

http://www.medpac.gov/documents/20080916_Sen%20Fin_testimony%20final.pdf.

The ACA Rule

Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long Term Care Hospital Prospective Payment System and Fiscal Year 2014 Rates

<http://www.gpo.gov/fdsys/pkg/FR-2013-05-10/pdf/2013-10234.pdf>

Federal Register, April 29, 2013

The formal set of federal regulations for fiscal year 2014 that will impose penalties on hospitals and increase the number of criteria by which hospitals will be judged for quality. It also proposes a list of hospital-acquired conditions that may also be used for judging quality at hospitals.

Lower Costs, Better Care: Reforming Our Health Care Delivery System

CMS, Feb. 28, 2013

<http://www.cms.gov/apps/media/press/factsheet.asp?Counter=4550&intNumPerPage=10&checkDate=&checkKey=&srchType=1&numDays=3500&srchOpt=0&srchData=&keywordType=All&chkNewsType=6&intPage=&showAll=&pYear=&year=&desc=false&cboOrder=date>

CMS press release announcing the reductions in hospital readmissions and federal efforts to reduce health care costs.

Readmission Reductions Program

Centers for Medicare and Medicaid Services

<http://www.cms.gov/medicare/medicare-fee-for-service-payment/acuteinpatientPPS/readmissions-reduction-program.html>

This is a summary of the federal government's rule written to implement the ACA's requirement that CMS reduce payments to hospitals with excessive hospital readmissions beginning Oct. 1, 2012. This page also outlines the penalties and how they are imposed on hospitals.

Readmission Measures Review

QualityNet, 2013

<http://www.qualitynet.org/dcs/ContentServer?cid=1219069855273&pagename=QnetPublic%2FPage%2FQnetTier3&c=Page>

This site explains the 30-day quality readmission measures that CMS is using to determine a hospital's quality performance and whether or not to impose penalties under the law. The site explains how the methodology was developed.

Medicare Program; Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and the Long-Term Care Hospital Prospective Payment System and Fiscal Year 2013 Rates

Federal Register, August 31, 2012

<http://www.gpo.gov/fdsys/pkg/FR-2012-08-31/pdf/2012-19079.pdf>

This is the formal set of federal regulations implementing the rule to impose penalties on hospitals with high rates of readmissions and the rate at which they will be penalized.

Initiatives to Reduce Readmissions

Recent Medicare Initiatives to Improve Care Coordination and Transitional Care for Chronic Conditions

AARP Public Policy Institute, March 2013

http://www.aarp.org/content/dam/aarp/research/public_policy_institute/health/2013/recent-medicare-initiatives-improve-coordination-transitional-chronic-AARP-ppi-health.pdf

This report discusses a number of government initiatives aimed at improving the coordination of care for Medicare patients with chronic conditions, such as Alzheimer's. It also highlights

efforts aimed at reducing hospital readmissions and indicates the amount of money that has been set aside for each program.

Community-based Care Transitions Program

Centers for Medicare and Medicaid Services, November 2011

<http://innovation.cms.gov/initiatives/CCTP/index.html>

Here are details of the program created by CMS with hospitals and community-based organizations to improve transition care for high-risk patients leaving the hospital so that they get follow-up care in other settings.

Stories About Readmissions Penalties

Hospitals Question Medicare Rules on Readmissions

The New York Times, March 29, 2013

http://www.nytimes.com/2013/03/30/business/hospitals-question-fairness-of-new-medicare-rules.html?pagewanted=all&_r=0

Drawing on the NEJM report, this story outlines concerns from hospitals across the country, including fears that the penalties are unfairly hitting poor and academic hospitals.

CMS Revises Hospital Readmission Policies For The Second Time

Becker's Hospital Review, March 15, 2013

<http://www.beckershospitalreview.com/racs/-/icd-9/-/icd-10/cms-revises-hospitals-readmission-penalties-for-the-second-time.html>

This story notes that CMS recalculated its penalties on hospitals after finding mathematical errors in its calculations. It notes there was a revision on the number of hospitals punished and a decline in the amount saved by the government.

