

HEALTH REFORM IMPACT

What you need to know NOW

NEWS FOR THE CLIENTS AND FRIENDS OF BASS, BERRY & SIMS PLC

Carrying a Big Stick: Reductions in Reimbursement for Hospital-Acquired Conditions and Excessive Readmissions

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The recently enacted health reform legislation significantly expands the government's use of value-based purchasing in federally-funded healthcare programs. We highlighted some of these value-based purchasing programs in an earlier issue of Health Reform IMPACT.¹ In this issue, we describe a related concept, namely, how the health reform legislation broadens the current restrictions on payments for hospital-acquired conditions ("HACs") and provides financial incentives for hospitals to reduce readmissions.

Hospital-Acquired Conditions

Beginning October 1, 2008, the Centers for Medicare & Medicaid Services ("CMS") stopped paying hospitals additional amounts for the treatment of HACs, which are specific preventable adverse conditions that were not present upon admission of the patient. The health reform legislation expands the current restrictions for HACs. Beginning in federal fiscal year 2015, those hospitals that are in the highest quartile of national, risk-adjusted HAC rates during the previous year will receive only 99% of the reimbursement that they would have otherwise received for all inpatient discharges. Furthermore, The Department of Health & Human Services ("HHS") now must publish information regarding hospitals' rates of HACs on the Hospital Compare Web site. HHS is also directed to study potential application of similar HAC policies to inpatient rehabilitation facilities, long-term care hospitals, hospital outpatient departments, skilled nursing facilities, ambulatory surgical centers, and health clinics. Finally, HHS must develop regulations, effective July 1, 2011, that will prohibit federal payments to states for medical services necessary to treat HACs² under state Medicaid or waiver programs.

Excessive Readmissions

The health reform legislation introduces a Hospital Readmissions Reduction Program that will affect hospitals' Medicare inpatient payments. For fiscal years beginning on or after October 1, 2012, inpatient payments to hospitals will be reduced if a hospital experiences "excessive" readmissions, which will be defined by HHS, within a specified period following discharge for a heart attack, heart failure, or pneumonia. Certain planned readmissions will be exempted under this program. The health reform

¹ Please see "Health Reform's New Bundles of Joy: Value-Based Purchasing and Payment Bundling Initiatives," May 6, 2010, [available here](#).

² Note that, in the context of Medicaid, the health reform legislation refers to HACs as "health care-acquired conditions" instead of "hospital-acquired conditions."

legislation authorizes HHS to designate additional conditions to the readmission list beginning in fiscal year 2015. Hospitals with excessive readmissions for these conditions will receive reduced payments for all inpatient discharges, not just discharges relating to readmissions deemed excessive. In addition, hospitals' performance with respect to these readmissions will be publicly reported by HHS, which will include publication on the Hospital Compare Web site. The amount of the payment reduction and other terms and conditions of this program will be established by HHS at a later date.

Implications

The health reform legislation continues the government's focus on reducing the number of hospital acquired-conditions and readmissions by imposing financial penalties on those hospitals with lower quality measures compared to their peers. Providers should continue to work on reducing their numbers of hospital-acquired conditions and readmissions to avoid a loss of reimbursement as well as to improve the quality of care being provided to their patients.

If you have questions about any aspect of these initiatives related to value-based purchasing, please contact any of the attorneys in our Healthcare Practice Group listed below.

Also, please [click here](#) to visit our special web page for Health Reform IMPACT.

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