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Readmissions Reduction Program

Background

Section 3025 of the Affordable Care Act added section 1886(q) to the Social Security Act establishing the Hospital Readmissions Reduction Program, which requires CMS to reduce payments to IPPS hospitals with excess readmissions, effective for discharges beginning on October 1, 2012. The regulations that implement this provision are in subpart I of 42 CFR part 412 (§412.150 through §412.154).

Readmission Measures

In the FY 2012 IPPS final rule, CMS finalized the following policies with regard to the readmission measures under the Hospital Readmissions Reduction Program:

- Defined readmission as an admission to a subsection(d) hospital within 30 days of a discharge from the same or another subsection(d) hospital;
- Adopted readmission measures for the applicable conditions of Acute Myocardial Infarction (AMI), Heart Failure (HF) and Pneumonia (PN);
- Established a methodology to calculate the excess readmission ratio for each applicable condition, which is used, in part, to calculate the readmission payment adjustment. . A hospital's excess readmission ratio for AMI, HF and PN is a measure of a hospital's readmission performance compared to the national average for the hospital's set of patients with that applicable condition.
- Established a policy of using the risk adjustment methodology endorsed by the National Quality Forum (NQF) for the readmissions measures for AMI, HF and PN to calculate the excess readmission ratios, which includes adjustment for factors that are clinically relevant including patient demographic characteristics, comorbidities, and patient frailty.
- Established an applicable period of three years of discharge data and the use of a minimum of 25 cases to calculate a hospital's excess readmission ratio of each applicable condition.
 - For FY 2013, the excess readmission ratios are based on discharges occurring during the 3-year period of July 1, 2008 to June 30, 2011.
 - For FY 2014, the proposed excess readmission ratios will be based on discharges occurring during the 3-year period of July 1, 2009 to June 30, 2012. However, the excess readmission ratios used for the purposes of modeling the proposed FY 2014 proxy readmission payment adjustment factors are based on the FY 2013 applicable period of July 1, 2008 to June 30, 2011.

For more information on the current readmissions measures under the Hospital Readmissions Reduction Program, please refer to the FY 2012 IPPS Final Rule in the Downloads section below.

In the FY 2014 IPPS final rule, CMS is finalizing the application of an algorithm to account for planned readmissions to the readmissions measures for AMI, HF and PN. In addition, CMS is finalizing the expansion of the applicable conditions for FY 2015 to include: (1) patients admitted for an acute exacerbation of chronic obstructive pulmonary disease (COPD); and (2) patients admitted for elective total hip arthroplasty (THA) and total knee arthroplasty (TKA). For more information on these readmission measure-related policies, please refer to the FY 2014 IPPS Final Rule in the Downloads section below.

Payment Adjustment

In the FY 2013 IPPS final rule, CMS finalized the following policies with regard to the payment adjustment under the Hospital Readmissions Reduction Program:

- Which hospitals are subject to the Hospital Readmissions Reduction Program;
- The methodology to calculate the hospital readmission payment adjustment factor;
- What portion of the IPPS payment is used to calculate the readmission payment adjustment amount; and
- A process for hospitals to review their readmission information and submit corrections to the information before

the readmission rates are to be made public.

For more information on these payment-related policies, please refer to the FY 2013 IPPS Final Rule in the Downloads section below.

In the FY 2014 IPPS final rule, CMS is finalizing changes to the methodology to calculate the hospital readmission adjustment factor. For more information on these payment-related policies, please refer to the FY 2014 IPPS Final Rule in the Downloads section below.

Formulas to Calculate the Readmission Adjustment Factor

Excess readmission ratio = risk-adjusted predicted readmissions/risk-adjusted expected readmissions

Aggregate payments for excess readmissions = [sum of base operating DRG payments for AMI x (excess readmission ratio for AMI-1)] + [sum of base operating DRG payments for HF x (excess readmission ratio for HF-1)] + [sum of base operating DRG payments for PN x (excess readmission ratio for PN-1)]

*Note, if a hospital's excess readmission ratio for a condition is less than/equal to 1, then there are no aggregate payments for excess readmissions for that condition included in this calculation.

Aggregate payments for all discharges = sum of base operating DRG payments for all discharges

Ratio = 1 - (Aggregate payments for excess readmissions/ Aggregate payments for all discharges)

Readmissions Adjustment Factor =

- For FY 2013, the higher of the Ratio or 0.99 (1% reduction);
- For FY 2014, the higher of the Ratio or 0.98 (2% reduction).

Formulas to Compute the Readmission Payment Adjustment Amount

Wage-adjusted DRG operating amount* = DRG weight x [(labor share x wage index) + (non-labor share x cola, if applicable)]

*Note, If the case is subject to the transfer policy, then this amount includes an applicable payment adjustment for transfers under § 412.4(f).

Base Operating DRG Payment Amount = Wage-adjusted DRG operating amount + new technology payment, if applicable.

Readmissions Payment Adjustment Amount = [Base operating DRG payment amount x readmissions adjustment factor] - base operating DRG payment amount.

*The readmissions adjustment factor is always less than 1.0000, therefore, the readmissions payment adjustment amount will always be a negative amount (i.e., a payment reduction).

For additional information on the readmission measures, please refer to the **Related Links** section below.

Downloads

[FY 2013 IPPS Final Rule: Hospital Readmissions Reduction Program Supplemental Data File \(updated March 2013\) \[ZIP, 885KB\]](#)

[FY 2014 IPPS Proposed Rule: Hospital Readmissions Reduction Program Supplemental Data File \[ZIP, 365KB\]](#)

[Hospital Readmissions Reduction Program Supplemental Data File FY 2014– updated September 2013 \[ZIP, 2MB\]](#)

Related Links

[FY 2012 IPPS Final Rule Home Page](#)

[FY 2013 IPPS Final Rule Home Page](#)

[FY 2014 IPPS Proposed Rule Home Page](#)

[FY 2014 IPPS Final Rule Home Page](#)

<http://www.qualitynet.org>Hospitals-Inpatient>Claims-Based Measures>Readmission Measures> 

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