Health Law's Rules Help Hospitals Cut Patient Readmission Rate

The Washington Post, Feb. 27, 2013

http://articles.washingtonpost.com/2013-02-27/national/37332837_1_readmissions-providers-medicare-and-medicaid-services

In this article, an Obama administration official says that the ACA has lowered hospital readmission rates. "The nationwide rate of hospital readmissions of Medicare patients within 30 days of discharge declined to about 17.8 percent by last November after remaining stuck near 19 percent over the five years," the author writes. She describes the impact that the penalty policy has had on driving down readmission rates, and includes comments from skeptics about whether the policy is really helping or hurting health care quality.

Medicare Eyes Hospital Readmissions

Politico, Jan. 23, 2013

<http://www.politico.com/story/2013/01/cut-hospital-stays-for-medicare-savings-86584.html>

The story highlights successful efforts to reduce readmission rates as well as explains the federal government's effort to save money and improve quality at hospitals.

Medicare Discloses Hospitals' Bonuses, Penalties Based on Quality

Kaiser Health News, Dec. 20, 2012

<http://www.kaiserhealthnews.org/Stories/2012/December/21/medicare-hospitals-value-based-purchasing.aspx>

This story explains CMS's broad effort to improve hospital quality, which includes both reducing hospital-acquired infections and reducing readmission rates. It includes explanations of how the program works, the penalties, which hospitals have been punished and rewarded, and hospital reactions.

Effort to Curb Medicare Spending Begins With Crackdown On Hospital Readmissions

The New York Times, Nov. 26, 2012

<http://www.kaiserhealthnews.org/Stories/2012/November/27/medicare-spending-hospital-readmissions.aspx>

The story lays out how the hospital penalty program works, how many hospitals are affected, how much money may be saved and how hospital officials are responding.

Policy Impact

Hospital Performance Measures and 30-Day Readmission Rates

Journal of General Internal Medicine, March 2013 (behind paywall)

<http://link.springer.com/article/10.1007%2Fs11606-012-2229-8>

This report concludes that hospitals that have adhered to recommended care processes did not achieve meaningful reductions in 30-day readmission rates, compared with those hospitals that did not adhere to those processes.

STAAR Issue Brief: The Effect of Medicare Readmissions Penalties on Hospitals' Efforts to Reduce Readmissions

Institute for Healthcare Improvement, March 6, 2013

<http://www.ihl.org/knowledge/Pages/Publications/STAARIssueBriefEffectofMedicareReadmissionsPenalties.aspx>

State hospital association leaders, quality improvement organizations and hospitals provide perspective in this issue brief. Those interviewed say the penalties have both been a positive influence on getting hospitals to commit to reducing admissions, but they also air concerns about the process.

Association Between Quality Improvement for Care Transitions in Communities and Rehospitalizations Among Medicare Beneficiaries

Journal of American Medical Association, January 23/30, 2013

<http://jama.jamanetwork.com/Issue.aspx?journalid=67&issueID=926266&direction=P>

This article highlights a multicity Medicare quality initiative that reduced readmissions by about 6 percent in comparison to similar communities over two years. The authors estimated that by spending \$1 million a year on simple steps, \$4 million could be saved in hospital readmissions.

Recommendations for Change

A Path Forward on Medicare Readmissions

New England Journal of Medicine, March 28, 2013

<http://www.nejm.org/doi/full/10.1056/NEJMp1300122>

This report looks at the controversy over the way penalties are levied on hospitals and offers guidance for how CMS could improve the program and build on the progress that has been made in reducing readmissions. For example, it suggests that the government could weight penalties according to the timing of readmissions.

Refining the Hospital Readmissions Reduction Program

Medicare Payment Advisory System, March 7, 2013

<http://www.medpac.gov/transcripts/readmissions%20Public.pdf>

MedPAC presented this set of slides at a meeting and noted that hospitals serving low-income populations have been most impacted by the fines. MedPAC offered a set of recommendations, including decreasing penalties when industry performance improves and making penalties similar across hospitals serving different socio-economic groups.

