

Readmissions Reduction Program Analysis

Annual Update Based on Hospital Compare's October 2016 (3rd quarter 2016) Data Release
-November 2016, Version 1-

Analysis Description

The Readmissions Reduction Program (RRP) Analysis is intended to provide detailed performance information on the readmissions measures that are currently evaluated or will be evaluated under the Medicare Hospital Readmissions Reduction Program and to provide hospitals with an in-depth review of actual performance under the Federal Fiscal Years (FFYs) 2016 and 2017 programs. The analysis also projects potential exposure under the FFY 2018 Program.

The specific measures analyzed (6 in total) represent the measures CMS has adopted for use in the FFYs 2016, 2017 and 2018 Hospital Readmissions Reduction Programs and include:

- Heart Attack (AMI)
- Heart Failure (HF)
- Pneumonia (PN)
- Hip/Knee Surgery (THA/TKA)
- Chronic Obstructive Pulmonary Disease (COPD)
- Coronary Artery Bypass Graft Surgery (CABG)

CMS calculates hospital readmissions rates on a rolling 3-year aggregate basis and updates are published on Hospital Compare annually as part of the Hospital Inpatient Quality Reporting (IQR) Program. These readmission rates reflect Medicare inpatient fee-for-service (FFS) patients only and do not include patients enrolled in Medicare Advantage Plans.

The readmission rates included in this analysis cover two update/publication periods as follows:

- 2nd/3rd Quarter 2015 update: July 2011 – June 2014
- 2nd Quarter 2016 update: July 2012 – June 2015

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This report provides a detailed review of hospital performance and the factors that drive performance under the Readmissions Reduction Program for FFYs 2016, 2017 and 2018, using actual and estimated data. The report includes tables and graphs to highlight exposure areas that drive payment penalties by year.

The “Estimated Program Penalties” section of this report provides the actual adjustment factors used to adjust inpatient rates for FFYs 2016-2017, as well as estimated impacts for those fiscal years. In addition, impacts are split among the individual readmission measures in order to better see how each condition area affects payments.

The “Performance Overview” section provides an overview of measure-specific readmission rates and resulting excess readmission ratios for each of the program years analyzed. The excess readmission ratios are used as part of the calculation of the adjustment factor for each program year.

CMS did not release the predicted or expected readmission rates used in the calculation of the FFY 2017 RRP adjustment factors when they updated Hospital Compare for the 3rd quarter of 2016. As a result, “—” will be displayed where this data was unavailable, in addition to when a hospital has fewer than 25 discharges attributable to a specific condition.

The “Estimated Revenue by Condition” section of this report details estimated inpatient revenue for each condition, by applying program rules to the relevant three years of inpatient discharge data for each of the FFYs 2016-2017 program years (FFY 2018 held constant at FFY 2017 levels). Revenue used under the program represents Base Operating IPPS revenue, which excludes adjustments due to DSH, IME, capital, low volume, outliers, and quality performance. This condition-specific revenue is then multiplied by each condition’s corresponding excess ratio to determine the excess revenue used to calculate payment penalties. The total excess revenue is then divided by the relevant three years of total base operating revenue for ALL discharges to determine the annual adjustment factors applied to base operating IPPS payments (these factors are capped at 3.0%).

The result of the calculation is compared to the actual program factor published by CMS in the FFYs 2016-2017 Medicare IPPS final rules and used to adjust payments under the IPPS during those FFYs. The factors’ estimated total impact on Medicare inpatient FFS operating payments is also shown. The use of slightly different hospital claims data is the cause of any difference between the actual and estimated factors.

Data Sources

- Readmissions rates and information from the most recent Hospital Compare update (October 2016 update) at <http://www.medicare.gov/download/downloadddb.asp>
- Readmissions rates and information from previous Hospital Compare updates at <https://data.medicare.gov/data/archives/hospital-compare>
- Medicare inpatient claims data from the Medicare Provider Analysis and Review (MEDPAR) Files from FFYs 2011-2015
- Hospital payment data from the corrected FFY 2017 IPPS final rule Impact File available on the CMS Web site at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/FY2017-IPPS-Final-Rule-Home-Page.html>
- FFYs 2016 and 2017 Readmissions Reduction Program Supplemental Data files available on the CMS Web site at:
 - <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/FY2016-IPPS-Final-Rule-Home-Page.html>
 - <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/FY2017-IPPS-Final-Rule-Home-Page.html>

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