¹ Centers for Medicare and Medicaid Services. (2012). National Medicare Readmission Findings: Recent Data and Trends. Retrieved from <http://www.academyhealth.org/files/2012/sunday/brennan.pdf>

² CMS. Readmissions Reduction Program. *CMS.gov*. Retrieved from <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/Readmissions-Reduction-Program.html>

³ Lind, K. (March 2013). Recent Medicare Initiatives to Improve Care Coordination and Transitional Care for Chronic Conditions. *AARP Public Policy Institute*. Fact sheet 278, 1-9. Retrieved from

http://www.aarp.org/content/dam/aarp/research/public_policy_institute/health/2013/recent-medicare-initiatives-improve-coordination-transitional-chronic-AARP-ppi-health.pdf

⁴ CMS. (Feb. 28, 2013) Lower Costs, Better Care: Reforming Our Health Care Delivery System. *CMS.gov*. Retrieved from

<http://www.cms.gov/apps/media/press/factsheet.asp?Counter=4550&intNumPerPage=10&checkDate=&checkKey=&srchType=1&numDays=3500&srchOpt=0&srchData=&keywordType=All&chkNewsType=6&intPage=&showAll=&pYear=&year=&desc=false&cboOrder=date>

⁵ Rodak, S. (March 15, 2013) CMS Revises Hospitals' Readmission Penalties for the Second Time. *Becker's Hospital Review*. Retrieved from <http://www.beckershospitalreview.com/racs/-/icd-9/-/icd-10/cms-revises-hospitals-readmission-penalties-for-the-second-time.html>

⁶ Abelson, R. (March 29, 2013) Hospitals Question Medicare Rules on Readmission. *The New York Times*. Retrieved from http://www.nytimes.com/2013/03/30/business/hospitals-question-fairness-of-new-medicare-rules.html?pagewanted=all&_r=0

⁷ Rau, J (Nov. 26, 2012) Effort to Curb Medicare Spending Begins With Crackdown on Hospital Readmissions. *Kaiser Health News*. Retrieved from

<http://www.kaiserhealthnews.org/Stories/2012/November/27/medicare-spending-hospital-readmissions.aspx>

⁸ Joynt, K & Jha, A. (March 6, 2013) A Path Forward on Medicare Readmissions. *The New England Journal of Medicine*. 368:1175-1177. Retrieved from <http://www.nejm.org/doi/full/10.1056/NEJMp1300122>

⁹Centers for Medicare and Medicaid Services. (2012). National Medicare Readmission Findings: Recent Data and Trends. Retrieved from <http://www.academyhealth.org/files/2012/sunday/brennan.pdf>

¹⁰ CMS. Readmissions Reduction Program. *CMS.gov*. Retrieved from <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/Readmissions-Reduction-Program.html>

¹¹ Rodak S. (March 15, 2013) CMS Revises Hospitals' Readmission Penalties for the Second Time. *Becker's Hospital Review*. Retrieved from <http://www.beckershospitalreview.com/racs/-/icd-9/-/icd-10/cms-revises-hospitals-readmission-penalties-for-the-second-time.html>

¹² Lind, K. (March 2013). Recent Medicare Initiatives to Improve Care Coordination and Transitional Care for Chronic Conditions. *AARP Public Policy Institute*. Fact sheet 278, 1-9. Retrieved from http://www.aarp.org/content/dam/aarp/research/public_policy_institute/health/2013/recent-medicare-initiatives-improve-coordination-transitional-chronic-AARP-ppi-health.pdf

¹³ Abelson, R. (March 29, 2013) Hospitals Question Medicare Rules on Readmission. *The New York Times*. Retrieved from http://www.nytimes.com/2013/03/30/business/hospitals-question-fairness-of-new-medicare-rules.html?pagewanted=all&_r=0

¹⁴Joynt, K & Jha, A. (March 6, 2013) A Path Forward on Medicare Readmissions. *The New England Journal of Medicine*. 368:1175-1177. Retrieved from <http://www.nejm.org/doi/full/10.1056/NEJMp1300122>; Seaman A., (Oct. 19, 2012) Are Social Factors Tied To Hospital Readmissions? *Reuters*. Retrieved from <http://www.reuters.com/article/2012/10/19/us-social-factors-idUSBRE89I1CQ20121019>

¹⁵ CMS. (Feb. 28, 2013) Lower Costs, Better Care: Reforming Our Health Care Delivery System. *CMS.gov*. Retrieved from <http://www.cms.gov/apps/media/press/factsheet.asp?Counter=4550&intNumPerPage=10&checkDate=&checkKey=&srchType=1&numDays=3500&srchOpt=0&srchData=&keywordType=All&chkNewsType=6&intPage=&showAll=&pYear=&year=&desc=false&cboOrder=date>